In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

DON'T STAPLE

OS AA01

7800499 / 20

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NO**
You cannot use this fo
an alteration of manne
with accounting requir

SATURDAY

ABVP2L8G
A09 21/01/2023 #65
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	Lendlease Corporation Limited
UK establishment number	B R 0 1 1 8 5 1 -

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	INTERNATIONAL ACCOUNTING REPORTING STANDARDS AUSTRALIAN ACCOUNTING STANDARDS & CORPORATION REGULATIONS 2001

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ❸: AASBs & IFRSs

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	CORPORATIONS REGULATIONS 2001 AND AUSTRALIAN ACCOUNTING STANDARDS	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X Z. Huse X
	This form may be signed by: ~~Director, Secretary,~~ Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Bara Novotna

Company name: ZGRP Limited

Address: Room 405

Highland House

165 The Broadway

Post town: London

County/Region:

Postcode: S W 1 9 1 N E

Country: England

DX:

Telephone: 020 89441100

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

ASX ANNOUNCEMENT

17 August 2020

For personal use only

Lendlease Group 2020 Annual Report

Lendlease Group today announced its results for the year ended 30 June 2020. Attached is the 2020 Annual Report, including:

- Directors' Report
- Remuneration Report
- Financial Statements

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

Investors:
Justin McCarthy
Mob: +61 422 800 321

Media:
Stephen Ellaway
Mob: +61 417 851 287

Authorised for lodgement by the Lendlease Group Disclosure Committee

lendlease

Creating together

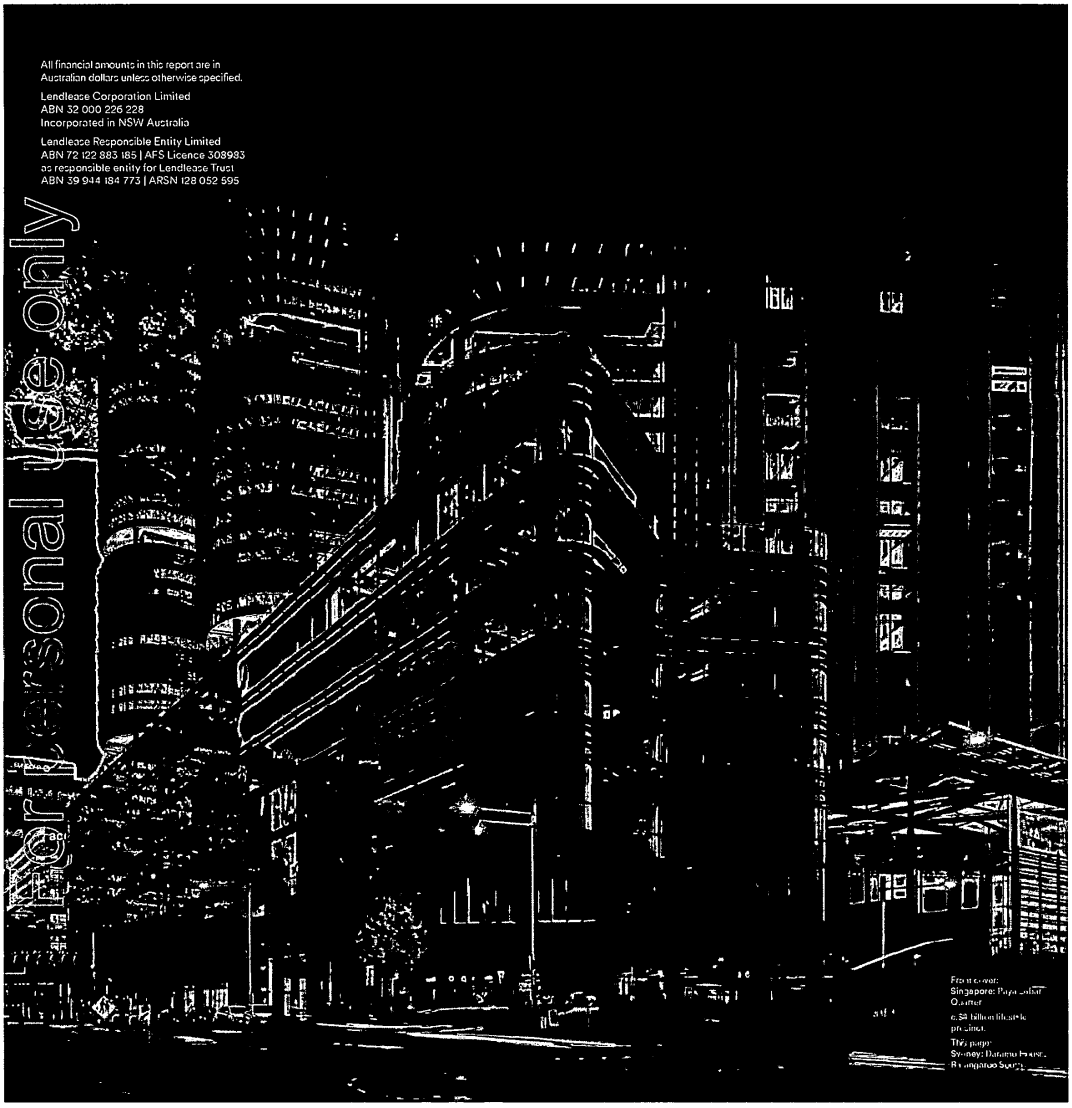
Lendlease
Annual Report
2020

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

For personal use only



Front cover:
Singapore: Paya Lebar Quarter
c.$4 billion lifestyle precinct.
This page:
Sydney: Darling Harbour, Barangaroo South.

Contents

Directors' Report

1. Overview 6
   - Chairman's Report
   - Group CEO and Managing Director's Report
   - FY20 snapshot
2. Our Business 14
   - Our vision: To create the best places
   - Our strategy
   - Global presence, local knowledge
   - Development
   - Construction
   - Investments
3. Creating Together 28
   - By shaping cities
   - Through creating the best places
   - Through partnering
   - By engaging with the community
   - By looking into the future
4. Managing and Measuring Value 42
   - Our five focus areas of value creation
   - Health and Safety
   - Financial
   - Our Customers
   - Our People
   - Sustainability
5. Risk 60
   - Risk governance and management
   - Key risks and mitigation
6. Climate Related Risks and Opportunities 68
7. Performance and Outlook 76
8. Governance 90
   - Board of Directors' information and profiles
   - Remuneration Report
   - Directors' Report
   - Lead Auditor's Independence Declaration
9. Financial Statements 142
10. Other Information 214
   - Securityholder information
   - Glossary
   - Corporate directory

About this report

The Lendlease Annual Report 2020 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 senior management and those charged with governance believe it could significantly impact the value created and delivered in the short, medium and long term. We identify and capture 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 is consistent and relevant with the information collected above.

The outcomes of these processes are the material issues noted on page 44 and 45, and in the section Our Business on pages 14 to 27.

Directors' Report and Operating and Financial Review (OFR)
The required elements of the Directors' Report, including the OFR, are featured on pages 4 to 141 of this report and include the sections: Our Business, Creating Together, Managing and Measuring Value, Risk, Climate Related Risks and Opportunities, Performance and Outlook, and Governance.

The OFR is covered specifically on pages 4 to 89. All non financial metrics included in the Directors' Report on pages 4 to 75 have been verified through our internal verification process. The Remuneration Report on pages 106 to 137 and the Financial Statements on pages 142 to 205 have been audited by KPMG.

Reporting suite
Our reporting suite provides information about the organisation and its key financial and operational achievements including:

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

Our focus areas

We have five focus areas that create long term value. They underpin our ability to create safe, economic and sustainable outcomes. Our success is measured by the value we create in these five focus areas and can be found throughout this report.

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

Financial
A strong balance sheet and access to third party capital enables us to fund the execution of our 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 are the greatest contributors to our success and enable us to fulfil our vision 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.

About us

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

Founded in Sydney in 1958, Lendlease was born out of a vision to create a company that could successfully combine the disciplines of Development, Construction and Investments.

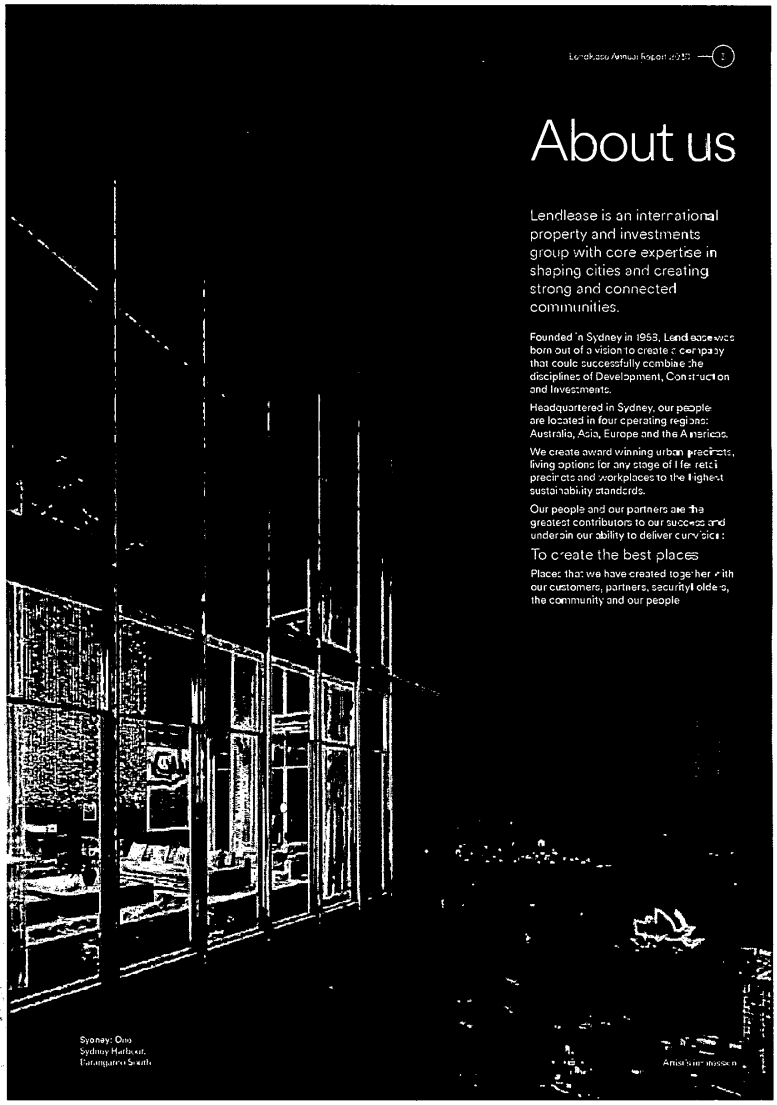
Headquartered in Sydney, our people are located in four operating regions: Australia, Asia, Europe and the Americas.

We create award winning urban precincts, living options for any stage of life, retail precincts and workplaces to the highest sustainability standards.

Our people and our partners are the greatest contributors to our success and underpin our ability to deliver our vision:

To create the best places

Places that we have created together with our customers, partners, securityholders, the community and our people



Sydney: One Sydney Harbour, Barangaroo South

Artist's impression

Overview

Chicago: The Chicago Stock Exchange.

Lehman's investment banking and trading are major revenue streams from the markets of the Chicago Board Options Exchange and the New York Stock Exchange.

Chairman's Report

It is impossible to present our year in review to securityholders without first acknowledging COVID-19 and its impacts on the regions in which we operate and our stakeholders including our people, securityholders and customers.

The pandemic has reshaped most aspects of society. Governments around the world quickly responded to help shield their citizens and economies from the worst of the virus's effects. This was, and continues to be, an entirely appropriate course of action. In a similar vein, the Board moved decisively to tackle COVID-19 related risks – including the health and safety of our people, our customers and the communities in which we operate, as well as our operations and our balance sheet.

A Board subcommittee, which was formed in March 2020, had primary oversight of the Group's response to COVID-19.

Health and Safety
This past year has reinforced that the health and safety of our people, and those who interact with our operations, is Lendlease's number one priority. This year the Group recorded our lowest incident frequency rates for both Critical Incidents and Lost Time Injuries since we began reporting these metrics.

Notwithstanding this strong performance, a construction worker tragically passed away in hospital from an infection contracted following surgery after a critical incident on one of our sites in Kuala Lumpur. This provides a strong reminder of why we have such an unrelenting focus on health and safety. Our sincerest condolences are extended to the deceased worker's family and colleagues.

Financial Result
Lendlease reported a Statutory Loss after Tax of $310 million, as $368 million of costs previously flagged in February 2019 relating to the exit of Engineering were brought to account. While disappointing, the Board remain confident that exiting Engineering and focusing on our Core business is in the best interests of securityholders.

Our first half Core profit of $308 million was followed by a $212 million loss in the second half of the year. Distributions to securityholders reflect the distribution of 54 per cent of first half earnings, 30 cents per security, and the distribution of Trust earnings in the second half of 3.3 cents per security.

The Board moved decisively to tackle COVID-19 related risks – including the health and safety of our people, our customers and the communities in which we operate.

A range of measures were implemented in the second half of the year to strengthen our financial position. This included raising $1.2 billion of new equity, arranging additional debt facilities, reducing operating costs and reviewing project expenditure. The equity raising provides additional flexibility and capacity to continue the delivery of our development pipeline while pursuing further investment opportunities. The equity was allocated 48.4 per cent to Lendlease Corporation and 51.6 per cent to Lendlease Trust. This allocation will enable the Group to continue to implement its strategy of conducting its active business in Lendlease Corporation, while holding its passive assets in Lendlease in an efficient manner, and will provide the Trust with additional capacity for investments to grow recurring earnings within the Group's overall portfolio management framework.

The Group entered FY21 in a strong financial position with cash and cash equivalents of $1.6 billion, undrawn debt facilities of $4.2 billion and gearing of 5.7 per cent.

Board Renewal
During the year, we continued to focus on our program of Board renewal and appointed two new Non Executive Directors, Margaret Ford OBE and Robert Welanetz.

However, given the disruption caused by COVID-19, including continuing global travel bans and ongoing time zone challenges, Margaret has elected to step down from the Board. Margaret will continue to assist the Lendlease Board in respect of the Group's Europe operations in an advisory capacity. Margaret has expressed a willingness to re-join the Board once the COVID-19 restrictions have significantly subsided.

Robert, who brings significant international experience in our core sectors of Development and Investments, continues to serve as a Non Executive Director and will be standing for election at the Annual General Meeting.

After more than eight years of service, Colin Carter will retire at the conclusion of our 2020 Annual General Meeting. During his tenure, Colin made an outstanding contribution, including oversight of the Board's long term renewal and succession strategy and Board performance assessment. His depth of experience in strategy, sustainability and governance has helped shape Lendlease's position on these critical issues. On behalf of the Board, I thank Colin for his unwavering support.

More broadly, I am confident the Board has the right mix of skills, experience and diversity to govern Lendlease in the best interests of all our stakeholders.

Executive Reward Strategy
In this challenging year, the Board has considered a number of factors when determining remuneration outcomes for our CEO and senior executives.

While the business performed well during the first nine months of the year, the dual impacts of COVID-19 and accounting for the costs associated with exiting Engineering, resulted in a statutory loss. On this basis, no short term award in relation to financial performance was made to the Group CEO or senior executives.

Based on the achievement of non financial metrics that support long term value creation, the Board recognised the efforts of the CEO and senior executives via a Deferred Equity Award vesting over two tranches in FY21 and FY22. The Board considered that the recognition of the performance in this area, albeit at a reduced quantum from prior years, to be fair and appropriate as these contributions position the Group for success in FY21 and beyond. Further detail on the Board's deliberations in this regard is provided in the Remuneration Report.

Risk Culture
After extensive internal consultation and testing, Lendlease's Risk Appetite Tolerances were approved by the Board Risk Committee. These provide guardrails to assist management in aligning Lendlease's appetite for risk with our decision making and review processes. They also provide a mechanism to identify, manage and report on risks through the lifecycle of projects and investments. The strength and maturity of our risk framework was evident in recent months as we navigated through the initial phases of COVID-19.

Sustainability
At Lendlease, we have a long and proud history of achieving numerous sustainability firsts. This continues to be the case.

Following deep engagement across our entire business, including with the Board and Global Leadership Team, Lendlease has committed to two bold new sustainability targets. First, market leading carbon targets to meet our vision to live in a world warmed by no more than 1.5°C. Second, we are aiming to create $250 million of social value by 2025.

While recognising these new targets will be difficult to achieve, we believe they are worthwhile striving for, as our leadership position on sustainability continues to be a key competitive advantage.

Commitment to First Nations Peoples
The Board is also proud of the way we support and implement the principles of the UN Global Compact. Our Elevate Reconciliation Action Plan (RAP) is one way we demonstrate our operational performance on human rights, and specifically Indigenous peoples' rights. It outlines our commitment to First Nations Peoples, acknowledging their unbroken connection to country and creating respectful relationships that provide opportunities for equal social and economic outcomes – this aligns to our purpose, and is vital to meeting the expectations of our people and those of key relationship customers.

Looking to the Future
Finally, I would like to thank my Board colleagues and the entire Lendlease team for the extraordinary effort they have made in steering Lendlease through one of the most turbulent times in living memory. Importantly, while we have responded comprehensively to the challenges that COVID-19 has thrown at us, the team have continued to lay down the strategic foundations that position us to create long term value for securityholders.

M J Ullmer, AO
Chairman

Group CEO and Managing Director's Report

2020 will be a watershed year in history with the impacts of COVID-19 likely to reshape society for years to come. I start this report by recognising the unwavering support and commitment of the people of Lendlease; to each other, our customers and to the strength of our organisation. Our people have drawn on the resilience, adaptability, focus and care that have long been hallmarks of our business to steer us through an extraordinary operating environment.

While Lendlease delivered a disappointing financial result for the year, we made substantial progress on our strategic agenda including growing and converting the development pipeline, achieving important planning milestones and creating new investment partnerships to support projects moving into delivery.

We made significant inroads into positioning the organisation at the forefront of sustainable development. This included investment in people, process and technology which has laid the foundation to better enable and fast track the delivery of our pipeline to meet the needs of changing urban landscapes.

Health and Safety

Tragically, a construction worker was seriously injured in a critical incident on a project in Kuala Lumpur where Lendlease is the construction manager. He subsequently passed away from complications following surgery. On behalf of Lendlease, I extend my heartfelt condolences to his family, friends and colleagues.

It is difficult to call out positive achievements given this tragedy, but I do want to thank the commitment of our teams which has enabled us to reduce critical incident and lost time injury frequency rates to their lowest levels since we began reporting these metrics.

As COVID-19 set in, an extraordinary effort was made by our teams to keep our people, and those who interact with us, safe and to support the continuance of operations. This level of focus was applied across all businesses and locations, through adjusting office and site-based working arrangements and quickly introducing new policies, education and support for employees and customers as restrictions and social distancing protocols became first lines of defence against the virus.

Lendlease's ability to deliver transformational urban precincts with a focus on financial, environmental and social outcomes is being recognised globally. This has resulted in significant growth in the development pipeline to more than $100 billion.

To support our people, Lendlease launched a Hardship and Wellbeing Fund with grants to help cover expenses for employees experiencing hardship during the pandemic.

Financial performance

The Group's Core business generated Profit after Tax of $96 million, Earnings per Security of 15.9 cents and a Return on Equity of 1.5 per cent. The Core business was adversely impacted by COVID-19.

Our performance in the second half of the year was down significantly across the Core operations. A solid Core operating EBITDA in the first half of $628 million was followed by a $65 million loss in the second half as the Group experienced a substantial deterioration in operating conditions.

The Group reported a Statutory Loss after Tax of $310 million for the year ended 30 June 2020. Engineering exit costs of $368 million after tax, along with $19 million of goodwill impairment relating to the anticipated completion of the sale of Engineering, were expensed.

Progress on converting opportunities across our urbanisation pipeline was hindered. The impact across our construction projects was greater in our international regions, particularly in cities where mandated shutdowns were implemented. The Group's investments portfolio was impacted by declining real estate values.

We implemented a range of measures to strengthen the financial position of the Group. Costs were reduced along with the reassessment of capital and project expenditure. The issuance of new equity and the arranging of additional debt provides the Group with the capacity to manage through a potential sustained downturn and positions the Group for a market recovery.

While our financial performance was curtailed, we achieved substantial growth in our development pipeline, established new investment partnerships and extended existing partnerships.

Wherever we operate, Lendlease has continued its partnership approach with governments by responding to the public health and economic crisis presented by COVID-19. We provided practical support, including surge capacity plans to extend hospital infrastructure as well as accommodation to frontline workers and food and other supplies to the most vulnerable members of our community.

We also shared our safety standards to help make construction sites across our operations globally, COVID-safe. We acknowledge that our government partners have adopted the same approach and recognised the crucial role of the property and infrastructure sectors in the economy. The Group accessed wage subsidy support in markets where it was offered. Further details are set out on page 160 of the Financial Statements.

Strategy

The cornerstone of the Group's strategy is to create value through the best urban precincts in key global gateway cities. We have demonstrated over more than two decades our ability to deliver major urbanisation projects, and together with our integrated business model and placemaking skills, have created a point of difference few can match.

A demonstrated track record of superior outcomes for placemaking, sustainability and connectivity has helped us in our aim to be the global urbanisation partner of choice and has underpinned the strong growth of our Investments platform.

Two new major urbanisation projects with a combined estimated end value of $37 billion were added to the pipeline during the year. The unlocking of these and other opportunities across our targeted gateway cities has resulted in the development pipeline more than doubling over the last five years to above $100 billion. This includes a portfolio of 21 major projects across nine gateway cities.

Creating value for future generations

We aim to tackle the climate crisis head on.

We launched two new ambitious targets: to be a 1.5°C aligned company and to create $250 million of social value by 2025. These were developed after extensive analysis and consultation with clients, partners and employees. They are our call to action and will be a measure of our success.

We have set market leading carbon targets to meet our 1.5°C aligned commitment. Net zero carbon scope 1 and 2 by 2025 and absolute zero carbon by 2040 will be challenging but will inspire our next generation of leaders and we believe can be achieved while delivering client and shareholder value.

Outlook

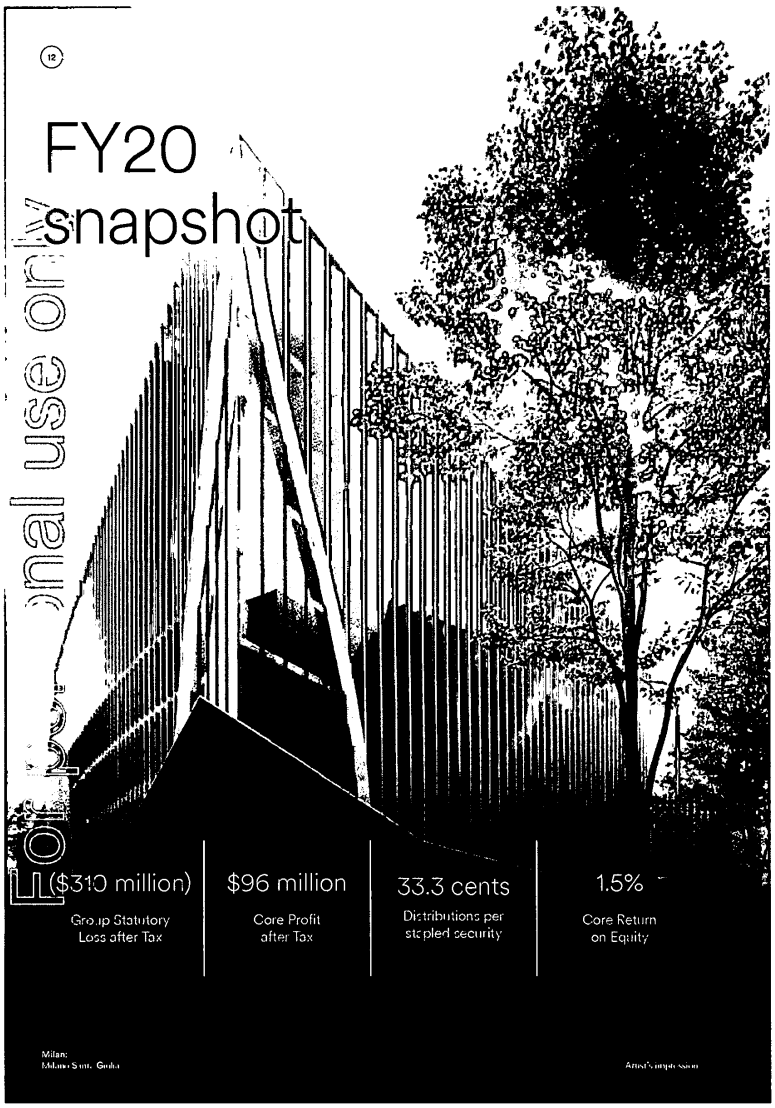
While the duration of the impacts of the pandemic is uncertain, the Group entered FY21 in a strong financial position. Business resilience and adaptability are critical to navigate the uncertainty the world still faces. We have a tremendous team and an outstanding pipeline of projects and are well placed to drive high quality earnings growth and pursue new opportunities as we emerge from the current economic challenges.

On behalf of the Group I again thank our employees, along with our investment partners, securityholders and financiers for supporting Lendlease throughout the year.

Stephen McCann

Group Chief Executive Officer and Managing Director

FY20 snapshot



($310 million)	$96 million	33.3 cents	1.5%
Group Statutory Loss after Tax	Core Profit after Tax	Distributions per stapled security	Core Return on Equity

Milan:
Milano Santa Giulia

Artist's impression

For personal use only

$37 billion
Two major urbanisation projects secured in London and San Francisco Bay Area

Safety
Record low Critical and Lost Time injury rates, sadly one fatality

48%[1]
Increase in development pipeline to $113b

Listed
Lendlease Global Commercial REIT in Singapore

Two
Investment partnerships established to deliver One Sydney Harbour[2] and the Victoria Cross over station development

#1
Ranked fund in GRESB[3], with four funds ranked in the global top 10

Milano Santa Giulia
New investment partner to deliver the $4 billion[4] project

c.$4 billion
Paya Lebar Quarter completed

Australian first
Barangaroo South named Australia's first carbon neutral precinct

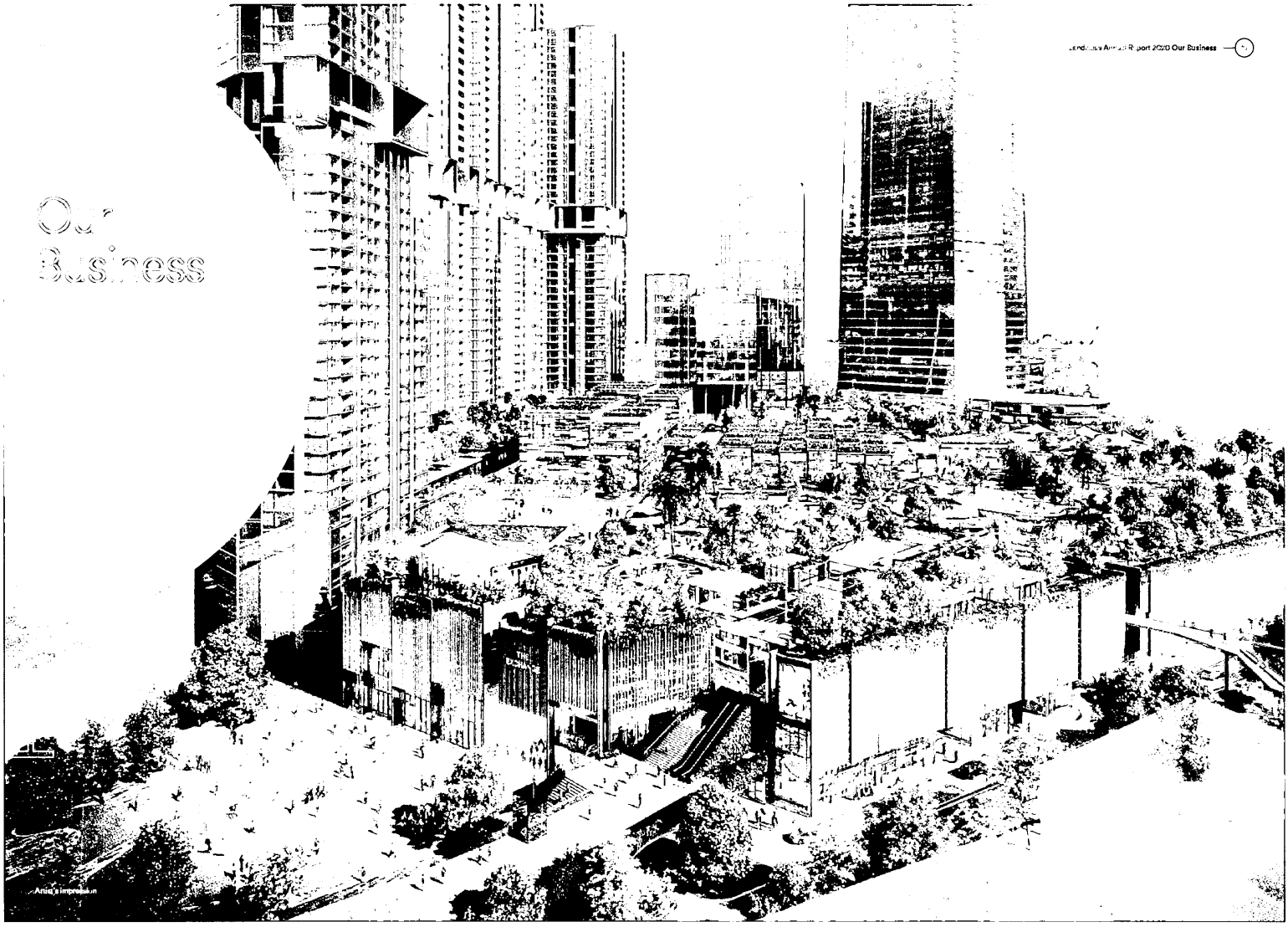
#1
Ranked infrastructure contractor for Australian Department of Defence

TCFD[5]
Four climate scenarios developed and published in line with TCFD recommendations

70%[6]
Increase in residential funds under management

1. Comparative period 30 June 2019. 2. Formed post balance date. 3. Global Real Estate Sustainability Benchmark. 4. Total estimated development end value. 5. Task Force on Climate Related Financial Disclosures. 6. Comparative period 30 June 2019.

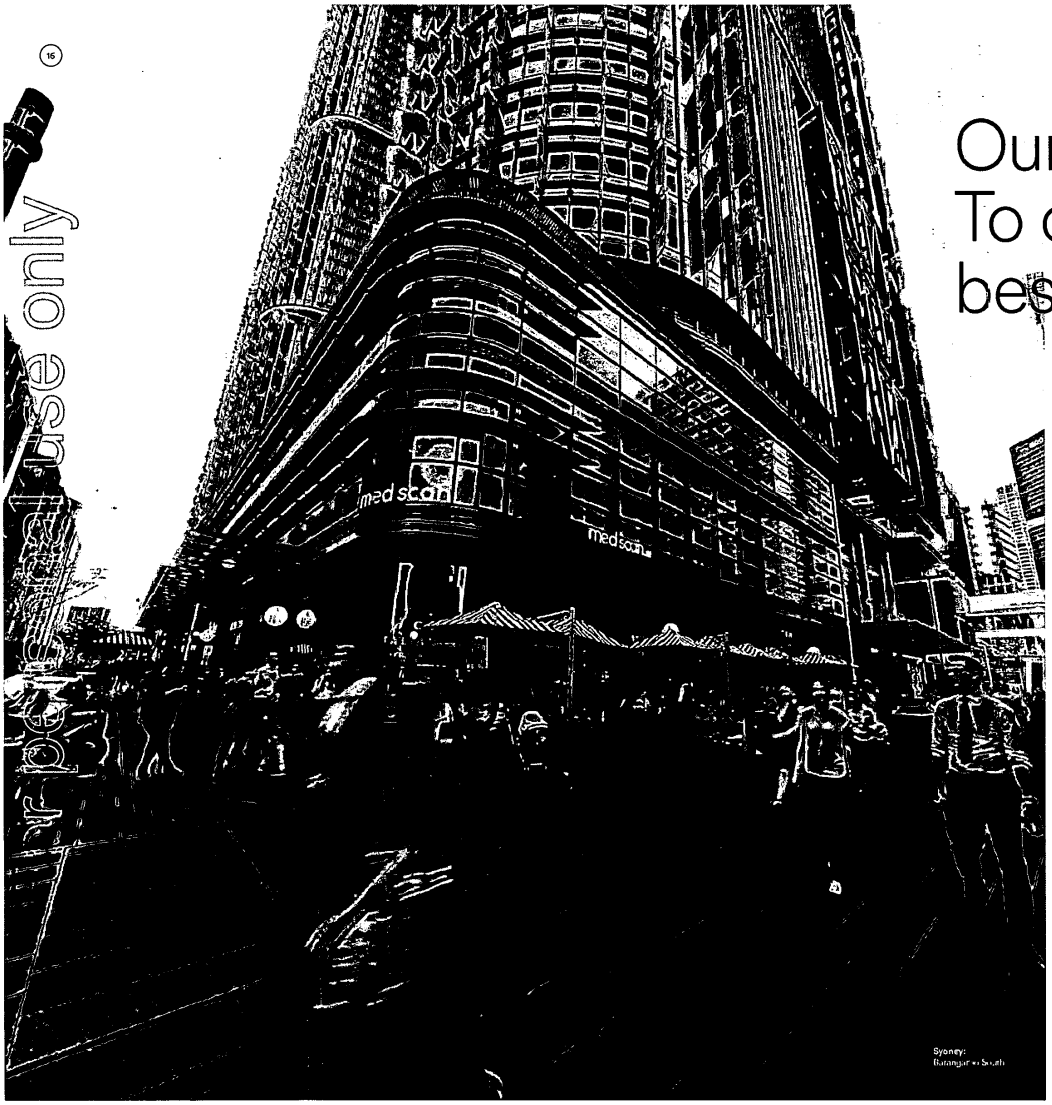
Our Business



Artist's impression

For personal use only

Our vision: To create the best places



Sydney:
Barangaroo South

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.

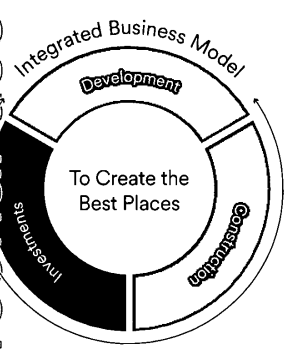
Guiding what we do
Our vision and values guide everything we do. We strive to create some of the world's best places, places that people love and want to experience.

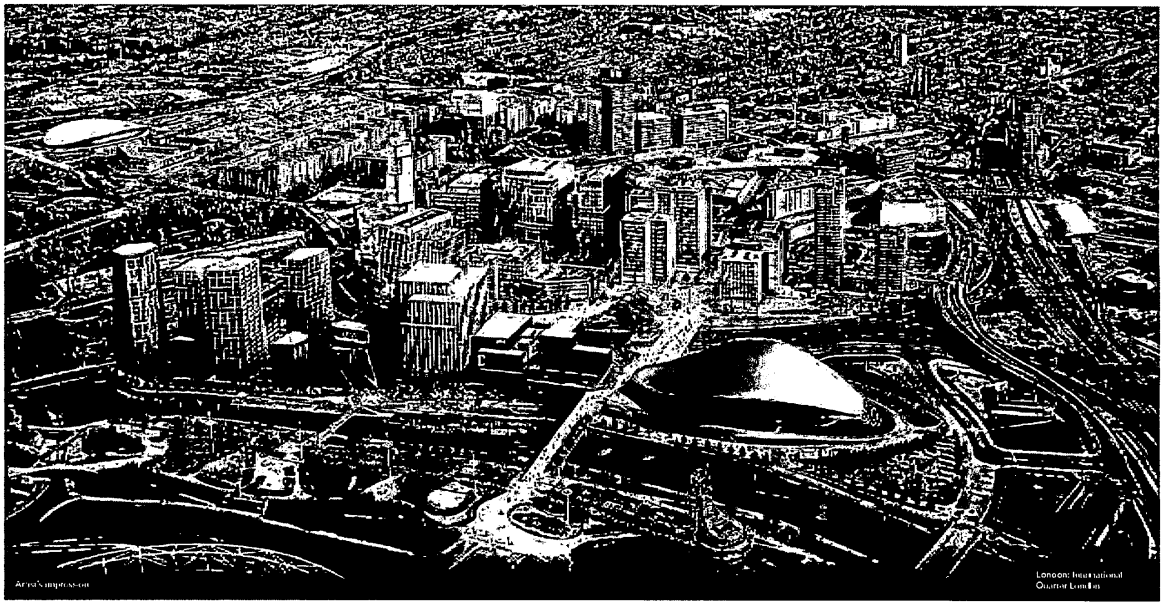
Our integrated business model, encompassing Development, Construction and Investments, enables our vision. We develop inner city mixed use developments, apartments, communities, retirement, retail, commercial assets and social and economic infrastructure. Our Construction segment delivers project management, design and construction services for the Group's pipeline and for external clients across a range of sectors. With our investment management platform and co-investment strategies, we can orchestrate the funding to make the vision a reality.

This powerful combination of capability, tightly aligned to our vision and values, allows us to shape cities and connect communities. We believe it delivers great outcomes for our customers and the communities we serve, inspires our people and provides sustainable growth for our securityholders.

For personal use only

Our strategy





The cornerstone of the Group's strategy is to create the best urban precincts in key global gateway cities.

The ability to deliver major urbanisation projects through our integrated business model, together with our financial strength and strong track record, provides a point of difference we believe few can match.

More than two decades of experience creating large scale mixed use urban precincts has enabled the Group to deepen its expertise and sophistication to become, in our view, the preeminent urbanisation specialist. It has also underpinned the strong growth of our Investments platform.

The success and vibrancy of our completed precincts is testament to our capability. This demonstrated track record of superior outcomes for placemaking, sustainability and connectivity has helped us achieve our aim to be the global urbanisation partner of choice.

Opportunities have been unlocked across our targeted gateway cities, with the urbanisation platform comprising a portfolio of 21 major projects across nine gateway cities.

An important component of the strategy is the capital efficient land management model where land is typically drawn down in phases and payments linked to development activity. It is designed to withstand market cycles.

The outcome is an urbanisation led strategy focused on global gateway cities. These cities have attributes that are typically more resilient through property cycles and attract more global investment capital. They often contain sites well suited to regeneration and infrastructure upgrades and play to our strengths.

End to end capabilities across all aspects of real estate – from concept and planning, to design and delivery through to funding and investment management – generate superior economic, social and environmental outcomes.

Our strategy is supported by a strong risk management and governance framework which requires robust safety and sustainability standards and a structured approach to capital allocation.

Our strategy must evolve to remain successful.

The foundations of a global platform for growth are being assembled to accelerate the delivery of our development pipeline. This involves enhancing our operating structure by employing an enterprise wide approach to facilitate production at a greater scale.

A key component of the pipeline acceleration is our aim to lead digital disruption in the construction industry.

While the development pipeline is expected to be the main source of growth for the Investments platform, we will look for other growth opportunities that leverage our ability to add value.

A once in a century pandemic is having a profound impact globally and it is too early to gauge its lasting effects. It may result in the acceleration of existing trends such as online retail and a deterioration of housing affordability, but potentially a reversal in some others such as densification in the workplace and demand for inner city living.

Business resilience will be critical to navigate the uncertainty that may persist for some time. Our urbanisation led strategy with its mixed use capabilities is uniquely placed to adapt to prevailing market conditions as opportunities arise across a range of property sectors.

A global platform combined with local expertise across targeted gateway cities enables us to deliver the most value and create the best places.

Global presence, local knowledge

For personal use only

Development pipeline $115 billion[1]

Construction backlog revenue $14 billion

Funds under management $36 billion

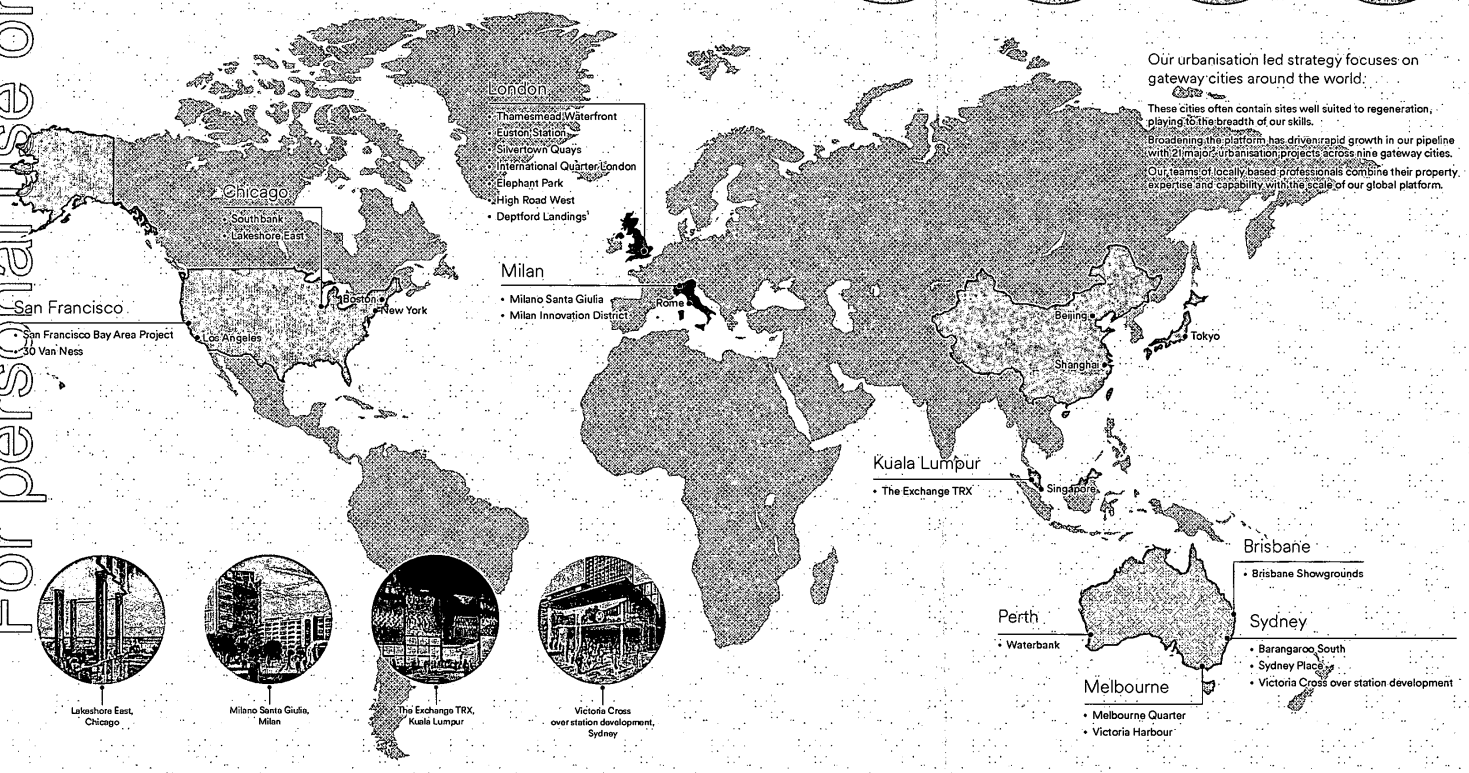
Assets under management $29 billion

Our urbanisation led strategy focuses on gateway cities around the world.

These cities often contain sites well suited to regeneration, playing to the breadth of our skills.

Broadening the platform has driven rapid growth in our pipeline with 21 major urbanisation projects across nine gateway cities.

Our teams of locally based professionals combine their property expertise and capability with the scale of our global platform.



Lakeshore East, Chicago

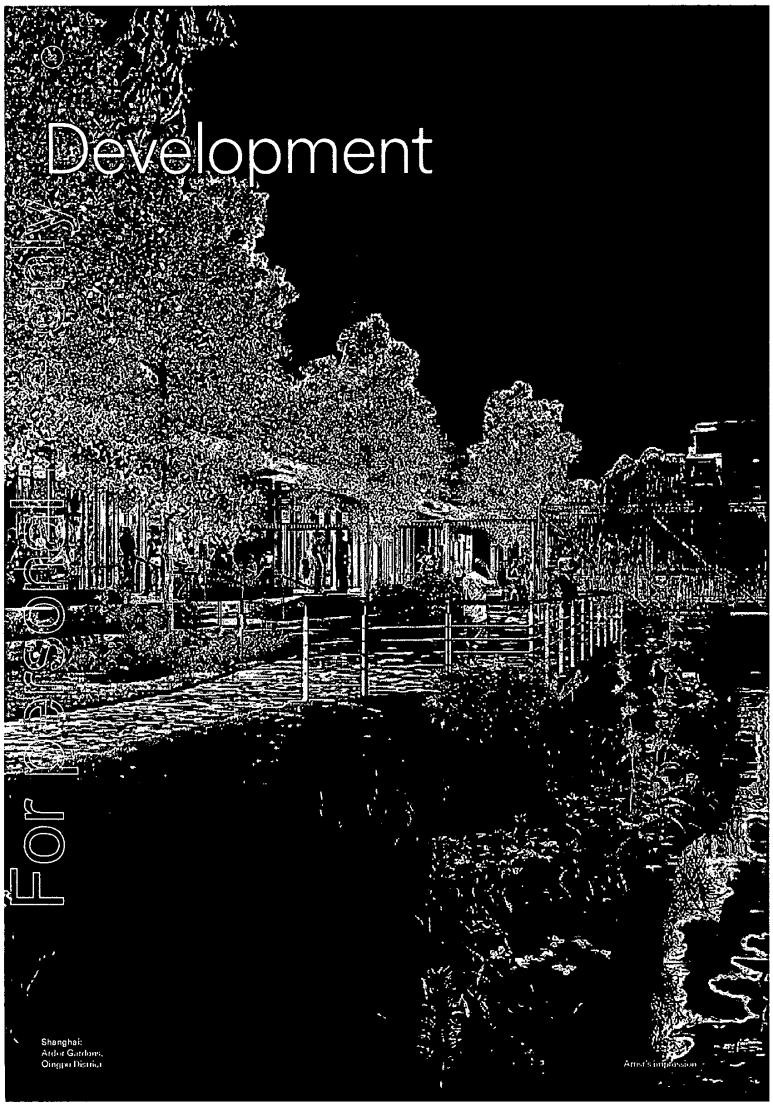
Milano Santa Giulia, Milan

The Exchange TRX, Kuala Lumpur

Victoria Cross over station development, Sydney

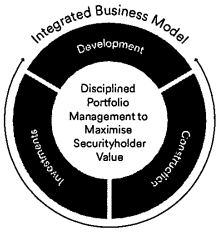
1. Formerly The Timberyard.

1. Remaining estimated development end value. 2. Projects with an estimated development end value greater than $1 billion.



Shanghai:
Anlan Gardens,
Qingpu District

Artist's impression



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

Financial returns for the segment are generated via:

- Development margins
- Development management fees
- Origination fees

Our capability

Placemaking is the capability that sets us apart to realise our vision to create the best places. We create environments where people consciously choose to dwell by being sensitive to a community's needs and the elements that attract its members to an urban location.

Effective place design requires active engagement with partners who provide input as co-creators and is informed by an understanding of their vision and aspirations for the urban space they will inhabit.

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.

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.

Urbanisation

Lendlease's core strategy is focused on urbanisation in targeted gateway cities and we aim to be the urbanisation partner of choice. Securing major urbanisation projects where the breadth of our skills can be applied is where our competitive advantage excels.

Our integrated model is fundamental in delivering these projects. Working with Development, our Construction segment provides design and delivery excellence, while Investments attracts investment partners for financing.

Our first major[1] urbanisation project was secured in Melbourne almost two decades ago and still offers a substantial residential pipeline. This is typical of the type of project we look to secure: long dated; capital efficient; whole of precinct; and spanning multiple property cycles.

In recent years we have broadened our urbanisation platform via targeted international gateway cities. They include projects in London, Milan, Chicago and the San Francisco Bay Area. These projects form part of a portfolio that comprises 21 major projects across nine gateway cities.

Being awarded these projects from both public and private sector clients is a strong endorsement of our expertise. Our sustainability credentials have been critical in the selection process, with consistent feedback that the integration of all aspects of sustainability within our placemaking capabilities resonates strongly.

Our urbanisation pipeline is set to produce more than 56,000 residential units and more than 50 commercial buildings over a c.25 year horizon. We expect our development activity to accelerate over the medium term as our secured pipeline progresses through planning and into delivery.

Residential and retirement communities

For more than 50 years we have created and delivered new suburban communities. They range from inner urban villages to large scale, masterplanned communities with integrated town centres. We have 17 active projects in key population growth corridors that are anticipated to deliver approximately 47,000 individual land parcels.

Development opportunities across our Australian retirement portfolio have been boosted with approvals for unique developments at three villages, including a new concept, multi generational village adjacent to the University of Wollongong. Our development expertise in retirement was recently extended to Shanghai where we are delivering an initial c.850 senior living homes.

In the US, our Military Housing portfolio is expected to offer periodic redevelopment opportunities.

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.

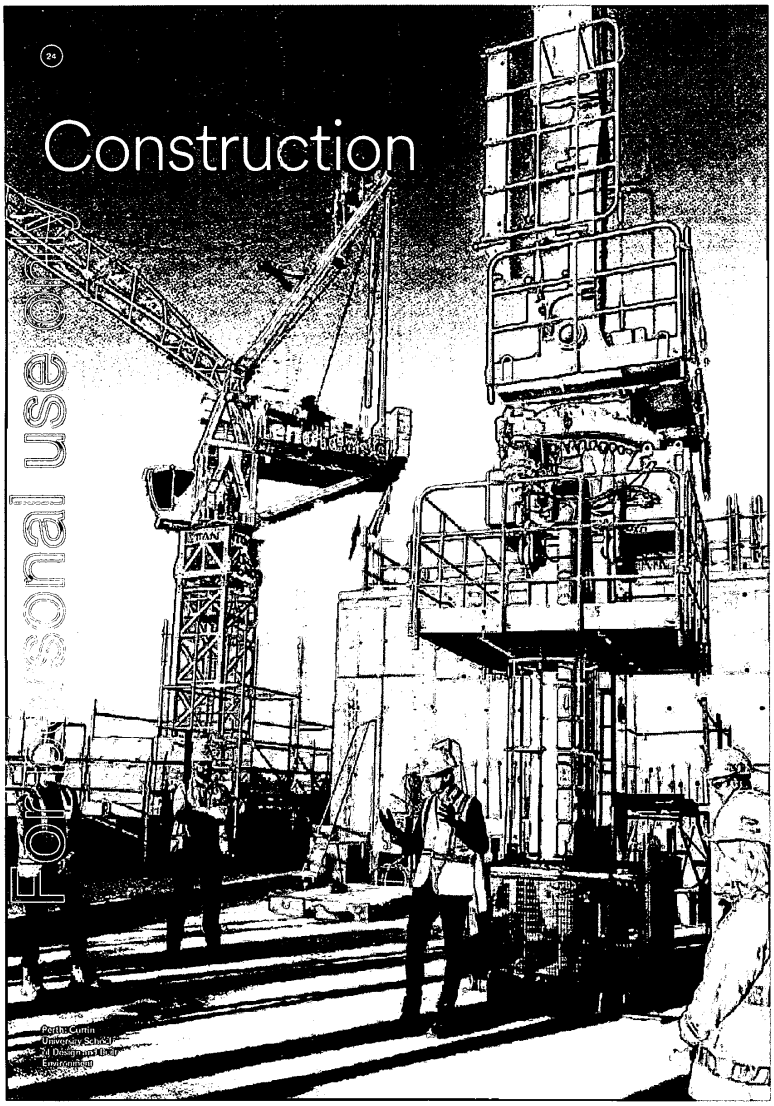
FY20 Development segment highlights

Development pipeline of $113 billion:[2]
$99 billion urbanisation
$14 billion communities
Secured two major urbanisation projects:
Thamesmead Waterfront, London: c.11,500 homes
San Francisco Bay Area project: c.15,000 homes
Completed Paya Lebar Quarter – Singapore's newest lifestyle precinct:
Retail mall
Three Grade A office towers
429 residential apartments

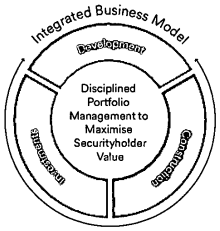
1. Projects with an estimated development end value greater than $1 billion. 2. Remaining estimated development end value.

Construction

Focus on Social Usefulness



Curtin University School of Design and Built Environment



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

Financial returns for the segment are generated via:

- Project management and construction management fees
- Construction margins[1]

Our capability

Our construction capability is showcased in the places and structures we create – workplaces for some of the world's largest organisations, vibrant retail centres, residential apartments, including affordable housing options, state of the art hospitals, and other buildings of civic and social importance.

We have delivered construction projects around the world for more than six decades, creating thousands of buildings. 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 we have been entrusted to create and restore iconic buildings that shape city skylines.

It's a legacy of which we are 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 our flexible 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 a testament to being a trusted and strategic partner.

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 derisking 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.

Areas of expertise

We are one of Australia's largest construction companies and in 2020 we were named the top infrastructure contractor for the Australian Department of Defence.

In the US, we have been ranked the top multi-family residential contractor[2] for 20 consecutive years.

Across Europe, we are exceptionally well placed to participate in the integrated delivery of the region's c.$50 billion[3] urbanisation pipeline.

Our Asian business has specialist expertise in the life sciences, education and telecommunications sectors. In Japan, we have delivered more than 75,000 telecommunications towers and rooftop antenna sites.

Construction's role in Lendlease's integrated model

Our Construction segment typically designs and delivers the built form for our 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 investment partner demand.

Paya Lebar Quarter is an example of where our delivery expertise and the certainty we provide to partners on long dated projects is 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 lead disruption in 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.

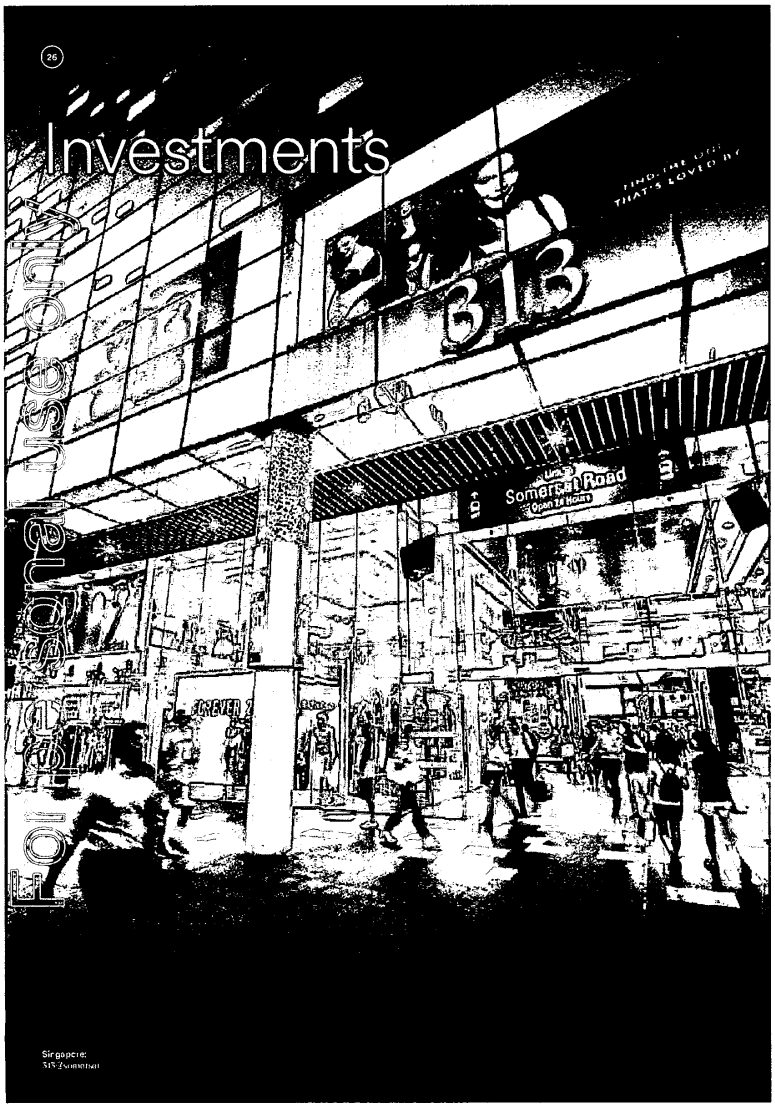
We are developing stronger digital capability to enhance our construction business. This is enabling us to simulate all aspects of construction from design to structural integrity to system performance and user preferences. We expect this to lead to a faster pace of innovation and productivity across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

FY20 Construction segment highlights

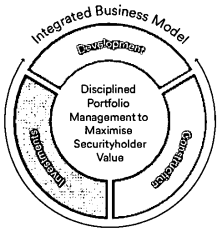
Construction backlog revenue of $14 billion
Well diversified by sector and client
$7.5 billion of new work secured including:
Curtin University School of Design and Built Environment, Perth
HMAS Watson Redevelopment Delivery Phase, Sydney
4 Hudson Square, New York
Completed projects
Wesley Place, Melbourne[4]
50 Martin Place, Sydney
Paya Lebar Quarter, Singapore

1. From external clients only. 2. As ranked by ENR Sourcebook for Top 25 Multi-Unit Residential. 3. Remaining estimated development end value. 4. Formerly 130 Lonsdale Street.

Investments



Singapore:
313@Somerset



The Investments segment owns and manages property and infrastructure assets.

Financial returns for the segment are generated via:

- Fund and asset management fees
- Income and capital growth from ownership interests

Our capability
For decades we have been managing funds and assets for some of the world's largest money managers including sovereign wealth funds and large public and private pension funds.

Our expertise spans many property sectors across both unlisted and listed property trusts and mandates. We have deep relationships with c.150 institutional investment partners.

We offer a research led investment capability supported by active asset management with leadership in sustainability a critical element to our approach.

The key point of difference for our Investments segment is the high quality and sustainable product we create through our integrated model, which offers investment partners diverse, long term investment choices on a global scale.

Funds management
Our global funds management platform manages $36 billion of investments, predominantly across the office and retail sectors. We also have a burgeoning residential platform.

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. The recently completed Paya Lebar Quarter in Singapore has contributed $3.3 billion of funds under management.

Further growth is expected to continue over the medium term as the urbanisation pipeline converts into investment grade product. We expect our residential for rent product to be a strong contributor to this growth.

Demonstrating our highly regarded funds and asset management capability, we launched the $1.5 billion Lendlease Global Commercial REIT in Singapore. The REIT was seeded with the Lendlease developed 313@somerset retail centre and three office properties adjacent to our Milano Santa Giulia project.

Maintaining strong alignment with our investment partners, we have $2 billion of co-investments in our funds platform. This also provides a steady source of income for Lendlease.

Asset management
We have been managing retail centres across the world for more than 50 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.

We continually revitalise our assets to stay ahead of industry trends and deliver optimal customer experiences. The introduction of digital tools throughout our global retail portfolio, such as the Lendlease Plus App in Singapore, has provided our malls' customers with the latest access to many benefits and provided new opportunities for our members during COVID-19. Digital technology has also been key in communicating with more than 3,100[1] retailers within our Australian retail portfolio, providing a seamless customer experience.

Residential
In the US, we manage a $13.6 billion Military Housing portfolio, which provides a steady and high quality source of earnings.

The portfolio comprises c.40,000 residential and more than 12,000 lodging units across 50 Military Housing communities.

We have long term agreements with the US Department of Defense to manage these estates for military personnel and their families. The Group added residential for rent to the asset management platform for the first time.

Retirement Living
One of the global trends that drives our strategy is the ageing population.

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.

We draw on our significant placemaking and asset management skills to provide a strong sense of community for our c.17,000 residents.

Other investments
Lendlease's other investments include telecommunications assets and an equity interest in the US Military Housing portfolio.

FY20 Investment segment highlights

Funds under management of $36 billion – 2% growth

Launched Lendlease Global Commercial REIT, Singapore

Completed Paya Lebar Quarter, Singapore – $3.3 billion funds under management

Introduced a new investment partner to the platform – investment in Milano Santa Giulia

Awarded c.$2 billion multi sector mandate in Australia[2]

1. Figure as at 31 December 2019. 2. Secured post balance date.

Creating Together

Creating the best places is not something we do alone: it comes from the creativity and commitment of our customers, our investment partners, governments, landowners, suppliers and the community.

Creating Together – powerful partnerships to deliver the best places, now and into the future.

Sydney:
The Exchange,
Darling Square

The centrepiece of the new Darling Square community

By shaping cities

Strong track record

For more than six decades we have been at the forefront of projects that have become the cornerstones of cities and communities.

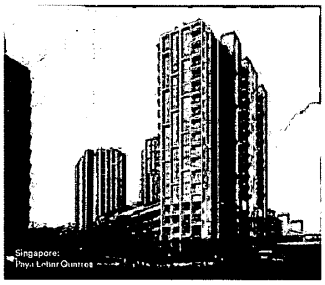
Our objective is to leave a positive legacy for future generations and build a respected brand. Our ethos demands continual re-evaluation of past achievements to find innovative solutions that redefine the benchmark of best practice.

Our integrated business model has evolved to focus on urbanisation in key gateway cities. The first long dated and large scale mixed use project we secured was Victoria Harbour in 2001. The 30 hectare precinct, bounded by the Yarra River and Victoria Harbour, includes kilometres of public waterfront promenade incorporating retail, commercial, residential, leisure and community facilities that cater for thousands of people.

The ongoing management of precincts and assets is just as critical as their delivery. Our ability to positively impact all parts of the property and construction lifecycle creates health and safety benefits for all those who construct, maintain, and interact with our precincts. Through our investments platform, we value our fiduciary role for institutional investors and investment partners, and our experience is deep. We launched Australia's first real estate investment trust in 1971 and since that time we have fostered trusted relationships with key global investment partners – offering them tailored real estate investment solutions.

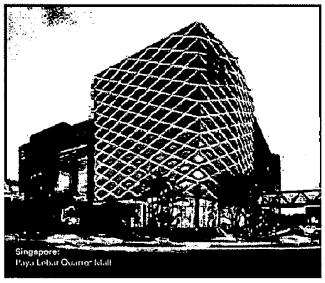
For more than two decades we have been refining and developing our placemaking expertise. Our credentials are highlighted by the numerous development and sustainability awards attained and the overwhelmingly positive feedback we receive from those who live, work or visit our precincts.

Melbourne:
Victoria Harbour



Singapore:
Paya Lebar Quarter

Singapore:
Paya Lebar Quarter Tower 2



Singapore:
Paya Lebar Quarter Mall

Singapore:
Park Place Residences

Being chosen as the development partner for transformational projects by both public and private sector clients is a strong endorsement of our urbanisation capabilities.

Singapore's newest lifestyle precinct
The completion of Paya Lebar Quarter (PLQ) this year marks the culmination of a four year journey which has delivered a $4 billion business and lifestyle precinct for Singapore.

Bid in joint venture with the Abu Dhabi Investment Authority (ADIA) in 2015, the four hectare site was originally a vacant plot, earmarked by the Singapore Government as a new commercial hub.

Delivered through the integrated business model, Paya Lebar Quarter showcases our ability to create a progressive, safe and sustainable mixed use city precinct. It features some of the highest sustainability ratings achievable and has been recognised for showcasing exemplary safety standards and innovation.

Going forward, we have a critical role to play in the ongoing success of the precinct, providing extensive asset management services. We have attracted a number of Singaporean and multi national corporations to the precinct, as well as more than 200 leading retailers.

We are the fund manager for the commercial component which is valued at $3.3 billion and have a 30 per cent interest.

Paya Lebar Quarter showcases our international experience in large scale urban regeneration projects, while tapping into our local expertise of operating in Singapore for more than 45 years.

The PLQ precinct

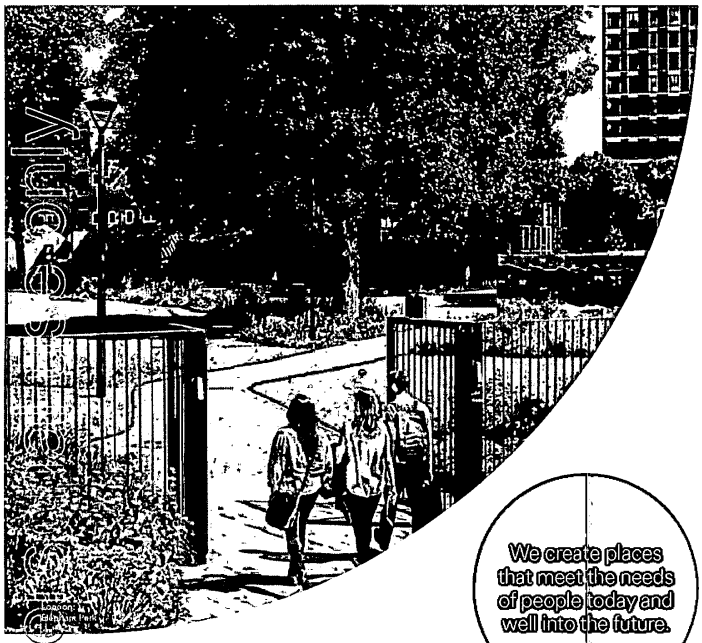
A bustling pedestrian friendly precinct with a rich cultural heritage:

83,000 sqm of Grade A office space across three towers
- Home to key Singaporean and multi national corporations including Lendlease's Asian headquarters

Retail mall featuring more than 200 stores
- Leading retailers and alfresco dining

429 residential apartments across three towers
- Direct access to shopping and lifestyle amenities and transport

Community spaces including public plaza, playgrounds and roof gardens



We create places that meet the needs of people today and well into the future.

Through creating the best places

Our core capability is placemaking.

We aim to design places that are vibrant and authentic. They are crafted and thoughtfully curated to help people feel safe, belong and thrive.

We view placemaking as a collaborative process that enables physical spaces to meet people's needs and resonate with their aspirations. The places we create are meaningful, appealing and enduring.

By doing this, we create value for all stakeholders.

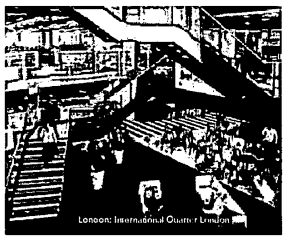
Placemaking is our competitive advantage and a commercial imperative for us to remain the partner of choice. Not only is it key to securing projects and attracting capital, we see it as our responsibility and the legacy we will leave for future generations.

Great places are accessible and convenient; activated and sociable; responsible; and genuine and memorable.

Bringing together design and living metrics provides a framework to assess placemaking. This also provides a method to identify priorities and inform investment decisions.

Understanding the history of the land and precincts we reinvigorate is fundamental to curation of place. Acknowledgement and genuine respect for heritage provides context and enhances place creation.

We create place by responding to the common interests of all stakeholders, enlisting bold thinking and applying a visionary approach.



London: International Quarter London

The Wellbeing Capital – International Quarter London

Adjacent to the 2012 London Olympic site, International Quarter London (IQL) anchors the transformation of the district into London's newest cultural quarter and a desirable place to live and work.

Inspired by Stratford's rich cultural heritage and nurtured by its Olympic legacy, IQL has been designed to encourage movement, interaction, engagement and creativity. It features state of the art workspaces that promote wellbeing and encourage interaction, as well as a variety of outdoor meeting spaces in the precinct's three acres of parklands.

In the public realm, plant life and foliage are being chosen to eliminate the need for chemical pesticides, and pollination by insects is being encouraged to reduce airborne allergens. A variety of bird species are being targeted for inclusion in a biodiversity strategy that recognises the psychological benefits of birdsong.

IQL's lasting contribution will be the richness of the social, economic and individual wellbeing it helps create amongst all who visit.

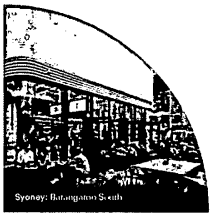
Brisbane: Yarrabilba

Connected Community – Yarrabilba

In Queensland's South East, we are building a complete community from the ground up. Drawing on a rich and diverse heritage, Yarrabilba, or 'place of song' in Wangerriburra/Bundjalung language, is set to become home to more than 45,000 residents.

More than a quarter of the 647 hectares will become parkland, sporting fields and nature sanctuaries, all linking to the surrounding bushland rich in history. Residents will benefit from a lively, healthy lifestyle provided by easy access to green open spaces and innovative leisure facilities that offer a balance of community and nature.

Yarrabilba offers an inspiring new address, where people are given the opportunity to grow and prosper. It is a fresh new place that residents feel proud to call home.



Sydney: Barangaroo South

The Streets of Barangaroo – Barangaroo South, Sydney

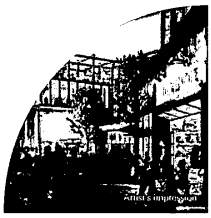
Barangaroo South introduced six new streets, lanes and walkways to the city, each taking its name from an historical aspect of the site and showcasing a very distinct purpose and personality.

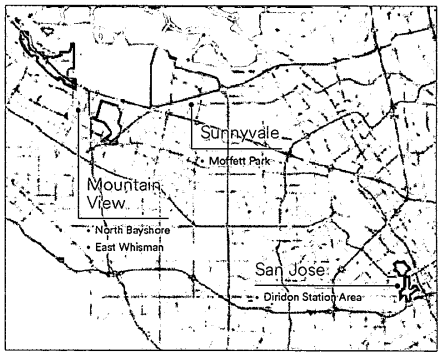
These streets became the heart of placemaking for the precinct. Home to a highly curated mix of cafés, restaurants, bars and retail stores, they also act as public thoroughfares, places to eat and meet, and a civic canvas for a diverse program of events and activations.

Innovative collaborations with the City of Sydney, local community groups, artists and commercial partners enhance the place by continually introducing diverse and inspiring experiences within the precinct that are accessible to all.

Through partnering

Whether it's urban redevelopment projects, nation building infrastructure such as hospitals and universities, or fostering long term investment relationships, we create lasting legacies through collaborative partnering.





From client to partner

Lendlease prides itself on building long term partnerships with institutions, landowners and investors across the globe. This has been no different with Google.

What began as a traditional client service relationship to help build Google's London HQ has evolved and, in 2017, we expanded our relationship to work with Google on c.15 acres within their property holdings in the San Francisco Bay Area. A resulting two year consultancy helped us in being selected as the preferred development partner for up to 15 million square feet of residential, retail, hospitality, and associated community uses across three major cities in the Bay Area.

To successfully deliver a project of this scale, we have assembled a cross functional team of experts to explore solutions to some of the industry's most pressing matters, such as lack of affordable housing, issues with transportation, and creating opportunity pathways.

Development grounded in digitisation

While the projects may be grounded in the physical world, it is undeniable that digitisation will power a transformation of the built environment. As part of our work across all our projects we will harness this potential and seek to recognise the significant advantages it may offer in building more livable, efficient and sustainable communities.

Understanding before the shovel hits the ground how a project will look, feel, work and impact the environment will simplify interdependencies in the decision making process and allow us to achieve a more productive, safer and efficient approach to the life of the projects.

Moreover, the built environment we create as a result of these insights will create solutions more tailored and adaptable to its users. In exploring these new approaches we succeed in our mission to improve the human experience with a more affordable, inclusive and resilient future.

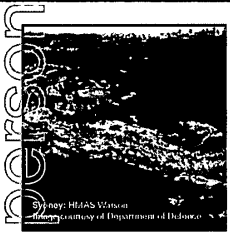
This is an extraordinary opportunity for Lendlease, and just the beginning of this important partnership as we help Google realise their vision for mixed use communities.

Through partnering

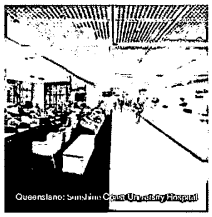
London: Thamesmead Waterfront

Unlocking an underutilised riverside location in London

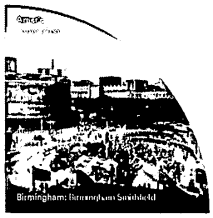
Leading UK housing association, Peabody, selected us to jointly deliver 11,500 homes at Thamesmead Waterfront in London. The 250 acre site is currently undeveloped and benefits from 2.5km of river frontage. The project will rejuvenate the existing town centre and create new cultural, community and commercial spaces.



Sydney: HMAS Watson
Image courtesy of Department of Defence



Queensland: Sunshine Coast University Hospital



Birmingham: Birmingham Smithfield

Trusted partner for the Australian Department of Defence

We were named the top infrastructure contractor for the Australian Department of Defence in FY20.

During the year we were selected to complete several large new contracts including the delivery of training facilities at HMAS Watson, the Navy's principal navigation training facility in Sydney Harbour; and new facilities to support the operation and maintenance of offshore patrol vessels at HMAS Stirling in Western Australia.

Providing critical health infrastructure

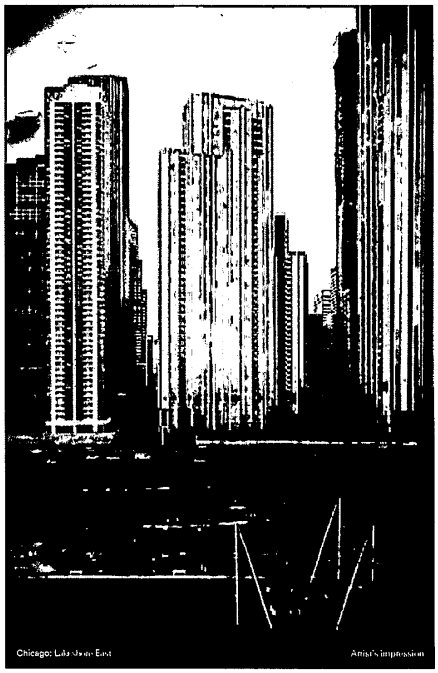
In the past decade, we have proudly delivered more than 50 public and private hospitals and health related projects across Australia.

Our expertise was recognised by the Queensland and NSW Governments with the awarding of two significant projects: the Caboolture Hospital redevelopment, which includes design and construction of a five storey clinical services building to increase hospital capacity; and the main works contract to build the Prince of Wales Hospital's new Acute Services Building, part of the NSW Government's $720 million Randwick Campus Redevelopment.

Transport enabled development opportunities in London

We have been selected as the preferred development partner by Birmingham City Council to deliver a $2.8 billion urban quarter incorporating more than 2,000 homes and a new site for the city's historic Bullring retail markets.

Birmingham Smithfield will be a short walk from the new High Speed 2 (HS2) terminus station. Phase One of HS2 will link Birmingham to London, and the line will terminate at Euston Station, adjacent to the site of our $10.9 billion urbanisation project.



Chicago: Lakeshore East
Artist's impression

Investment partner relationships

Our investment partners have unique access to Lendlease's leading development capability and pipeline, with investments focused on generating sustainable, long term returns.

Throughout the year we progressed several initiatives with investment partners.

In Milan, we introduced PSP Investments to the platform through a 50/50 partnership to develop Milano Santa Giulia. The $4 billion urban regeneration project is expected to deliver more than 2,500 residential units, 124,000 sqm of office space and 108,000 sqm of retail, leisure and entertainment areas. The first phase of the partnership will develop c.50,000 sqm of office space across two buildings, which are already c.85% pre leased.

In the residential for rent sector, a further two buildings at Elephant Park were put into delivery under our existing UK Residential Investment Partnership with CPP Investments. In the US, our partnership with First State Super committed to developing a further residential building at our Southbank urban regeneration project in Chicago.

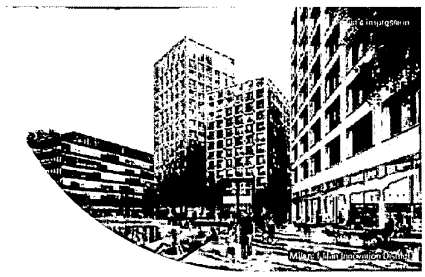
We launched the Lendlease Global Commercial REIT in Singapore and listed on the Singapore Exchange. The REIT was seeded with the Lendlease developed 313@somerset retail centre and three office properties adjacent to our Milano Santa Giulia project.

We were selected by TCorp, the investment and financial management partner of the New South Wales public sector, to manage a c.$1.5 billion diversified property portfolio. The mandate has subsequently grown to include an additional asset and is now valued at c.$2.1 billion.

A step closer to Milan's new innovation ecosystem

Working collaboratively with the Arexpo SpA Group, planning consent was received for Phase One of the Milan Innovation District, a 100 hectare mixed use redevelopment set to regenerate the site of the 2015 World Expo. Dubbed a 'real city in the city', the precinct is set to become a world leading science, knowledge and technology hub.

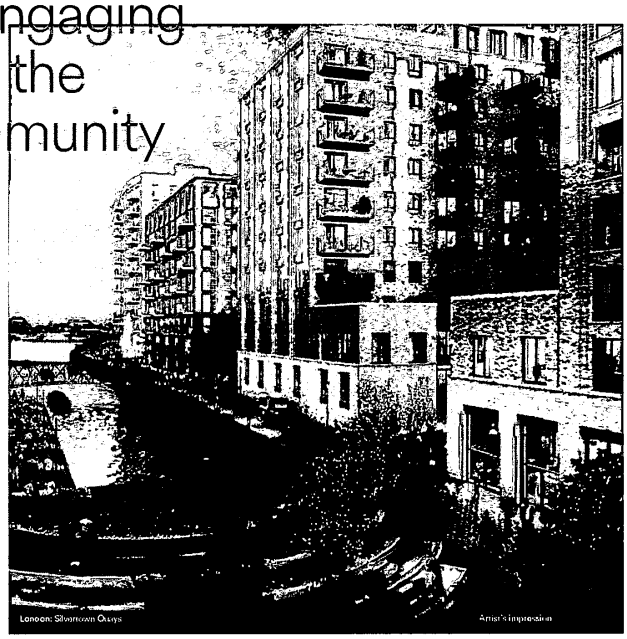
Separately, transformation of the broader precinct has begun with work underway on the Galeazzi Hospital. Following an international competition, a design has been chosen for the Human Technopole – a new building for scientific research.



Artist's impression
Milano Innovation District

For personal use only

By engaging with the community


London: Silvertown Quays

Artist's impression

Community consultation – Silvertown Quays and Elephant Park

Engaging with the community is an important part of Lendlease's approach to urban regeneration and the creation of thriving, sustainable communities that are rich in culture and context. London's Silvertown Quays and Elephant Park exemplify this approach.

Silvertown Quays will provide thousands of new homes and non residential spaces for commercial, retail, hotel and community use. The Silvertown Partnership, a joint venture between Lendlease and Starwood Capital, aims to create a place that is innovative and environmentally sustainable and will provide tangible benefits for the local community for the long term.

The partnership is committed to engaging residents, the community and other key stakeholders throughout the development process.

As well as providing high quality homes, jobs and business opportunities, Elephant Park is centred around a park, providing a new green public space for the Elephant and Castle community. To ensure the park reflected local aspirations, we provided the opportunity for those who live in, work in or visit Elephant Park to input to the park's design.

Both projects have initiated a range of activities to ensure consultation and engagement including workshops, public exhibitions and site tours, open days, walking tours and digital communications.

London: Elephant Park

Promoting diversity in construction industry employment

Increasing participation of under represented communities in construction is a Lendlease social sustainability focus area. This year, the Lendlease Foundation expanded its construction industry employment barrier reduction program in Chicago with the launch of a new funding partnership with HIRE360, a workforce development organisation made up of construction industry wide partners.

HIRE360 acts as a hub for job candidates seeking to start careers through apprenticeship training programs in the building trades, offering a one stop shop for job seekers to receive mentoring, enrol in training, connect with trades employers and other support services.

As of April 2020, the funding has benefited 54 job seekers including high numbers of women, minorities and veterans. All 54 were either accepted into or in the process of applying to and pursuing an apprenticeship program at the time of service provision.

Two For Tea And A Chat

COVID-19 has had significant impact on our Retirement Living residents' opportunities for social interaction and connection. In response, we developed a national program designed to better connect residents isolated by social distancing requirements. The program included 'Two For Tea And A Chat' weekly calls to participating residents from Lendlease employees and volunteers. Our employees' children have also been encouraged to send letters or drawings to residents as a thoughtful surprise.

Lendlease support for Australian bushfire recovery

In response to the devastating bushfires in Australia, the Lendlease Foundation worked with partners to directly support communities in need immediately and for the long term.

Lendlease and our employees from around the world helped raise more than $1 million to assist the Australian Red Cross in supporting communities most affected by bushfires. Working with our partner, Landcare, plans are underway to identify appropriate employee volunteering projects tied to the support and recovery of communities affected by bushfires as part of the Lendlease 2020 Community Day later this year. In addition, ten Lendlease Community Grants have been allocated to help bushfire affected community/non profit organisations.

A place to call home – FutureSteps

FutureSteps is a Lendlease shared value initiative grounded in the belief that everyone needs a place to call home. The aim of FutureSteps is to empower vulnerable people by partnering with established not for profit organisations to boost the availability of quality accommodation and support services, and by investing in targeted skilling, training and jobs programs.

FutureSteps has awarded close to $200,000 in grants and provided more than $170,000 in kind to program partners via skilled volunteering and procurement savings. We will continue to expand FutureSteps with revenue from our Australian residential business.

By looking into the future

Accelerating digital twin adoption in the property and construction industry

Digital twin technology combines geometry, physics and process to create a digital rehearsal of the built world. While this technology has been around since the early 2000s, its application in the construction and property industry is relatively new and facilitated by advances in the Internet of Things and increased cost effectiveness.

In the past year, we have accelerated the development of our digital twin capability and expertise. Our goal is to drive disruption in the property and construction industry to deliver better outcomes in safety, cost and time savings, risk management and sustainability. We have taken a leading role in championing this technology through partnering with government, industry and academia. This has included becoming a founding member of the Digital Twin Consortium, a global group of users working together to accelerate the digital twin market and demonstrate the value of technology. Chaired by Bill Ruh, CEO Digital, Lendlease, the consortium includes companies such as Ansys, Dell Technologies and Microsoft.

We have also partnered with the NSW Department of Customer Service to establish the NSW branch of the Digital Twin Consortium. Through the NSW Government spatial twin, we are collaborating to share anonymised data across public and privately owned spaces and building assets.

This will provide NSW with insights that help improve planning and decision making in the development of new places within the state. It will also enable access to critical data for our first responders in the event of an emergency.

New digital mentor technolcgy supports project management excellence globally

Key to thriving in our industry is the ability to anticipate and even initiate technological disruption.

An important digital technology initiative that has begun roll out at Lendlease is the One Lendlease Interactive-digital mentor platform, or 'OLi' as it is more commonly known. Its purpose is to help us more consistently deliver projects via an endorsed Lendlease Way so that customers experience the same high quality products and services delivered at scale anywhere in the world.

OLi integrates all traditional project management steps into the process and digitises the full project lifecycle, from business development and origination to delivery, asset management and potentially divestment. Once fully rolled out, this global tool will connect our people with our best practice Knowledge Gateway, pre populate digital templates, systematise the investment committee process, and automate team task management. Additional future capabilities will include project team collaboration space, project mobilisation and resourcing tools and a dynamic approval system that adjusts to changing project characteristics.

Carbon neutral – building a better world

We are committed to creating strategic resilience across our business and addressing the climate impacts of our business with greater focus and direct action.

In line with our Carbon Target and building on our Australian construction business' achievement of net zero carbon in FY19, we have commitments in place for assets representing more than $12 billion in Gross Asset Value to operate at a net zero carbon basis by 2025. In December 2019, our business signed up as the first property and infrastructure company to become a member of the ResponsibleSteel initiative, which aims to drive low to zero carbon steel solutions for our supply chain. Also at the end of last year, Barangaroo South was certified by the Commonwealth Government as Australia's first carbon neutral precinct.

Our carbon neutral innovation achievements were also recognised this year with selection as a finalist in Fast Company's Best World Changing Ideas APAC category for our holistic efforts to change what we create and how we create it to be carbon neutral.

Managing and Measuring Value

London:
Euston Station
One of London's
largest urban
commercial projects

For personal use only

Our five focus areas of value creation

We measure our success by the positive outcomes we generate through five focus areas.

They 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.

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 mental 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 regularly 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.	Measurement of, and reporting on our progress towards our sustainability targets and the tangible examples of the ways in which we are addressing our sustainability imperatives: Carbon Target: We are a 1.5°C aligned company: – Net zero carbon scope 1 and 2 by 2025 – Absolute zero carbon by 2040 Social Target: Create $250m of social value by 2025.

Health and Safety

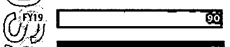
FY20 has reinforced that the health and safety of our people, and those who interact with our operations, is Lendlease's number one priority.

In a year of unprecedented events, we recorded improvements across a number of key indicators.

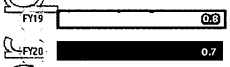
Performance metrics

Across our organisation we have seen critical incident and lost time injury frequency rates at the lowest rates recorded since we commenced reporting on these metrics, with the percentage of operations without a critical incident at 90 per cent or above for the fourth consecutive year. These results are testament to the dedicated focus of our teams.

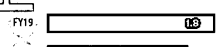
Operations without a Critical Incident[1]



Critical Incident Frequency Rate[2]



Lost Time Injury Frequency Rate[3]



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.

These key metrics were trending towards new record low levels prior to COVID-19, which impacted the end of the financial year. Maintaining these low frequency rates during the COVID-19 period demonstrates the diligence of our operational teams in retaining a focus on workplace safety in the midst of applying a range of new workplace practices and protocols.

Fatality

Despite a significant improvement in performance across a wide range of safety metrics, it is with much sadness that we report a fatality on one of our operations during FY20.

Tragically, in September 2019, a construction worker was seriously injured in a critical incident on a project in Kuala Lumpur where Lendlease is the construction manager. While recovering from surgery in hospital, the man contracted an infection and subsequently passed away.

We extend our deepest sympathies to the family, friends and colleagues of the deceased worker.

COVID-19

The onset of COVID-19 resulted in significant disruptions across Lendlease's operations and a significant broadening in the scope of our health and safety objectives. In response to the pandemic, we developed a range of global standards addressing project shutdown protocols, personal screening for people entering our operations, social distancing applications, COVID-19 specific personal protective equipment requirements, and protocols in the event of confirmed cases.

In addition, an online learning module was developed as part of our mandatory learning requirements. This module addressed the revised ways of working and directed our people to support services available to those whose mental health has been affected.

Objectives and targets

In support of Lendlease's ongoing commitment to health and safety, we developed a range of objectives and targets to be applied from FY21 to help re-affirm our purpose when it comes to health and safety, as well as establishing a broader range of key performance indicators.

To coincide with this revised approach, updated Global Minimum Requirements (GMRs) will be released in FY21. The GMRs are the global standards we apply to environment, health and safety across all our operations and the updated standards will be the fourth edition of the GMRs since first released in 2008.

The Lendlease view is that a place that cares is a safe place to work. To demonstrate how this approach is applied through the lens of our operations, we have developed a set of objectives in line with our core values.

In future reports we will supplement the incident frequency rate metrics already provided in this report with a wider range of health and safety metrics that have a greater focus on leading indicators.

The broader range of leading and lagging indicators will provide a more rounded approach to health and safety as well as the resulting performance.

South Australia: Osborne South Development Project

Eliminating work at height

The Osborne South Development Project (OSDP) in South Australia involved the assembly of a collection of large scale industrial facilities – the largest of which spans 187m long, 87.4m wide and standing 50m high.

In bringing together innovation and safety, the project team was able to develop techniques to assemble the walls and roofing structures at ground level – with the vertical elements then raised into position mechanically, and the roof structure then undergoing strand jacking to be lifted into position.

Meticulous planning resulted in thousands of hours of work at height being eliminated and the results were widely acknowledged by the client, the Australian Department of Defence.

Revised construction methods

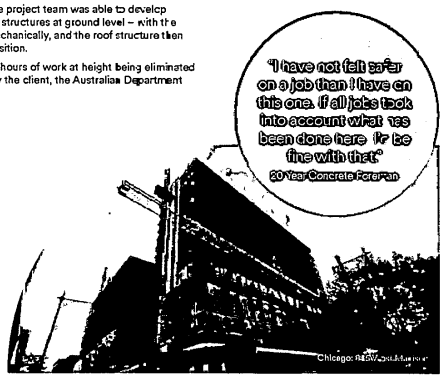
The 17 storey towers and town homes that comprise 845 West Madison in Chicago includes 586 residences.

During the planning and construction phases of the project, a number of substantial changes to locally accepted construction methodologies were applied that provided significant benefits to the project and the workers involved.

The project has adopted revised methods for erecting interior core platforms and elevator shafts, revised structural formwork systems, and altered the approach to the façade of the building – all with the intent of delivering safe yet productive outcomes.

Traditionally high rise projects have their amenities on the ground floor. We have designed an innovative solution to provide fully functioning facilities that are transferred floor to floor as the structure takes shape to support our workers.

The workers on the project have provided the ultimate compliments:



Chicago: 845 West Madison

"Never thought there would be a full restroom totally plumbed, heated, and with proper sanitation on a working deck."
Tradesmen

"If I could work on a project like this throughout the rest of my career, I would take it in a heartbeat."
15 Year Pipefitter

For personal use only

Financial

Our approach to financial performance
The Portfolio Management Framework provides structure and financial discipline across the operating segments of Development, Construction and Investments. It is designed to maximise risk adjusted returns for securityholders and deliver value for our customers.

Combining the three operating segments leverages the competitive advantage of our integrated model, enhancing value for our securityholders, partners and the community. This has included award winning and innovative design excellence, the creation of better public places and superior sustainability solutions.

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.

The Group is currently reviewing the framework in conjunction with the strategy review. The revised framework will be provided in FY21.

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.

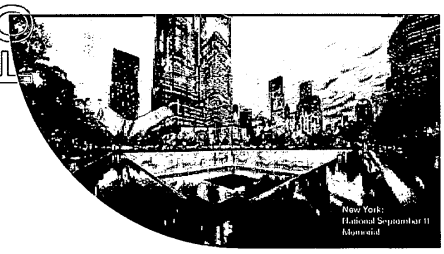
FY20 – equity raising
On 28 April 2020, the Group announced the launch of an equity raising via an institutional placement and Security Purchase Plan (SPP) to eligible securityholders. The Group raised $950 million via the institutional placement and $250 million via the SPP at the offer price of $9.80 per new security, resulting in the issue of a total of 123.4 million new fully paid ordinary stapled securities.

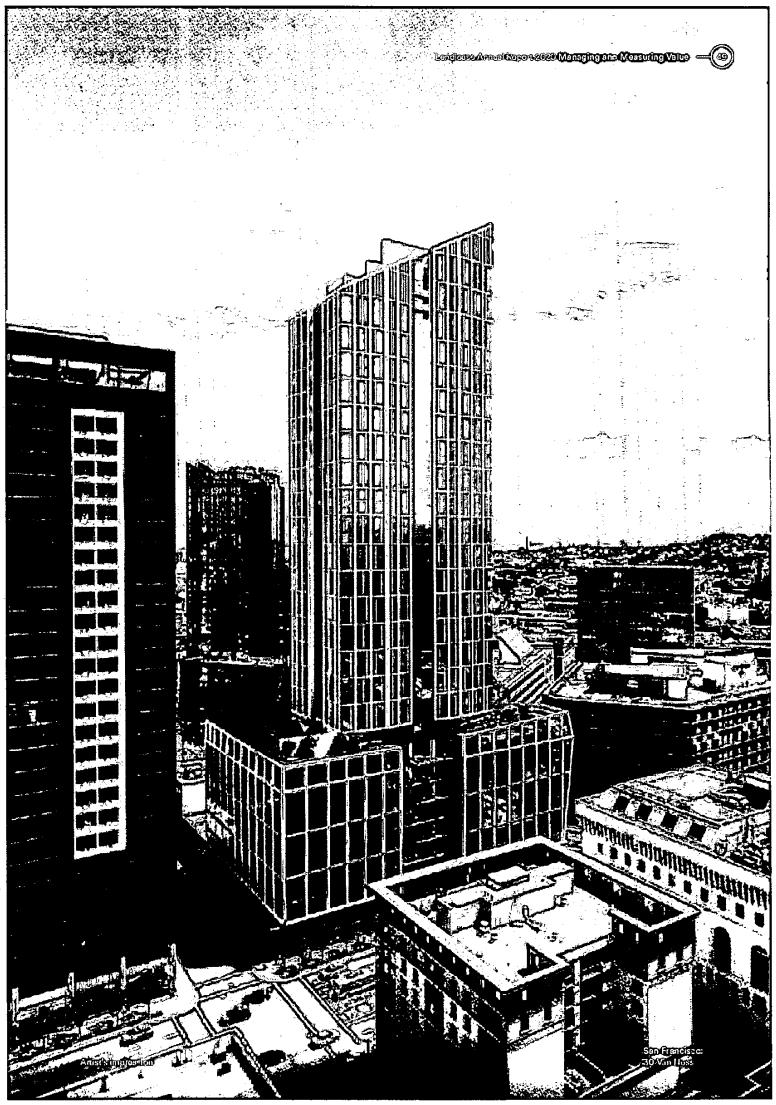
Detailed financial performance and outlook
For detailed information on our FY20 financial performance as measured under the Portfolio Management Framework, refer to the Performance and Outlook section on pages 76 to 89 and the Financial Statements on pages 142 to 205.

Portfolio Management Framework

Maximising long term securityholder value	
1. Capital allocation	
Focused on gateway cities	
Australia	50-70%
International regions	5-20%[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. 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.


New York, National September 11 Memorial


Atlanta, Georgia
San Francisco, 30 Van Ness

Our Customers

Our customers range from individuals to the largest government, investment and corporate organisations.

Successful customer relationships depend on our ability to understand what is truly important to customers and then delivering what they want.

Customer experience research

Over the past three years, our global customer experience research program has been embedded across all regions. The program helps us understand how customers perceive their experiences with us and identify where we can improve. It also guides decision making on customer experience improvement planning and new product and service development.

In FY20, approximately 25,000 customers participated in our customer satisfaction (C-SAT rating) and loyalty (NPS rating) research, an increase of approximately ten percent on FY19. Notwithstanding the impact of events such as the COVID-19 pandemic, Brexit and the Australian bushfires, our performance this year remained steady and positive. The Development portfolio results saw a small upward NPS result for B2C and small downward movement for B2B, with C-SAT remaining steady. Overall Construction results saw a small downward movement in NPS. Investment Management had a solid increase in NPS and small positive increase in C-SAT.

Customer experience feedback clustered around relationship performance, service delivery and product quality. Strength of relationships drives trust and provides a buffer in difficult times. Highly skilled employees embed confidence in the relationship, whilst having a compatible cultural fit can provide a strong input into driving elements of trust, a key driver of customer experience (particularly for B2B customers).

Customers also highlighted the importance of having customer centric service delivery and communication processes to keep them informed, resolve problems and respond effectively in a timely manner. Product quality, and a positive experience with Lendlease products, gives customers confidence and is a key factor in future engagement and advocacy. The ability to "go the extra mile" and add value (beyond price) results in customers justifying their purchase/investment decision.

Customer snapshot[1]

200 million

Retail visitors annually[2] (approximate)

110,000

Residents in US Military Housing (approximate)

471,000

Residents across apartments and communities[3] (approximate)

17,000

Retirement living residents (approximate)

1. As at 30 June 2020. Internal data capture, not audited. 2. Number excludes urban regeneration retail. 3. An estimate of current and future residents based on our projects to date and existing pipeline.

Customer experience improvement initiatives

Each year across Lendlease a range of customer experience improvement initiatives are implemented to improve customers' and residents' experiences.

Customer facing digital portal

In the UK, in collaboration with the Global Residential Practice, a customer facing digital portal is being developed and progressively implemented to improve the customer experience by enabling tailored communication with the customer. This will empower customers to do what they want, when they want and interact more easily with Lendlease all the way through their journey.

Military Housing Privatisation Initiative (MHPI) Customer Care Program

Our US Communities business launched a customer care program with the vision to provide outstanding customer service to communities where military families live, work and thrive. The program is based on a commitment to six pillars: to provide Safe and Healthy Homes, Quality and Consistent Service Experience, Communication and Education, Organisational Culture of Caring, Sense of Community, and Sense of Value. As a result, we have successfully identified and are implementing new ways of listening to and engaging with more than 110,000 residents in over 40,000 homes.

At the centre of our resident engagement strategy is our intent to establish a Resident Advisory Board (RAB) in each of our Army and Marine Corps/Navy communities. These RABs are designed to give residents the opportunity to directly work with local property management teams to help shape their community, express their concerns, share their ideas and suggestions, and to work directly with them to develop and implement effective solutions.

Retirement Living connecting residents

The Australian Retirement Living business launched a new free app called Lendlease Together, designed to help residents feel more connected to their community, keep informed and easily access their friends, family and the village management team. Using the app, residents and their family and friends can access the latest village news, wellbeing ideas and resident stories as well as video chat with loved ones.

COVID-19 drives customer rewards program innovation

Our Singapore shoppers' rewards program and app, Lendlease Plus, launched several new COVID-19 stimulated offers in FY20 to the program's approximately 128,000 members. This included new food delivery special offers with partners GrabFood, foodpanda and deliveroo, designed to support customers who did not want to leave home and provide indirect support to participating food and beverage retailers. Members could also donate reward dollars to Willing Hearts, a local meal delivery charity supporting people in need during the COVID-19 period.

Our People

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

As we continue to grow our influence internationally, the way we work is evolving. Together with our partners, we aim to deliver large scale projects faster by drawing on innovation, knowledge sharing, leadership excellence and our diverse and capable workforce.

Our ambition is to create a work environment that:

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

To support these ambitions, our people strategy has focused on developing leadership excellence, codifying and sharing knowledge globally, creating a consistently positive employee experience, and developing and deploying our talent globally.

Developing and deploying key talent

As the scale of placemaking increases, we continue to invest in developing the capability of our people to deliver. This investment is across all career stages, from our global graduate program to our Construction Director Program and Urbanisation Project Director Program.

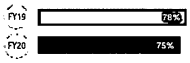
We currently have 404 of the brightest new graduates across our four operating regions in our Global Graduate Program. Now in its fourth year, this program immerses the graduates in Lendlease practices to accelerate their careers and build lasting knowledge and relationships.

To deliver the best places we need the best leaders on our projects. We continue to grow our expertise in project and construction delivery. In FY20, we had 39 senior leaders participate in our Construction Director Program and Urbanisation Project Director Program.

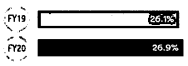
Our target retention rate for key talent is 90 per cent or higher across all talent programs. This year we achieved a retention rate of 91 per cent.

In FY20, 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 FY20 talent and succession review, 75 per cent of senior executive positions met this target. While the number of unique successors has decreased, the readiness of those successors has improved.

Succession strength[1]



Leadership positions held by women[2]



The employee experience

Listening to our people helps us to create an environment and experiences that support our employees. It provides an environment where our people are recognised and rewarded for living our values and building the culture we need to create the best places.

We continuously communicate and engage with our people in designing and evolving the way we work to foster greater enterprise wide collaboration, continuous learning and open and transparent dialogue.

As part of this open dialogue, we measure the effectiveness of our leaders through Our People Survey, conducted every six months. During the year, we embarked on a targeted Leadership Excellence Program to build leadership capability. This focused on direction setting, leading effective teams and regular and open communication.

In our most recent People Survey, we achieved a significant increase in the effectiveness of leaders as measured by their direct employees. Improving the effectiveness of our leaders remains a key focus for us as we deliver our global pipeline.

Workforce management

With a focus on preserving jobs and reducing costs, a number of workforce management actions were implemented in response to COVID-19.

Working with a set of globally consistent principles, leaders tailored their plans and actions based on the situation in each location – in some cases accommodating site specific requirements and accessing government support where it was available. This enabled us to implement workforce management actions that our people understood and were relevant to their local experience.

The range of actions include reduced pay for a temporary period without a corresponding reduction in hours, reduced hours of work, furloughs and stand downs and, in a limited number of cases, redundancies.

1. For all senior executive positions, we have a target of three unique successors. We define this as succession strength. This year we have moved from an average measure across the cohort to a percentage of positions that met the three or more target. 2. Leadership roles include a number of levels in the Lendlease Career Job Framework, including executive level roles.

Wellbeing

Mental Health First Aid

Lendlease has long had a focus on the health and wellbeing of its people and developed a holistic framework and initiatives to promote and support this focus. Since 2014, Lendlease has partnered with Mental Health First Aid (MHFA) to help our people identify and support mental health in the workplace. In FY20, we trained 186 employees and now have more than 1,850 trained MHFA Officers globally.

To expand our support of mental health in the workplace, we launched the MHFA Leaders Program with more than 400 leaders completing the training. The program aims to provide our people leaders with the tools and skills to support employees with mental health issues.

Mental health support is part of the wider Lendlease health and wellbeing framework and for the second year we have been certified as a 'Healthy Workplace' by the Global Centre for Healthy Workplaces.

Health and wellbeing response to COVID-19

In response to COVID-19, Lendlease put in place a range of measures across our global operations to support our people's health and wellbeing.

Hardship and Wellbeing Fund

The Lendlease Hardship and Wellbeing Fund was established to support team members impacted by COVID-19 who need short term help to cover the essentials and expenses of everyday life. This includes things like a mortgage or rental payment, groceries, utilities and medical expenses.

Online programs

With most of our office based employees working remotely due to COVID-19, we were able to adapt our suite of health and wellbeing programs to be delivered online. The Roadmap to Wellbeing Program covers nine topics themed around Productive People, Performance Stamina and Positive Connections. They are offered as one hour bite sized workshops, short toolbox talks and ten minute digital learning modules that can be accessed at any time from any device.

Leader webinars focused on equipping our leaders to support their teams as well as a range of additional services such as an online doctor service, meditation and movement programs.

Knowledge sharing

To better codify and share our global intellectual property (IP), in 2019 we launched two 'Practices': Urbanisation and Residential Development.

These practices bring together a community of senior sector leaders and subject matter experts to develop specialist sector IP that is available to anyone in Lendlease.

Direct guidance from practice affiliate members, as well as access to expert validated knowledge, boosts our peoples' professional development. It also protects our IP if an individual leaves the business.

Joining a practice as an affiliate member is an aspiration of our most accomplished subject matter experts. It is recognition of a person's abilities, commitment to continuous improvement and contribution to our knowledge sharing culture.

Our practices clearly articulate the expectations of our affiliate members and foster the behaviours that are key to Lendlease maintaining our position as an industry leader.

Attracting future talent

Since the launch of our Global Graduate Program four years ago, we have welcomed 924 of the best and brightest students to our organisation. Our two year program offers a breadth of experiences designed to accelerate learning and readiness of graduates. It is an opportunity not only for the graduates to learn but also for the organisation to learn. Along with their formal learning pathway, we engage them in projects to create innovative solutions and enhance operations across the organisation.

Our entry level talent program is also an opportunity for us to focus on bringing a diverse range of candidates into the organisation. In the past three years, we have achieved a 50/50 gender balance globally, which builds a pipeline of talented women for future leadership roles. We will continue to focus on providing opportunities to under represented groups in our industry.

Extract only

Sustainability

Introducing our new sustainability targets

We are a 1.5°C aligned company

Create $250m of social value by 2025

Our vision is to live in a world warmed by no more than 1.5°C and to be responsible for creating measured social value on the journey.

We are excited to launch these targets. They are our call to action and will be our measure of success as we begin the next chapter of our sustainability story. We are acutely aware that these targets will be difficult to achieve – and believe it is this challenge that makes them worthwhile striving for. We look forward to working with and learning from our clients, partners, tenants and supply chain as we create the pathways towards achieving these targets and supporting industry transformation.

Committing to transformation

Sustainability has always been a priority for Lendlease. We have a long and proud history of leading the evolution of the built form to be more sustainable, with numerous sustainability firsts achieved.

In June 2019, we announced our new Sustainability Framework, focusing our efforts on three global imperatives to deliver on our sustainability objectives and help in achieving our vision to create the best places.

As the business has implemented this new strategy, we realised we need to act faster as an industry to transform how we design, construct and manage the built form. Industry collaboration is key to achieving the type of radical change needed in our sector. This includes changes such as electrification of buildings and equipment, decarbonisation of materials manufacture and the eradication of waste to landfill – all while maintaining our commitment to using our work as a platform for creating social value for those who live, work or visit the places we create.

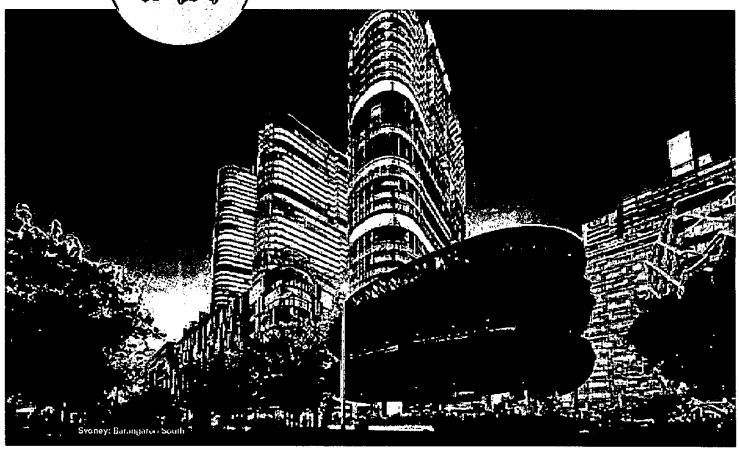
We have committed to two new sustainability targets, aligned to our framework and sustainability imperatives. The targets have been set after consultation and deliberation with clients, partners and our employees.

To Create the Best Places			
Imperatives	SUSTAINABLE ECONOMIC GROWTH	VIBRANT AND RESILIENT COMMUNITIES AND CITIES	HEALTHY PLANET AND PEOPLE
Focus Area: Environmental	RESOURCES AND MATERIALS	CLIMATE ACTION	NATURE AND POLLUTION
Focus Area: Social	ECONOMIC PROSPERITY	COMMUNITY INCLUSION	WELLBEING
Governance			

We are a 1.5°C aligned company

Net zero carbon scope 1 and 2 by 2025

Absolute zero carbon by 2040



As a 1.5°C aligned company, we aim to tackle the climate crisis head on while delivering client and shareholder value, maintaining our employee value proposition and honouring our sustainability legacy. Achieving zero emissions will be approached by setting short, medium and long term goals, addressing our immediate emissions activity, and fostering industry participation and partnerships to help respond to wider, indirect emissions.

The following five steps are required to achieve our target:

1. Create a decarbonisation investment strategy in 2021
2. Phase out diesel and gas in our operations
3. Use 100% renewable electricity before 2030
4. Collaborate with supply chain partners to set pathways to zero carbon by 2040
5. Collaborate with our tenants and residents to transition to renewable electricity by 2040

Taking action together

With a target as ambitious as ours, we need to collaborate with others. We are already working with our suppliers and advocacy groups to develop multilateral responses to emissions in the built environment.

This year we announced our partnership with ResponsibleSteel, becoming the first property and investment company to join the initiative. ResponsibleSteel brings together many innovative steel suppliers and manufacturers, partnering to reduce emissions across the supply chain. We also intend to play a similar role in advocating for low carbon cement.

We are also working in our gateway cities to respond to the evolving demands of a zero carbon economy. After almost a decade of work in partnership with the NSW Government, Barangaroo South became Australia's first carbon neutral precinct.

What 1.5°C aligned means

To combat climate change we need to minimise global warming. 1.5°C is a reference to the level of global warming we hope to help limit the world to, based on pre industrial levels.

Due to the amount of greenhouse gases (such as carbon) already in the system, even with our best efforts, the planet is set to warm by 1.5°C (it has already warmed to 1°C). With no change to current practices, the planet will warm by over 3°C, which will catastrophically impact the ecosystem and lives.

The Paris Agreement is striving for less than 2°C warming. The term '1.5°C aligned' is a commitment to take actions to reduce our emissions to the levels required to limit global warming to 1.5°C.

For personal use only

Create $250m of social value by 2025

Assessing shared value partnerships beyond project and asset obligations

Using industry accepted methodology

Lendlease Community Day volunteering

Our Corporate Social Value Target is intended to demonstrate our corporate commitment to creating social value in the communities in which we operate, above and beyond what we are required to do at the project or asset level.

This target will account for our investment in our corporate led, shared value partnerships. It is based on achieving an average 1:5 social value return on investment, primarily via our Lendlease Foundation, but also through other key business initiatives such as FutureSteps.

Work is underway to deploy new metrics and data collection at the asset and project level to allow us to expand this target to include the social value we create at that level.

We have also commenced work with a number of social value evaluation experts to help develop industry accepted, simplified, yet robust, social value assessment methodologies to evolve the social sustainability narrative beyond philanthropic spend, to one of social value created and the multiplier of shared value partnerships.

Partnering to increase the value

Key to the success of our new social value target is the shared value partnerships, we will continue to establish and foster via investment from our Lendlease Foundation. Through our partnerships we have been able to both deliver and receive social value outcomes for our communities, as well as our own employees, who get to interact with our partners in various ways, including through volunteering.

It is incredibly rewarding to work with partners on important social agendas aligned to our Sustainability Framework and even more exciting when we can bring partners together to amplify impacts. An example of this approach was the use of Lendlease Foundation funding at the start of the COVID-19 lockdown to support The Pure Group, a social enterprise that runs our Barangaroo café. They were able to stay operational for a period, employing staff to use our facilities to prepare 4,000 meals that were then shared with another partner, OzHarvest, who delivered the meals to charities in need. We have also been able to offer employees the opportunity to help pack OzHarvest hampers for deployment to charities around Australia.

What is 'social value measurement'

While there is no universally accepted definition of 'social value measurement,' it is essentially a process to understand how much positive social change has occurred and can be attributed to the activities undertaken by an organisation. An assessment of 'social value' should account for the many facets of life that may affect an individual's wellbeing, including but not limited to: economic circumstances, environmental issues, education, physical and mental health, and employment.

Hindsight 2020

Sydney: Barangaroo

Global Real Estate Sustainability Benchmark (GRESB) leadership

FY20 was the fifth year in the past six years that APPF Commercial has attained the prestigious number one global GRESB ranking. Remarkably, the Fund has grown its net lettable area by 23 per cent over the past six years, while simultaneously reducing its carbon footprint by 39 per cent.

Three other Lendlease funds achieved top 10 global rankings in the 2019 GRESB:

- **Lendlease International Towers Sydney Trust** (Towers Two and Three and International House at Barangaroo) – third globally overall and third in the office sector (across listed and unlisted funds)
- **APPF Retail** – global first in the retail sector (across listed and unlisted funds) and fifth overall
- **Lendlease Sub Regional Retail Fund** – global third in the retail sector (across listed and unlisted funds) and tenth overall.

Locally across Australia and New Zealand, **APPF Industrial** was ranked first in industrial (unlisted) and Lendlease's Asian retail funds came first, second and third place for unlisted Asia retail funds.

A look back at the 20% by 2020 targets (FY14 to FY20)

The Group's performance against the 2020 targets has fluctuated over the past five years. Endorsed in July 2014, our flagship 20 by 20 sustainability goals included a 20 per cent reduction in energy, water and waste sent to landfill for our operations[1] by the end of FY20.

The targets were ambitious for the time and aimed at driving meaningful change across the organisation, as evidenced by numerous initiatives that have made a big impact to our energy, water and waste performance over the years. There have been a number of key lessons learned, which we have applied to the drafting of our new targets and metrics.

In July we retired our 2020 energy, water and waste targets.

FY20 Performance (as at Q3)

Energy[2] – 20% reduction

Investment in new, more efficient assets, retrofitting of older assets and the development of faster construction methods over the past five years has helped the business achieve its 20% energy (intensity) reduction.

Water[2] – 5% reduction

Investment in efficient water fixtures and use of non potable water for construction purposes has helped the business reduce its water (intensity) use. Water intensive tunnelling projects and challenges retrofitting older assets limited our ability to reach our 20% goal.

Waste[2] – 22% reduction

With most waste generated from our construction activities, innovative reuse pathways (e.g.: recycled glass for road base) and partnerships with our suppliers to reduce packaging, has helped the business reach its 20% reduction (waste to landfill) goal.

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 2020 and is a cumulative measure. Full FY20 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2020.

For personal use only

Modern slavery

We acknowledge the increasing expectations on businesses to address modern slavery risks in global supply chains. Eliminating modern slavery from our supply chains is a goal we take very seriously.

We intend to submit a Modern Slavery Statement in 2020, covering our global operations.

Our supply chain risk initiatives have taken a risk based approach, promoting consistency and standardisation across our business, and have included:

- Implementing a new global Supplier Code of Conduct (available on Lendlease.com) setting out our expectations of suppliers, contractors and their supply chains across a range of areas including health and safety, sustainability, human rights and modern slavery. Embedment into business processes, including within major standard contracts globally, is underway
- Adoption of Ethics Point, a global platform for employees and suppliers to raise concerns around improper conduct. This platform is accessible in local languages
- Developing a modern slavery risk heat mapping tool to identify global supplier categories and associated products against countries with elevated risks of modern slavery
- Convening regional Modern Slavery Communities of Practice, focusing on implementation of modern slavery risk mitigation initiatives and capacity building
- Conducting modern slavery awareness training sessions and developing a Modern Slavery Guide for our employees, providing practical guidance for mitigating modern slavery risks
- Active engagement in business forums on industry level responses to modern slavery risks, including UN Global Compact Network Australia's Modern Slavery Community of Practice, Achilles Building Confidence Community of Practice in the UK, and Sustainability Supply Chain Schools (UK and Australia)
- Working with key Global Supply Chain partners and critical equipment manufacturers to understand their supply chains and their suppliers in more detail.

We acknowledge the economic impact of COVID-19 will have a disproportionately adverse impact on vulnerable worker populations. Awareness of this risk and internal knowledge sharing on risk mitigation measures e.g. for migrant workers and responsible disengagement principles (where we needed to pause) has been a specific focus for our regional Modern Slavery Communities of Practice during this period.

Respect for human rights is consistent with our values, our commitment to safety and sustainability, and drives the way we work.

Lendlease recognises tackling modern slavery successfully relies on strong, open collaboration with our suppliers, our people, and other key stakeholders. Given the breadth and complexity of our global supply chains, our efforts will require a phased, multi year approach.

Elevate Reconciliation Action Plan (RAP)

Reconciliation Australia has extended our current Elevate Reconciliation Action Plan to September 2020 and we have again been invited to submit an 'Elevate' level RAP in recognition of our continued leadership and proactivity in delivery in this area.

We will release the new Lendlease Reconciliation Action Plan 2020–2023, titled 'Country, Truth and our Shared Story', in late 2020.

Providing cultural engagement and learning opportunities for Lendlease employees	**6,030** Lendlease employees in Australia have completed face to face or online cultural awareness learning since FY12.	Promoted reconciliation through our sphere of influence by activating our projects, offices and assets in celebration of National Reconciliation Week 2020 and NAIDOC Week 2019.
Increasing the number of Aboriginal and Torres Strait Islander people directly employed at Lendlease	**1%** Of Lendlease Australian employees identify as Indigenous Australians.	Pivoted RAP actions in FY20 due to COVID-19 by developing a COVID-19 RAP Response Plan including a greater focus on support and retention of existing Lendlease Indigenous employees. Updated our Indigenous Talent Strategy and Resourcing Strategy under the leadership of newly appointed identified Indigenous managers.
Increasing procurement activity with Aboriginal and Torres Strait Islander businesses	**128** Supply Nation businesses engaged (registered and certified Indigenous businesses).	**$55.3m** Spent in FY20 with registered and certified Indigenous businesses.

Lendlease Building – local and indigenous engagement

In February 2020, our team commenced the staged hand over of the $495 million New Air Combat Capability facility at RAAF Base Tindal in the Northern Territory. The completion of this facility will support the arrival of Australia's cutting edge F-35A Joint Strike Fighter aircraft. Through this project, Lendlease awarded 64 per cent of the total work packages to Northern Territory businesses, representing some $242 million injected into the Territory's economy.

Through a bespoke Indigenous work training program developed by Lendlease, the project also contributed to local Indigenous employment, with an eight per cent Indigenous workforce participation rate and three subcontracts, valued at $27 million, awarded to Indigenous companies.

First Nations design in placemaking – Darling Square

Commissioned by the landowner, Place Management NSW (State Government), and Lendlease, 'The Canopy', by Aboriginal artist and Head of Design for Bangarra Dance Theatre Jacob Nash, arose from a vision to reinvigorate a piece of urban infrastructure and share stories of Aboriginal culture with the public. The installation has beautified the area and attracts people to gather and use the previously dark Pier St Underpass that divided sections of Darling Harbour.

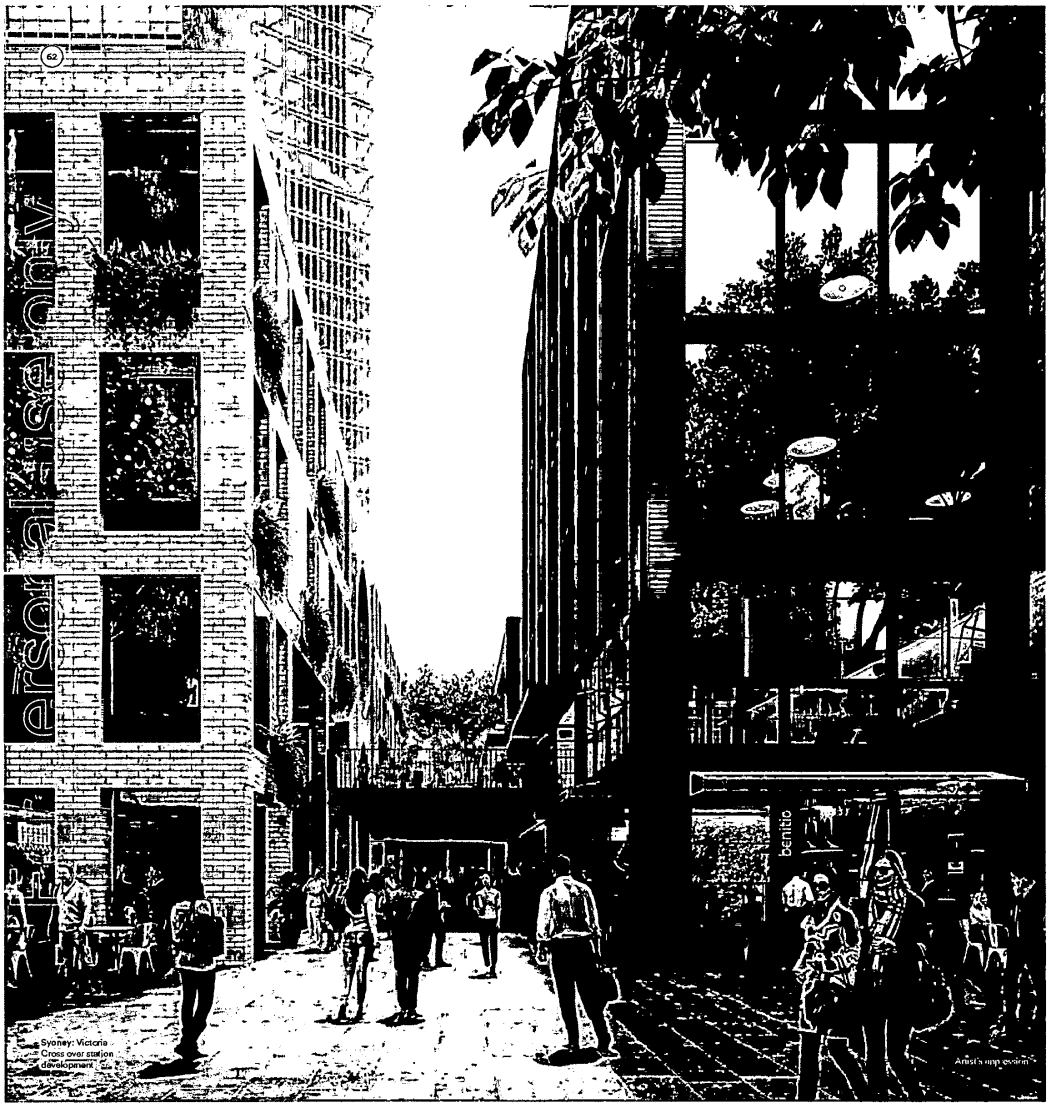
The Pier St underpass art installation represents the three constants that have always been here: the land the artwork is on, the Wangal and Gadigal clans of the Eora Nation in Sydney that care for this country, and the night sky above us.

The night sky depicted evokes primal ideas of creation, dreaming, wonder and home, and it holds stories about our place in the universe. It showcases how First Nations' culture and design knowledge can unite us and connect people and place.

Risk

Honolulu:
Hickam Communities

A vibrant masterplanned community providing homes and amenities for the US Airforce.



Sydney: Victoria Cross over station development

Artist's impression

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.

We continue to focus 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, context to identify, report and manage risks, and creating a culture of risk awareness and accountability.

Our risk framework remains unchanged from a governance perspective, and continues to mature, underpinned by a robust three lines of defence model. The 'Voice of Risk' roles we added in FY19 continue to mature, providing further independent assurance within each region with alignment as a group being coordinated through the Group Chief Commercial and Risk Officer and Group Head of Risk and Insurance.

The strength and maturity in the structure has been well evidenced in recent months as we navigate through COVID-19. A mature crisis management framework and appropriate business continuity plans are in place through all regions and functions, providing a stable platform on which we can continue to operate safely and plan strategically.

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 are in place.

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 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 regions to allow consistent risk identification and assessment.

Risk governance and management

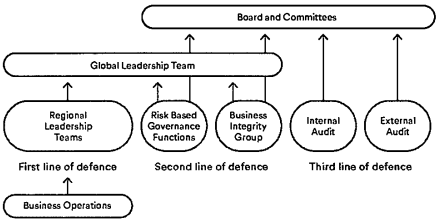
For personal use only

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 key areas of risk. These focus on areas such as latent conditions, contamination and existing structural risk. Further development of risk appetite will continue to evolve in other granular areas of our enterprise risks.

Each region continues to have 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

In November 2019, the Board Risk Committee approved the Risk Appetite Statements against each of the 12 Enterprise Risks.

These Risk Appetite Statements define 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. They assist in:

- **Maintaining alignment amongst the Board and management about the Board's appetite for risk in order to drive more informed and consistent decision making**
- **Effectively allocating capital and resources to projects that are more likely to be approved by management and the Board.**

In May 2020, after extensive internal consultation and testing, the Board Risk Committee approved the Risk Appetite Tolerances. These provide guardrails that will assist in aligning Lendlease's appetite for risk with our decision making and review processes, namely:

- Providing a clear understanding of Board approved 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.

Implementation

The Risk Appetite Framework is being integrated into the existing risk management and corporate governance processes within Lendlease, as shown in Diagram 1. This ensures a seamless deployment of the Framework and an improvement in the management of risk within the organisation.

Continuous improvement

In the first 12 months of implementation, the framework will be reviewed on a quarterly basis. After this period, it will be reviewed annually by the Group Chief Commercial and Risk Officer and approved by the Board Risk Committee. Any changes outside of the annual review cycle that encompass the addition of new statements and tolerances will be reviewed and approved by the Board Risk Committee.

Risk Appetite Framework deployment

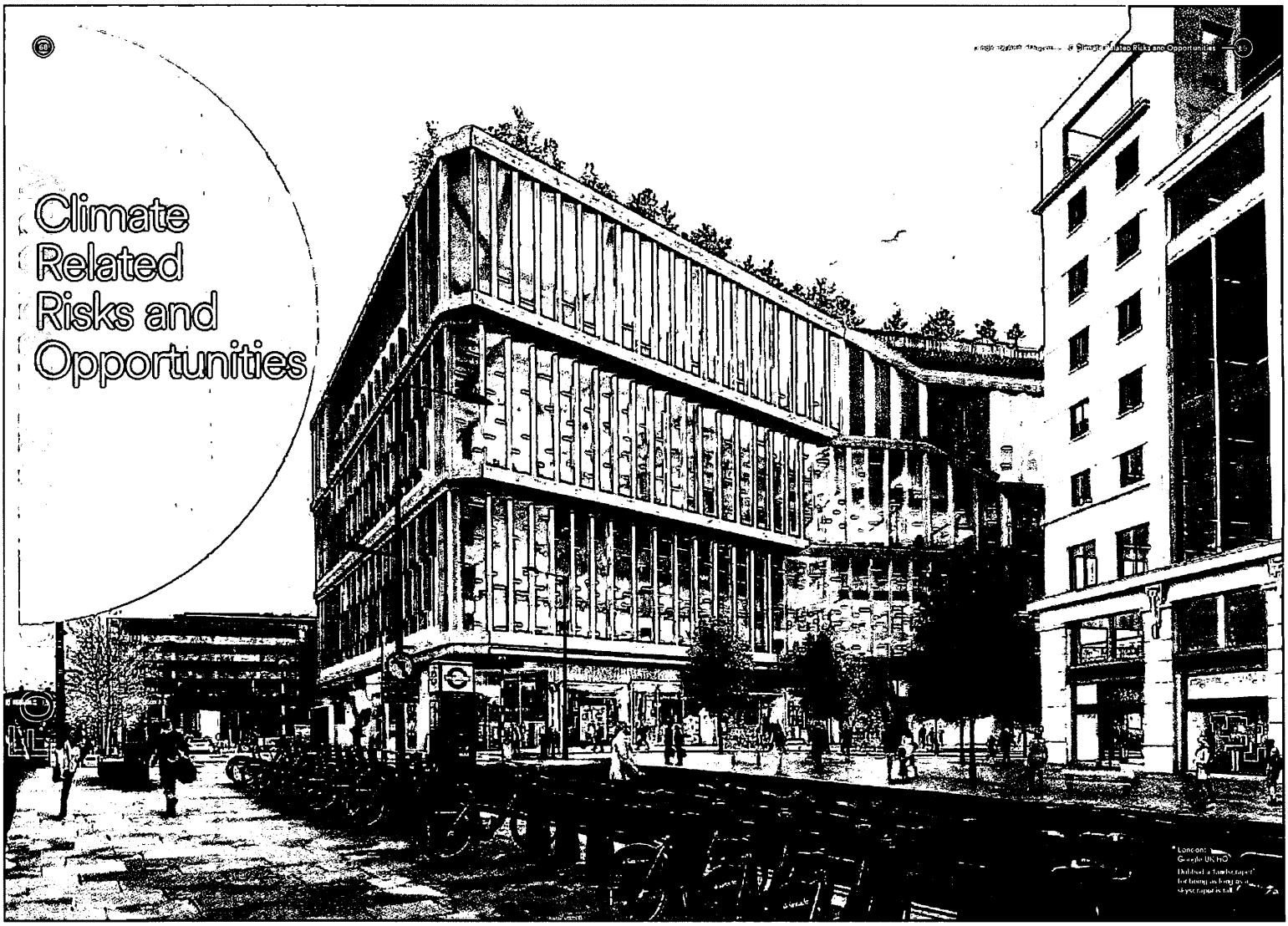
Board defines its appetite and applies governance	Board	Defines its appetite for the 12 Enterprise Risks through the Risk Appetite Framework
Corporate risks managed by Group	Group	**Disruption · Cyber / Data · Regulatory · Culture · Business Continuity** **Appetite deployment mechanisms** Group Strategy; Investment in Digital; IT Policies; Management of Compliance Obligations; Business Continuity Policy; Limits Of Authority (LOAs); Code of Conduct; Formalised Investment Approval Processes
Business risks managed at regional level	Regions / Businesses	**Customer · Geopolitical · Environmental · Commercial Performance Scalable Growth · Health, Safety and Wellbeing · Project Execution** **Appetite deployment mechanisms** Strategy Approval; Policies; Regional Investment Committees; LOAs; Formalised Investment Approval Processes
Operational issues / risks managed at project / investment level	Projects / Investments	**Appetite deployment mechanisms** Project Reviews; LOAs; Localised Policies; Project Approval Gates

Key risks and mitigation

Strategic Risks

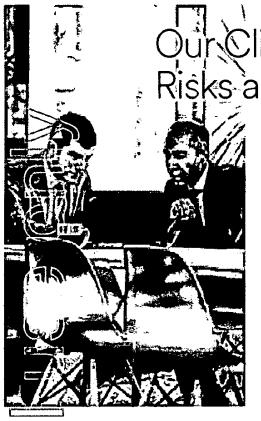
	Description	Mitigation	The value we create
Health, Safety and Wellbeing	Failure to provide an environment that promotes health, safety and wellbeing impacts our ability to achieve our corporate and social responsibilities	We are committed to the health, safety and wellbeing of our people. Through our 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 Development, Construction and Investments 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, including the use of stage gates across our property and construction operations, which is articulated earlier in this section, contributes 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 customer (including government) relationships, or inability to tailor services to future customers' needs, impacting Lendlease's financial objectives	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent customer 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 (as noted in the sustainability section).	
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 our peoples' learning and development to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.	

Climate Related Risks and Opportunities



London: Google UK HQ

Dubbed a "timber tower" for being as long as a skyscraper is tall



Our Climate Related Risks and Opportunities

Task Force on Climate Related Financial Disclosure (TCFD)
Climate change and society's response to it are now recognised as foundational drivers of risk and opportunity within the global economy. In 2018, Lendlease committed to incorporating the TCFD framework into our disclosure regime. As a result, we are much better equipped to provide our investors and stakeholders with insights into how we are building resilience to climate related risks and opportunities.

The TCFD framework could be seen as just another layer of disclosure. However, for us, it has helped transform the way Lendlease is positioning itself to respond to the climate crisis and the way in which we will be communicating and executing on our ambition to be a 1.5°C aligned company.

In sharing our experiences and outcomes from scenario planning for climate impacts, we hope others will be encouraged to commit to this important evaluation and disclosure.

Our process for identifying climate related impacts
When we committed to TCFD we wanted to make climate change easier to understand and actionable by senior leaders. Most business leaders are not climate scientists; they are generally time poor, with their own day to day priorities. Getting them to focus on and understand climate related impacts is probably the biggest challenge to any organisation on this journey. To address this challenge, we created climate scenarios and a scenario planning process tailored to our business.

Our tailored approach has generated a high level of senior leader engagement, with the outputs integrated into short term business planning and long term strategic thinking. This has helped us set up new and ambitious sustainability targets, aligned with our TCFD work.

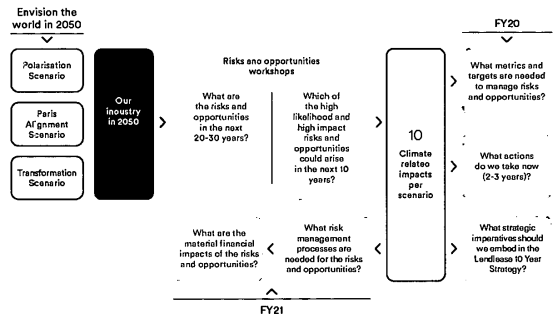
Our Board engaged with management and attended a number of workshops on the four climate scenarios to test business strategy and how best to respond to key trends in line with TCFD recommendations.

Engagement commenced with the Global Leadership Team (GLT). The GLT was instrumental in deciding that our Resignation scenario (RCP8.5) should only be used to assess the inherent climate change physical risks and not for strategic business resilience.

The top 200 senior leaders from across our business were engaged in risk and opportunity workshops. In these workshops, participants identified risks and opportunities that might arise, ranking them in line with the Lendlease risk matrix. Participants also identified actions their business unit should take within the next 3–5 years to prepare for climate related impacts. These actions will be integrated into the FY21 business planning process.

The risks and opportunities identified have been consolidated into 10 climate related impacts per strategic scenario. This output will continue to play an important role in our response to the TCFD recommendations, first in our qualitative analysis this financial year and informing our financial disclosure in FY21.

Process and timeline for implementing TCFD into the business



Our Climate Related Impacts

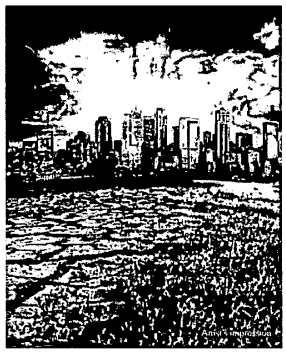
The business leaders identified and ranked climate related risks and opportunities, which have been grouped into ten climate related impacts for our strategic 2050 Future Climate Scenarios.

Polarisation
A world warmed by 3°C

Our Polarisation Scenario imagines the world falters on serious climate action, with a resultant national self interest taking precedence over multilateral cooperation. This scenario sees higher levels of economic protectionism with significant impacts on global supply chains.

Climate Related Impacts	Risk			Opportunity		
	Development	Construction	Investment	Development	Construction	Investment
Impact of climate change on assets and communities			■			
Increase market share from public sector	■		■			
Access and cost of capital						
Availability of international products						
Availability and cost of labour						
Reduced availability of materials and resources		■				
Impact of climate change on the way we work	■	■	■			
Shift in consumer preference toward secure and resilient communities						
Industry leadership in decarbonisation valued						
Impact of climate change on cities	■					

Not often identified as an impact □ Lower frequency of identified impact □□ ⟵ □□ ⟶ ■□ Higher frequency of identified impact



Climate related impacts
The most frequently identified risks across the business, for this scenario, came from the impact of climate change on the way we work and on our assets, particularly for our Investments business. Conversely, the impact of climate change on cities has a high frequency of opportunities related to adaptation.

The risk of nationalism on global supply chains was identified as a key impact, with most risks identified for our Construction business. Conversely, the impact on global supply chains was seen as an opportunity for the Construction business due to disaggregation of supply chains.

Although this scenario sees a more severely impacted climate and less global cooperation, the business leaders recognised an inherent need for decarbonisation, seeing continued value in our leadership in sustainability.

Strategic resilience
Our business has many attributes for strategic resilience in a Polarisation Scenario. Existing public sector partnerships position us well for likely increased climate adaptation work for the public sector. Our sustainability leadership positions us well, where decarbonisation and climate resilience and adaptation are valued, such as at Barangaroo.

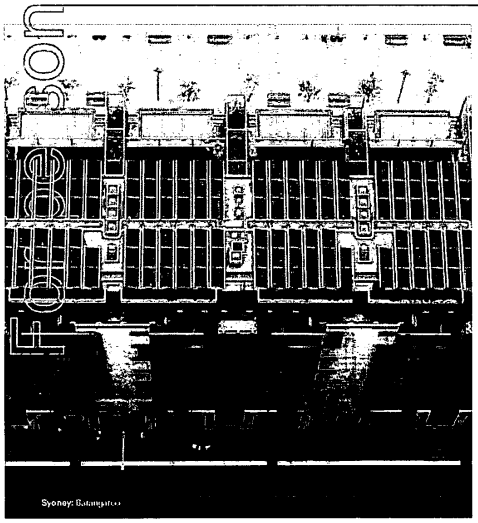
Paris Alignment

A world warmed by 2°C

Our Paris Alignment Scenario sees a market led transition to a lower carbon future through global government commitment to the Paris Agreement. This scenario differs from our Transformation Scenario in that it relies heavily on negative emissions technologies, such as carbon capture and storage, as a stress test of a situation in which the economy is decarbonised without any significant structural change occurring.

Climate Related Impacts	Risk			Opportunity		
	Development	Construction	Investment	Development	Construction	Investment
Increase speed of change in climate related impacts						
Misalignment between legislation/regulation and Lendlease strategy						
Increase cost of carbon						
Demand for decarbonisation of supply chain						
Increased scrutiny over actions versus branding						
Demand for negative emissions and geoengineering solutions						
Changing preferences away from new build development						
Demand for zero carbon infrastructure						
Increase market share from public sector						
Industry leadership in decarbonisation valued						

Not often identified as an impact — Lower frequency of identified impact ← → Higher frequency of identified impact



Sydney: Barangaroo

Climate related impacts
The most frequently identified risks came from the increased demand and need for decarbonisation of construction supply chains, creating a potential increase in the cost of materials, as well as likely scarcity of products and materials.

Risks were also identified if we did not align our leadership in sustainability with the legislative direction of a government led decarbonised world. Conversely, opportunities were identified if we aligned early or even exceeded regulation.

An increase in carbon cost was identified as both a risk and opportunity, particularly for Development. Opportunities were also identified related to new build no longer being as valued and zero carbon solutions attracting greater value.

Strategic resilience
Our sustainability leadership creates strategic resilience in a Paris Aligned Scenario. We are well positioned to build on our global track record of delivering commercially successful green and carbon neutral solutions needed for a decarbonised world.

Transformation

A world warmed by 1.5°C

Our Transformation Scenario sees a societally driven, controlled and rapid decarbonisation pathway, where global emissions peak in 2020 and are close to zero in 2040. Instead of relying on technological fixes, the Transformation Scenario sees a substantial reduction in emissions through lifestyle changes and a reprioritisation of capital to community level investment.

Climate Related Impacts	Risk			Opportunity		
	Development	Construction	Investment	Development	Construction	Investment
Impact of climate change on assets and communities						
Increase market share from public sector						
Access & cost of capital						
Availability of international products						
Availability & cost of labour						
Reduced availability of materials and resources						
Impact of climate change on the way we work						
Shift in consumer preference toward secure and resilient communities						
Industry leadership in decarbonisation valued						
Impact of climate change on cities						

Not often identified as an impact — Lower frequency of identified impact ← → Higher frequency of identified impact

London: Elephant Park

Climate related impacts
It was anticipated that a shift in social licence to operate would occur in a societally driven decarbonisation scenario and that this shift would present risks across all aspects of business.

A rapid decarbonisation would likely see a preference away from new build developments, due to the emissions from building products and materials (embodied emissions). This shift in preference would likely generate both risks and opportunities across our business.

The speed of decarbonisation in our Transformation Scenarios was highlighted as presenting both transitional opportunities and risks. The expectation for private sector investment in decarbonisation was highlighted as an opportunity.

Strategic resilience
Our track record in social sustainability leadership, combined with our leadership in green real estate, would help position us well for societally driven decarbonisation. Our integrated business model, with a focus on digital, will allow us to respond quickly to the speed of change in this future scenario.

For personal use only

Integration into risk management processes

In addition to further integrating climate related risks and opportunities into the Risk Appetite Framework, we have also further developed physical and transitional risk assessments.

We have refined and piloted our physical risk impact assessment process on several assets and development projects across the world. Using Representative Concentration Pathway RCP8.5, our greater than 4°C Resignation Scenario, we have focused on eight key physical impact areas. This process will continue to be refined in FY21 and will form the starting point for physical risk assessment for financial disclosure.

In FY20, we introduced a transitional risk assessment for a regulatory price on carbon, using a shadow carbon price within investment assessments.

Our leadership in TCFD

Our place based approach to scenario planning and integration of the TCFD recommendations into our business processes has led to invitations to take part in key TCFD forums and advisory groups. This year we have been proud to be members of, and active contributors, to:

- The TCFD Construction Preparers Forum, which seeks to provide guidance to construction industry companies undertaking TCFD disclosure
- The TCFD Secretariat Scenario Advisory Group, which seeks to provide practical guidance for climate related scenario analysis.

Physical Risk Assessment

Heatwave
Increased temperatures and heatwave

Sea level rise
Sea level rise and storm surge

Wind storm
Cyclones, tornadoes and extreme wind events

Wildfire
Wildfire risk with resulting poor air quality

Water scarcity
Drought impacts and severe water restrictions

Urban flooding
Extreme rainfall events leading to urban flooding

River flooding
Extreme rainfall events leading to river flooding

Cold spell
Increased duration cold weather events

Our disclosure progress and next steps

In FY18, we made the commitment to disclosing under the TCFD recommendations and in FY19, we disclosed our 2050 Future Climate Scenarios. This year we integrated scenario planning into our business through risk and opportunity workshops to identify emerging risks and opportunities. We integrated the outcomes of the workshops into business planning, a strategy refresh and setting new sustainability related metrics and targets. In FY21, we will integrate the outcomes of the risk and opportunity workshops into our financial disclosure.

		Actions	FY19	FY20	FY21
Governance	Disclose the organisation's governance around climate related risks and opportunities	Strengthen Board and management oversight of climate related risks through the Board Sustainability Committee	●→		
		Establish a cross functional TCFD steering committee chaired by Chief Commercial Risk Officer	●→		
Strategy	Disclose the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning where such material is financial	Undertake risk and opportunity workshops across the business to identify short, medium and long term risks and opportunities for each scenario		●	
		Assess the climate related impacts on the business, strategy and financial planning		○	●→
		Integrate climate related impacts into strategy refresh to build strategic resilience		●	
Risk Management	Disclose how the organisation identifies, assesses and manages climate related risks	Climate related risk integrated into Risk Committee	●		
		Climate related risk assessments integrated into investment committee decision making process	○		●→
		Integrate climate related risks into Risk Appetite Framework (see page 65)		●	
		Establish global TCFD working groups to coordinate the assessment of physical and transitional risks and opportunities		●→	
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material	Establish metrics and targets for managing climate related risks and opportunities (see page 54 for sustainability related metrics and targets)		○	●
		Continued disclosure of scope 1 and 2 emissions		●→	
		Establish scope 3 emission reporting boundaries and methodologies		○→	
		Disclose scope 3 emissions			○→

● Completed ○ Commenced ● Target completion year → Ongoing action

Performance and Outlook

Group highlights

The Group experienced a challenging year with a Statutory Loss after Tax of $310 million for the year ended 30 June 2020. Engineering exit costs of $368 million after tax, along with $19 million of goodwill impairment relating to the anticipated completion of the sale of Engineering, were brought to account and the Core business was adversely impacted by COVID-19 in the second half. The distribution per security was 33.3 cents. The Group's Core business generated Earnings per Security of 15.9 cents and a Return on Equity of 1.5 per cent.

Performance in the second half of the year was significantly down across the Core operations with the onset of the COVID-19 pandemic impacting performance from March 2020 onwards. A solid Core operating EBITDA in H1FY20 of $628 million was followed by a $65 million EBITDA loss in H2FY20 with each of the three segments impacted. In the Development segment, a number of large transactions were deferred, mandated site shutdowns, lower productivity and lower new work secured impacted our Construction segment and valuation reductions impacted our Investments segment due to deteriorating market conditions.

A range of mitigating actions were implemented in response to the onset of the pandemic. Overhead and employee costs were reduced, along with a review of project expenditure. In addition, a range of measures were undertaken to strengthen the financial position of the Group. $1.2 billion of equity was raised through an Institutional Placement and Share Purchase Plan and additional debt facilities of approximately $1.3 billion were arranged to enable the Group to manage through a sustained downturn.

The strengthening of the balance sheet positions the Group to accelerate the delivery of the development pipeline and take advantage of new investment opportunities.

In the Development segment, despite the below target profit outcome, significant progress was made on growing and converting the development pipeline. This included securing additional major urbanisation projects, achieving planning milestones and creating new investment partnerships to support projects moving into delivery.

In Construction, the impact of COVID-19 was greater in our international regions, particularly in cities where mandated shutdowns were implemented. This included lower productivity, projects being put on hold, and delays in the commencement or securing of new projects. This led to losses in H2FY20 for the segment across the Americas, Europe and Asia.

In the Investments segment, COVID-19 had a significant impact on real estate valuations across the Group's investments. Operating earnings within Investments was resilient, rising in the year on higher funds management fees, including performance fees, and a solid performance from the military housing operations.

The Non core segment recorded an EBITDA loss of $495 million, which included accounting for $525 million pre tax in Engineering exit costs.

Corporate costs, depreciation and amortisation and net finance costs were all impacted in the year following the adoption of AASB 16 *Leases*. It resulted in the reclassification of $88 million in Core operating lease expenses to finance costs and depreciation. The net impact to the Income Statement on adoption of AASB 16 *Leases* is an $11 million pre tax increase in expense in FY20.

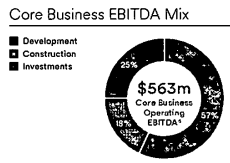
Net finance costs were $153 million. Net debt ended the period at $0.8 billion, down from $1.4 billion in the prior year. The average cost of debt was 3.4 per cent with an average debt maturity of 4.2 years.

Key Financials

		FY19	FY20	Var.
Core Business				
Development	$m	793	322	(59%)
Construction	$m	211	101	(52%)
Investments	$m	489	140	(71%)
Operating EBITDA	$m	1,493	563	(62%)
Corporate Costs	$m	(165)	(158)	4%
Group EBITDA	$m	1,328	405	(70%)
Depreciation & Amortisation	$m	(94)	(160)	(70%)
Net Finance Costs	$m	(125)	(153)	(22%)
Profit before Tax	$m	1,109	92	(92%)
Profit after Tax	$m	804	96	(88%)
Non Core				
EBITDA	$m	(461)	(495)	(7%)
Profit/(Loss) after Tax	$m	(337)	(406)	(20%)
Total Group				
Revenue[1]	$m	15,555	13,289	(20%)
EBITDA	$m	867	(90)	n/a[2]
Profit/(Loss) after Tax	$m	467	(310)	n/a[2]
Underlying Operating Cash Flow[3]	$m	316	762	141%
Net Assets	$m	6,357	6,932	9%
Net Debt	$m	1,425	833	(42%)
Effective Tax Rate[4]	%	24.7	n/a[2]	
Earnings per Security	cents	79.4[5]	(51.4)	n/a[2]
Distribution per Security	cents	42.0	33.3	(21%)
Weighted avg Securities	no.(m)	588[6]	603	3%

1. Including Finance revenue and revenue from the Non core segment. 2. Figures are nonmeaningful due to the FY20 Group statutory loss. 3. 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. 4. Lendlease's approach to tax is outlined in the 2020 Tax Report (https://www.lendlease.com/au/investor-centre/distribution-and-tax/). Detailed on tax balances are included within the Consolidated Financial Statements. 5. FY19 Total and Core Earnings per Security and Weighted avg Securities have been updated to reflect the share issue in FY20 (previously reported as 82.4 cents (total), 141.8 cents (core) and 567 m(m) respectively). 6. Excludes Corporate.

Core Business EBITDA Mix



Core Business Profit after Tax

FY19 $804m FY20 $96m

Core Business Return on Equity

FY19 12.8% FY20 1.5%

Core Business Earnings per Security

FY19 136.7¢[5] FY20 15.9¢

Group outlook

While the duration of the impacts of the pandemic is uncertain, near term effects from COVID-19 are continuing and we expect current conditions to suppress first half earnings. The Group entered FY21 in a strong financial position with the capacity to execute the delivery of the global development pipeline and take advantage of other investment opportunities as market conditions improve.

Progress has been made on planning consents for projects across the urbanisation pipeline, which supports the conversion of these projects to delivery. Post year end, the Group established an investment partnership to deliver Tower 1, One Sydney Harbour, which is expected to make a significant contribution to profit in FY21.

The development pipeline grew significantly during the year from $76 billion to $113 billion. We remain focused on delivering the urbanisation portfolio safely, sustainably and profitably. The portfolio of 21 major urbanisation projects across nine gateway cities provides long term earnings visibility and a strong platform to deliver enhanced risk adjusted returns to securityholders.

We expect to create more than $50 billion of institutional investment grade product from our urbanisation pipeline. This provides the opportunity for the Group to double current funds under management of $36 billion as the pipeline is delivered. Along with the $4 billion of investments and $29 billion of assets under management, the Investments segment is expected to provide a solid base of recurring earnings.

Portfolio Management Framework

The Portfolio Management Framework is designed to maximise long-term securityholder value. The distributions for the year include the 54 per cent payout of first half earnings and the second half distribution from the Trust. No dividend was declared for the Corporation in the second half. The Group is currently reviewing the framework.

Portfolio Management Framework

	Target	FY19	FY20
Total Group Metrics			
Return on Equity	10-14%	7.4%	(4.7%)
Dividend payout ratio	40-60%	51%	n/a[2]
Gearing	10-20%	9.9%	5.7%
Core Business EBITDA Mix			
Development	40-50%	53%	57%
Construction	10-20%	14%	18%
Investments	35-45%	33%	25%
Core Business Segment Returns			
Development ROIC[3]	10-13%[4]	11.6%	4.7%
Construction EBITDA margin	2-3%	2.2%	1.3%
Investments ROIC[3]	8-11%[4]	10.8%	2.8%
Segment Invested Capital Mix			
Development	40-60%	57%	56%
Investments	40-60%	43%	44%
Regional Invested Capital Mix			
Australia	50-70%	45%	42%
Asia	5-20%	15%	17%
Europe	5-20%	22%	22%
Americas	5-20%	18%	19%

1. $6.8 million in JobKeeper subsidies were received by Lendlease companies, $2.9 million was received by our Retirement Living Joint Venture. The Group exited the program on 22 June 2020. 2. Dividend payout ratio is nonmeaningful in FY20 due to the Group statutory loss. 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 time lines. 5. Remaining estimated development and venture.

COVID-19 impacts on H2FY20

	H1	H2	H2 performance impacted by COVID-19
	FY20	FY20	
Development	272	50	Delays in transactions across our urbanisation projects
Construction	101	[illegible]	Site shutdowns, lower productivity, project delays
Investments	255	(115)	Total investment devaluations of $211 million in H2
Operating EBITDA	628	(65)	

The H2FY20 after tax loss of $212 million recorded for the core business reflected the significant deterioration in operating conditions in the second half as a result of the pandemic.

We prioritised health and safety with a range of measures implemented to protect our people, customers and the communities in which we operate including the early introduction of travel bans and workplace changes to prevent the spread of the virus and initiatives across the commercial assets, retirement villages and the residential communities we manage.

Delays were experienced in converting opportunities across our urbanisation pipeline and the Communities business experienced weak trading conditions, there were mandatory site shutdowns, lower productivity and delays in new work in our Construction segment, and H2FY20 valuation declines of $211 million in the Group's c.$4 billion investment portfolio.

A range of actions were implemented to mitigate the financial impact including overhead and employee cost reductions and a review of project expenditure. Employee cost reductions included; temporary pay reductions for senior leaders, reduced hours of work, furlough/stand downs and some redundancies.

We have been eligible for and accessed wage subsidy support in markets where it was offered. Government support totalled $15 million globally, with $9.7 million[1] received under the JobKeeper program in Australia.

The Balance sheet was strengthened by a $1.2 billion equity raising and $1.3 billion in additional debt facilities which has positioned us well to execute on the delivery of the global development pipeline and take advantage of new investment opportunities.

$113b Development Pipeline[2]
FY19 76.1
FY20 113.0

$14b Core Business Construction Backlog
FY19 15.6
FY20 13.9

$36b Funds Under Management
FY19 35.2
FY20 36.0

Development performance

The Development segment delivered EBITDA of $322 million, down 59 per cent on the prior year. EBITDA in H2FY20 declined to $50 million due to the various impacts of COVID-19. Progress on converting opportunities across our urbanisation pipeline was impacted and the Communities business experienced weak trading conditions. The difficult operating environment resulted in a return on invested capital of 4.7 per cent. This was well below the bottom end of the target range of 10 per cent.

While the profit outcome for the year was below target, significant progress was made on growing and converting the development pipeline. This included securing additional major urbanisation projects, achieving planning milestones and creating new investment partnerships to support projects moving into delivery.

Two new major urbanisation projects with a combined estimated end value of $37 billion were added to the pipeline. In London, the Finchesmead Waterfront development is expected to create more than 11,500 homes. In the San Francisco Bay Area, we secured a project that will deliver more than 15,000 new homes.

An investment partnership with the Australian Prime Property Fund Commercial was formed to deliver the 58,000 sqm Victoria Cross over station development in Sydney, which has an estimated end value of $1.2 billion. A partnership was formed with PSP Investments, one of Canada's largest pension funds, to develop the c.$4 billion Milano Santa Giulia project. The forward sale of the first two buildings at the precinct contributed to the result. The retail and residential components of Paya Lebar Quarter in Singapore completed.

There were 2,236 apartment settlements and completions in the period. They comprise 1,366 apartments for sale settlements mainly from urbanisation projects in Boston, London, Melbourne and Singapore, and 870 apartments for rent completions at projects in Boston and Chicago.

There were 1,898 land lot settlements across the Communities portfolio, down 25 per cent on the prior year. Performance was significantly impacted by the onset of COVID-19 in the second half of the year.

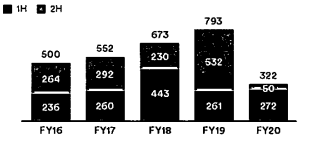
Key Financials ($m)

	FY19	FY20
EBITDA		
Australia	556	174
Asia	121	34
Europe	37	116
Americas	79	(2)
Total EBITDA	793	322
Total PAT	554	233

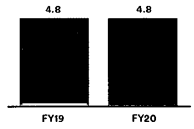
57%

of Core Operating EBITDA

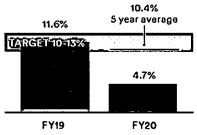
EBITDA ($m)



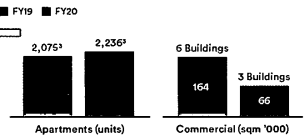
Invested Capital[1] ($b)



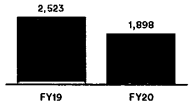
Return on Invested Capital



Urbanisation Completions/Settlements[2]



Communities Settlements (Lots)



1. Security-to-equity plus gross debt less cash on balance sheet. 2. Commercial and apartment for rent completions are aligned with practical completion, apartment for sale settlements are recognised on cash receipt. 3. FY19 and FY20 include 452 and 870 apartment for rent completions respectively.

Development outlook

The estimated end value of the development pipeline grew 48 per cent on the prior period to $113 billion. We have a globally diversified portfolio of 21 major urbanisation projects across nine gateway cities.

The pipeline includes an approximate $99 billion of urbanisation projects. These projects are typically held in capital efficient structures, providing the Group with flexibility around delivery and timing, in line with market cycles. While there is expected to be a substantial increase in the annual production rate over the medium to longer term, the economic impacts of COVID-19 are likely to make acceleration of delivery more challenging over the short term.

Post year end, the Group established an investment partnership with Mitsubishi Estate to deliver the first residential tower at One Sydney Harbour, Barangaroo, which will contribute to profit in FY21. Construction on the 317 apartments has commenced, with approximately 75 per cent in presales.

Strong presales on apartments at TRX residences in Kuala Lumpur and One Sydney Harbour have taken presales of apartments in delivery to $2.3 billion.

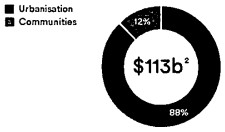
There are more than 1,600 apartments for rent in delivery, with Cascade at Lakeshore East, and an additional building at Southbank, both in Chicago, and a further two buildings at Elephant Park in London all entering delivery during the year.

There are seven major commercial buildings in delivery across 376,000 sqm, with a total estimated end value of $5.8 billion. These buildings are being developed in conjunction with our investment partners. In addition, there is a further 591,000 sqm which the business is targeting to convert and commence delivery over the next five years.

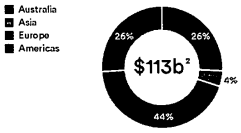
A significant number of the 21 major urbanisation projects are recent additions to the pipeline and are therefore in early stage planning. Good progress has been made on planning consents for several projects, including approvals being obtained for Milan Innovation District and 30 Van Ness in San Francisco.

The Communities pipeline consists of 47,372 lots, providing more than a decade of supply. In our Australian Communities business, enquiries have recently returned to pre COVID-19 levels, with government stimulus measures boosting demand. Despite an improvement in the near term outlook, the annual target for settlements of 3,000 to 4,000 is unlikely to be met in FY21.

Pipeline[1] by Product



Pipeline[1] by Region

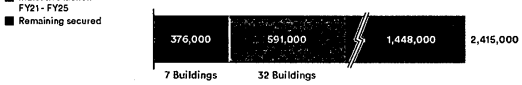


Urbanisation – Apartments Pipeline (Units)

1-2k

Target for settlements per annum[4]

Urbanisation – Commercial Pipeline (sqm)



2-3

Target for building commencements per annum[4]

1. Remaining estimated development end value. 2. Includes $0.3 billion of Infrastructure pipeline. 3. Major apartment building in delivery only. 4. Targets under review. 5. Major commercial building in delivery only.

Construction performance

The Construction segment delivered EBITDA of $101 million, down 52 per cent on the prior year. The entire profit was generated in H1FY20, with the impact of COVID-19 resulting in a break even result in H2FY20. For the full year, revenue declined by 21 per cent to $7.6 billion and the EBITDA margin of 1.3 per cent was below the target range of 2-3 per cent.

The COVID-19 impact was greater in our international regions, particularly in cities where mandated shutdowns were implemented. This included lower productivity, projects being put on hold, and delays in the commencement or securing of new projects. This led to losses in H2FY20 for the Americas, Europe and Asia, offsetting a profit in Australia which delivered a solid EBITDA margin outcome of three per cent for the full year despite the challenging environment.

The business completed a number of significant projects during the period. These included several Defence projects, commercial buildings at Wesley Place[1], Melbourne, and 60 Martin Place, Sydney, redevelopments at Kambri Precinct at ANU[2], Canberra and Rod Laver Arena, Melbourne and a residential tower at 220 Central Park South, New York. Construction on a number of integrated projects was also completed, including 845 West Madison, Chicago, Cedarwood Square, Deptford Landings in London and Paya Lebar Quarter in Singapore.

New work secured of $7.5 billion was down from $9.9 billion in the prior year. Origination was impacted by lower activity in the Americas, most notably the key New York market and some delays in projects being brought to market, along with limited new work in Europe. The Australian business proved resilient with new work secured only marginally lower at $4.3 billion.

The new work secured is well diversified by sector and client, with more than half derived from Australia during the period. Key new projects from external clients during the year included HMAS Watson Redevelopment, Australian Federal Police Melbourne State Office[3], the Curtin University School of Design and Built Environment, all in Australia, and 4 Hudson Square, New York. Integrated projects secured during the year included One Sydney Harbour Tower 1, Victoria Cross over station development, Cirrus at Lakeshore East and residential for rent at Elephant Park.

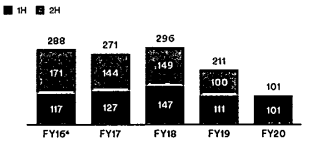
Key Financials ($m)

	FY19	FY20
EBITDA		
Australia	126	97
Asia	(1)	(11)
Europe	40	(9)
Americas	46	24
Total EBITDA	211	101
Total PAT	141	42

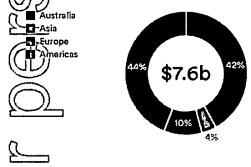
18%

of Core Operating EBITDA

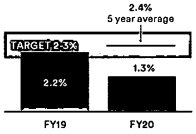
EBITDA ($m)



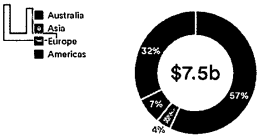
Revenue by Region



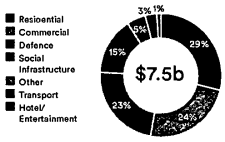
EBITDA Margin



New Work Secured by Region



New Work Secured by Sector



1. Former y 130 Lonsdale Street. 2. Former y Austra ian Nations University Union Court Redeve opment. 3. Former y 140 Lonsdale Street. 4. Inc udes Engineering and Services businesses.

Construction outlook

The outlook for the Construction segment is subdued given the current operating environment. In the absence of further deterioration as a result of COVID-19, the operating performance of the segment is expected to improve in FY21. The workbook remains substantial with backlog revenue of $14 billion. Approximately 75 per cent of major project backlog will generate future revenue and margin for the Construction segment, with margin on the remainder that is derived from integrated projects, being reported through the Development segment.

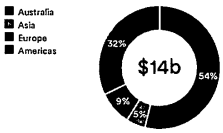
Australia has a strong workbook with $7.5 billion in backlog revenue. This accounts for more than half of the backlog for the Construction segment and is expected to result in the region contributing the majority of earnings in FY21. Key projects include Sydney Place, the Crown Sydney Hotel Resort, several Defence contracts and the Sydney Metro Martin Place and Sydney Metro Victoria Cross Integrated Station Developments. In addition, the business is well placed to secure government sponsored projects as part of potential stimulus measures across a range of sectors.

The backlog revenue of $4.4 billion in the Americas is down approximately 30 per cent as a result of the difficult operating environment. The high rise residential construction market in the North East of the US, a sector in which the business has historically had a high market share, is currently subdued. Recent success in the health care sector, including life sciences, has partly offset weakness elsewhere. The strong growth in the urbanisation pipeline to approximately $30 billion in the region is expected to provide opportunities for future construction backlog.

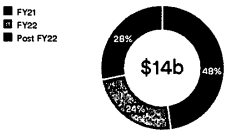
Europe and Asia combined account for approximately 15 per cent of backlog revenue. Europe's $50 billion urbanisation pipeline is expected to provide a significant amount of construction work over the medium term. In Asia, the business is focused on the delivery of The Exchange TRX in Kuala Lumpur and specialist sectors for external clients.

Beyond the current backlog, there is approximately $8 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.

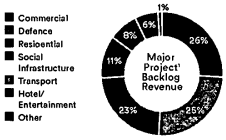
Backlog by Region



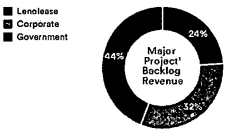
Backlog Realisation



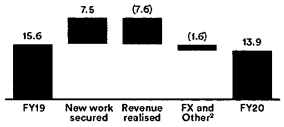
Backlog by Sector



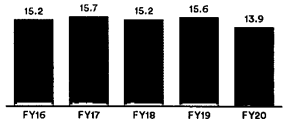
Backlog by Client



Backlog roll forward ($b)



Backlog ($b)



1. Inc udes a Construction projects with back og greater than $100 mi ion, which represents 81 per cent ($11.2 bi ion) of secured back og. 2. Inc udes ($0.9b) of interna revenue.

Investments performance

The Investments segment delivered EBITDA of $140 million, down significantly on the $489 million in the prior year. COVID-19 had a significant impact on real estate valuations across the Group's investments with devaluations of $211 million in the second half, resulting in an EBITDA loss for the segment of $115 million in H2FY20.

Ownership EBITDA was a loss of $58 million compared to a profit of $345 million in the prior year. Performance was adversely impacted by reductions in valuations across the Group's c.$4 billion investment portfolio, including co-investment positions within the funds platform, Retirement Living business and other asset positions. The net reduction in valuations on a pre tax basis for the full year was $188 million compared to total revaluation gain of $160 million in the prior year.

The trading performance of the Retirement Living business was solid with 874 resales across the established village portfolio, up 3.8 per cent on the prior year. However, a modest decline in average prices and delays in development activity which was affected by COVID-19, impacted the carrying value of the entire portfolio, offsetting the underlying trading performance.

To further support the growing development pipeline and diversify our capital strategy, the Group listed the Lendlease Global Commercial REIT in Singapore. The REIT was seeded with the Lendlease developed 313@somerset retail centre and three office properties adjacent to the Group's Milano Santa Giulia project. The Group has an ownership position of 25.3 per cent in the REIT.

EBITDA from Operating Earnings was $198 million, up substantially on the $144 million in the prior year. A small increase in base management fees was in line with higher average funds under management. The successful completion of Paya Lebar Quarter in Singapore, which generated a significant performance fee, was the key driver of the strong growth in earnings.

The performance of the US Military Housing operations was solid, with a recurring contribution of asset and property management fees. Our retail asset management business has been working with retail partners as they navigate through a difficult period, with retail malls and centres experiencing restricted trading following the onset of COVID-19. The impact on asset management fees experienced late in the year is expected to extend into FY21.

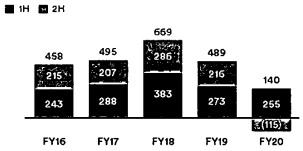
Key Financials ($m)

	FY19	FY20
EBITDA		
Australia	330	35
Asia	50	67
Europe	9	(10)
Americas	100	48
Total EBITDA	489	140
Total PAT	368	104

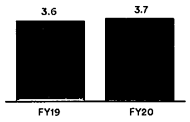
25%

of Core Operating EBITDA

EBITDA ($m)

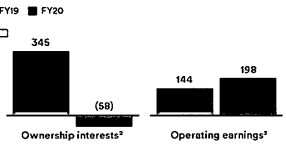


Invested Capital[1] ($b)

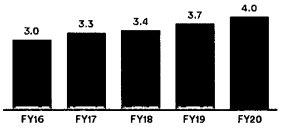


Return on Invested Capital

Investments EBITDA by Activity ($m)



Investments[4] ($b)



1. Securityho oer equity p us gross oebt ess cash on ba ance sheet. 2. Returns oerivea from co-investments, the Group's Retirement investment, US Mi itary Housing equity investment ano other investments. 3. Earnings primari y oerivea from the investment management p atform ano the management of US Mi itary Housing operations. 4. The Group's assessment of market va ue of ownership interests.

Investments outlook

Future investment earnings will be supported by the two per cent growth in funds under management (FUM) to $36 billion. Additional FUM of $4 billion was largely offset by $2 billion in divestments, which included the partial satisfaction of redemptions in APPF Retail and $1.4 billion of devaluations. The launch of the Lendlease Global Commercial REIT, progress on several commercial buildings that are currently under development, and strong growth in residential for rent, underpinned the additional funds under management.

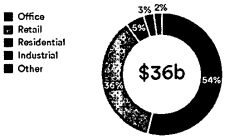
Continued growth in FUM will support operating earnings in future periods. In addition to the current funds under management, there is approximately $3.3 billion of future secured FUM based on development projects currently in delivery. This includes assets being developed with investment partners including six office buildings and approximately 1,600 residential for rent units.

A substantial uplift in the amount of institutional grade investment product will be created for investment partners and the Group's Investments platform as the development pipeline is delivered over the medium to long term. The COVID-19 related impacts on both occupier and investment partner demand will limit the generation of new product in the short term. However, the change in market conditions is expected to provide opportunities for the Group to grow the Investments platform outside of the internal product creation capabilities. A mandate to manage a c.$2 billion diversified property portfolio for TCorp was secured effective from 1 July 2020.

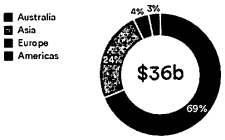
The Group's investments closed the period at $4 billion. This includes $2 billion of co-investments across our funds; a $1.4 billion ownership interest in the Retirement Living business; and $0.6 billion in other investments including the Group's interests in US Military Housing, US telecommunications 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 investment partners will be critical for the ongoing success of the Investments segment.

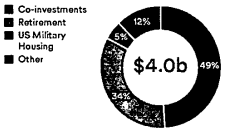
Funds Under Management[1] by Asset Class



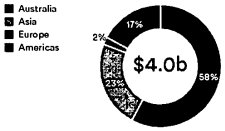
Funds Under Management[1] by Region



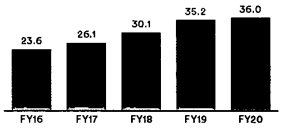
Investments[1,2] by Product



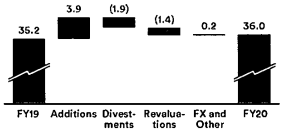
Investments[1,2] by Region



Funds Under Management[1] ($b)



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



1. The Group's assessment of market va ue. 2. The Group's ownership interest. Tota investeo capita in the segment of $3.7 bi ion in FY20.

Non core business performance

The Non core segment comprises the Engineering and Services businesses in Australia.

The EBITDA loss for the year was $495 million, including $525 million of exit related costs that are discussed in more detail below. The prior year result was impacted by the provision taken against three underperforming projects of $500 million pre tax.

Excluding exit related costs, the Non core segment generated EBITDA of $30 million, including the impairment of $19 million in goodwill relating to the Engineering business.

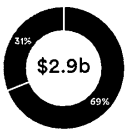
New work secured in Engineering of $1.0 billion was down from $2.0 billion in the prior year, reflecting the Group's lower risk appetite ahead of the sale of the business. New work included the bulk earthworks contract at Western Sydney International Airport and additional works on the Southern Program Alliance. The Engineering business closed the period with a backlog of $5.1 billion.

The Services business delivered a robust underlying operating result. However, costs of approximately $10 million associated with the wind up of the Energy & Technology business detracted from the otherwise solid result. New work secured of $1.4 billion was up on the $1.0 billion secured in the prior year. Telecommunications, Utilities and Infrastructure and Transport, the three categories that account for most of the $2.0 billion in backlog revenue, are performing well and present an attractive pipeline of future opportunities.

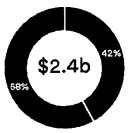
Key Financials

		FY19	FY20	Var.
EBITDA	$m	(461)	(495)	(7%)
Profit/(Loss) after Tax[1]	$m	(337)	(406)	(20%)
New Work Secured	$b	3.0	2.4	(20%)
Backlog	$b	5.4	5.1	(6%)

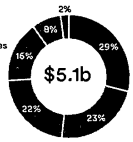
Revenue by Product



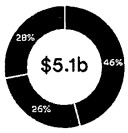
New Work Secured by Product



Backlog by Sector



Backlog Realisation



1. FY20 includes $32m profit from discontinued operations. 2. On a the next five years of revenue secured on new contracts has been included.

Progress on separation of non core business

Further progress has been made on the exit of Engineering. Having announced the sale of the Engineering business to Acciona Infrastructure Asia Pacific (Acciona) in H1 FY20, the Group subsequently received approval from the Foreign Investment Review Board. The sale to Acciona is anticipated to complete shortly, subject to outstanding conditions, which include third party consents being satisfied.

The Melbourne Metro Tunnel Project, NorthConnex and Kingsford Smith Drive projects are being retained by Lendlease. As previously advised, the Cross Yarra Partnership consortium for the Melbourne Metro Tunnel Project is continuing to work with the Victorian Government on a confidential basis to resolve issues in relation to the scope and costs on the project. NorthConnex is expected to be operational in the coming months and the Kingsford Smith Drive project in Brisbane is scheduled to complete by the end of CY20.

Lendlease previously disclosed a cost estimate to exit the Non core segment of $450-$550 million pre tax. These costs are now estimated to be approximately $550 million pre tax, with $525 million pre tax ($368 million after tax) accounted for in the year ended 30 June 2020. $15 million pre tax was expensed in the prior year. Exit related costs include: implementation and selling costs and estimated costs to cover concluding projects retained by the Group.

The sale process for the Services business has been paused as a result of current market conditions. While the business has been performing well, it is non core and is expected to be divested in future periods.

Financial position and cash flow movements

Financial Position

	FY19 $m	FY20 $m	Var.
Cash and cash equivalents[1]	1,290	1,111	(14%)
Inventories	5,583	5,369	(4%)
Equity accounted investments	3,452	3,671	6%
Investment properties	501	658	31%
Disposal Group assets held for sale[1]	-	841	100%
Other assets (including financial)	6,352	6,098	(4%)
Total assets	17,178	17,748	3%
Borrowing and financing arrangements	2,715	2,395	(12%)
Disposal Group liabilities held for sale	-	670	100%
Other liabilities (including financial)	8,106	7,751	(4%)
Total liabilities	10,821	10,816	-
Net assets	6,357	6,932	9%

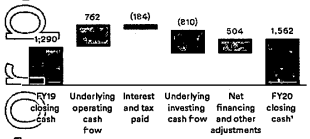
Inventories
Inventories decreased by four per cent. A modest rise in development inventories was more than offset by a decline in construction inventories and the reclassification of Non core construction inventories to assets held for sale. Capital expenditure across a range of urbanisation projects, including Barangaroo South and Milan Innovation District more than offset residential apartment completions.

Equity accounted investments
Equity accounted investments increased by six per cent. The listing of the Lendlease Global Commercial REIT was the largest contributor to the increase. The creation of the development joint venture for the Victoria Cross over station development and additional capital contributions in both the UK and US residential investment partnerships also contributed.

Other asset movements
The four per cent decline in other assets reflects the reclassification of assets to held for sale along with the reduction in the Group's investment in Lendlease International Towers Sydney Trust. The rise in Investment Properties in the year reflects ongoing capital expenditure on telecommunications towers in the US and the transfer of stabilised assets from development.

Total assets, total liabilities and net assets
Total assets rose by three per cent reflecting the growth in Investment Properties and Equity Accounted Investments. The rise in net assets reflects the modest growth in assets along with the decline in borrowings following the equity raising.

Cash movements ($m)



Financing cash flow
Net cash inflow from financing activities and other adjustments was $504 million. The $1.2 billion of equity raised more than offset the decline in borrowings and distributions paid in the year, representing the final distribution for FY19 and the HY20 distribution payment. While the Group was active in securing additional debt facilities, more debt was repaid. The Group entered the new financial year in a strong financial position with $5.8 billion[1] of liquidity.

Operating and investing cash flow
The Group measures underlying cash flows to better reflect the cash flows generated by its business model. This approach enables an assessment of cash conversion, measured as 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 $762 million. The major operating cash inflows during the period included apartment settlements across our development projects. There was a cash inflow of $588 million from presold apartment revenue through the PLLACes[2] program. There was also a maturing PLLACes transaction which would have otherwise resulted in settlement receipts in the period. Adjusting for the $525 million of Engineering exit costs, cash conversion in FY20 was 175 per cent.

Underlying investing cash outflow was $810 million. The major contributors included capital invested in establishing the new $1.5 billion Lendlease Global Commercial REIT with a 25.3 per cent interest, and additional equity commitments and rising development inventories to convert the development pipeline into production.

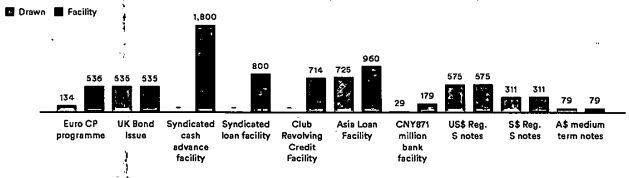
1. $451m mi ion of cash ano cash equiva ents has been c assifieo as Dispose Group assets he o for sa e at FY20. 2. Preso o Leno ease Apartment Cash F ows.

Group funding and debt facilities

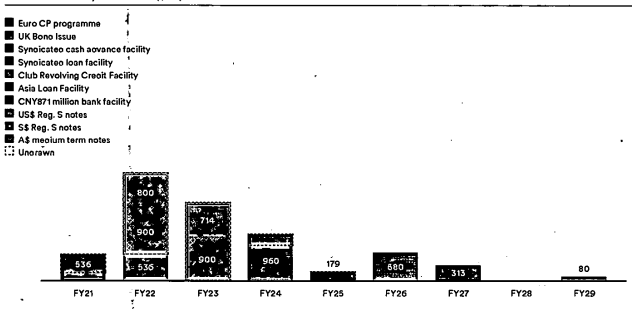
		FY19	FY20	Var.
Net debt[1]	$m	1,425	833	(42%)
Borrowings to total equity plus borrowings	%	29.9	25.7	(14%)
Net debt to total tangible assets, less cash[1]	%	9.9	5.7	(42%)
Interest cover[2]	times	8.8	2.8	(68%)
Average cost of debt	%	4.0	3.4	(15%)
Average debt maturity	years	4.8	4.2	(13%)
Average debt mix fixed: floating	ratio	52:48	56:44	
Undrawn facilities	$m	2,631	4,226	61%

Net debt and gearing declined with gearing below the bottom end of the target range. Interest cover of 2.8 times was lower due to lower core earnings. Cash and cash equivalents of $1.1 billion excludes the c.$450 million of cash which is reported in the balance sheet as assets held for sale. The Group's liquidity position is $5.8 billion[1].

Debt Facilities[3] ($m)



Debt Maturity Profile[4] ($m)



1. $451m mi ion of cash ano cash equiva ents has been c assifieo as Dispose Group assets he o for sa e at FY20. 2. EBITDA has been aojusteo to exc uoe one off items re eteo to the Engineering business (FY19: $500m; FY20: $525m). 3. Va ues are shown at amortisao cost. 4. Va ues are shown at gross faci ity va ue.

Governance

Board of Directors' information and profiles

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

In FY20, 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 92 to 97 of the Annual Report.

The Corporate Governance Framework is regularly assessed and amended 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 which are reviewed at least annually, are in place these outline the matters specifically reserved for determination by the Board and those matters delegated to Board Committees or Group Executive Management.

Michael J Ullmer, AO

Chairman
(Independent Non Executive Director)

Term of Office

Mr Ullmer joined the Board in December 2011 and was appointed Chairman in November 2018.

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

Board Committee Memberships

Member of the Audit Committee

Member of the Nomination Committee

Member of the People & Culture Committee

Member of the Risk Committee

Member of the Sustainability 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.

In January 2020, Westpac Group appointed Mr Carter as one of three members to an Advisory Panel assessing Board risk governance and accountability, and making recommendations on how Westpac can improve its risk governance, financial crime and anti money laundry processes.

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 the Australian Ballet Foundation

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

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

Director of the 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

Baroness Margaret A Ford OBE

(Independent Non Executive Director)

Term of Office

Baroness Ford joined the Board in March 2020.

Skills, Experience and Qualifications

Based in London, Baroness Ford is a highly experienced Non Executive Director with extensive sector experience in development and construction, and infrastructure financing. She has a background in urban development and has experience in regeneration, planning and public sector reform.

She currently serves as Chairman of New River REIT Plc, a specialist real estate investment trust focused primarily on retail and leisure property and also as the Chairman of STV Group Plc, a Scottish media company.

Between 2006 and 2012, Baroness Ford led the Olympic Park Legacy Company the public sector organisation responsible for the masterplanning, development and maintenance of the Queen Elizabeth Olympic Park for the London 2012 Olympic Games. Prior to this she was Managing Director of Social Infrastructure and Development at the Royal Bank of Canada (RBC). She joined RBC after stepping down as the Chair of English Partnerships, where she spent six years leading a new approach to housing and regeneration across England. Her earlier career was spent working for various public sector organisations, including Scottish Homes, the national housing agency in Scotland.

Baroness Ford holds a Master of Arts degree from the University of Glasgow and a post graduate Masters degree in Applied Economics. She was appointed to the House of Lords in 2006.

Listed Company Directorships (held within the last three years)

Chairman of New River REIT Plc

Chairman of STV Group Plc

Other Current Appointments

Independent Member of the UK Oversight Board of Deloitte LLP

Independent Member of the Deloitte North/South Europe Board

Board Committee Memberships

Member of the Nomination Committee

Member of the Risk Committee

Member of the Audit 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 Chief Executive Women.

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

Member of the Audit Committee

Member of the Nomination Committee

Member of the People and Culture 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

Chairman of Cuscal Limited

Board Committee Memberships

Chairman of the People and Culture Committee

Member of the Nomination 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 business leader and non executive director with broad ranging commercial, business management, strategy and legal experience gained over a 30 year international career. Ms Wakefield Evans held several key management positions at King & Wood Mallesons (KWM), including Managing Partner International in Hong Kong where she was responsible for the overall governance and strategic positioning of the business in the Asia region. In addition to holding a number of senior management and leadership roles, Ms Wakefield Evans has had a diverse career as one of Australasia's leading corporate finance lawyers.

Ms Wakefield Evans has extensive experience in the financial services, resources and energy and infrastructure sectors. She has extensive international experience having worked in Australia, New York and 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.

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)

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 MetLife Australia
Director of Goodes O'Loughlin (GO) Foundation Limited
Member of the Takeovers Panel

Board Committee Memberships

Chairman of the Sustainability Committee
Member of the Nomination Committee
Member of the Audit Committee
Member of the Risk Committee

Robert Welanetz

(Independent Non Executive Director)

Term of Office

Mr Welanetz joined the Board in March 2020.

Skills, Experience and Qualifications

Mr Welanetz is based in the US and has significant executive, advisory, strategic and operational experience in the property and construction sectors, gained over an international career spanning over 40 years.

In his most recent role, Mr Welanetz served as Chief Executive Officer in the property division of Majid Al Futtaim (MAF), based in Dubai, where he had overall responsibility for managing MAF's property portfolio and development pipeline. Mr Welanetz retired from that position in 2018. Prior to joining MAF, Mr Welanetz spent over seven years in a global role in Blackstone's Real Estate Group advising and identifying acquisition opportunities in retail real estate and providing strategic guidance for Blackstone's portfolio of retail assets and retail operating companies.

Mr Welanetz also served as Chief Executive Officer of Shanghai Kinghill Ltd, based in China, with responsibility for the operations and delivery of retail and development projects in mainland China. Prior to this, Mr Welanetz was President and Chief Executive Officer, Retail at Jones Lang LaSalle Inc Americas.

Mr Welanetz holds a Bachelor of Science degree from Colorado State University. He is a former Chairman of the International Council of Shopping Centres and served on the board of the Galileo Property Trust, an Australian shopping centre investor.

Listed Company Directorships
(held within the last three years)

Nil

Board Committee Memberships

Member of the Nomination Committee

Member of the Risk Committee

Member of the People & Culture Committee

Member of the Sustainability Committee

Steve B Dobbs

(Retired 20 November 2019)

Mr Dobbs joined the Board in January 2015 and retired in November 2019.

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 15 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.

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.

10 of 10

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. At June 2020, the average term of the Board is 5.5 years.

1-3 years	3-6 years	6-9 years	9+ years
3	2	4	1

Gender diversity

The target of 30 per cent female Board members aims to improve gender diversity and focus its attention on achieving this objective. This target has been exceeded.

33%

Current female Directors as at June 2019

40%

Current female Directors as at June 2020

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.	10
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.	6
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.	10
Sustainability	The ability to identify economically, socially and environmentally sustainable developments. Ability to set and monitor sustainability aspirations.	9
Strategy	Developing, setting and executing strategic direction. Experience in driving growth and executing against a clear strategy.	10
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.	10
Legal	Experience in identifying and resolving legal and regulatory issues and having the ability to assist the Board on these matters.	3
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.	10
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.	10
Financial Acumen	Understanding of the financial drivers of a business. Experience in financial reporting and corporate financial management.	10
Technology	Strong technology background including online communications, IT workplace knowledge, security and data analysis skills.	6

Engagement. Board regional program FY20

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. While the Board commenced the financial year with an agreed regional program, the onset of COVID-19 meant that some of the engagement activities with our people and customers were temporarily placed on hold. The Board is now looking at ways to continue this engagement through the use of technology.

Engaging with Lendlease

The Lendlease Board views that program activities, in addition to the formal scheduled Board and Committee meetings, are 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. 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.

During FY20, the planned Board program of site visits, staff and customer engagement and other activities continued until the onset of restrictions as a result of the COVID-19 pandemic. Board and Committee meetings continued, however, site visits and customer and staff engagement with Board members was temporarily put on hold. Induction activities for the new Non Executive Directors continued through the use of technology.

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 as an advocate for Lendlease regularly meets with customers, investors, governments and media. In February 2020, the Lendlease Board endorsed a refreshed investor engagement program to encourage two way communications with our investor community. As part of this, a presentation detailing the scope of the Board activities was made available on the Lendlease website in June 2020.

Meeting with Lendlease people

In addition to these industry events, the Chairman and Board members met with local Lendlease management and employees in the Australia, Asia and Europe regions. These events took 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. The visit to the Americas region was cancelled following the COVID-19 pandemic.

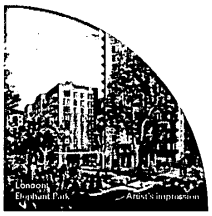
Program

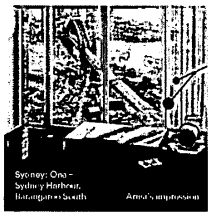
Reporting period between 1 July 2019 and 30 June 2020.

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

Typically, a program of additional activities is programmed for the full reporting period. Due to the travel restrictions put in place for COVID-19, the additional activities of the Board program were temporarily suspended between 20 March 2020 to 30 June 2020.

During the period impacted by COVID-19, the Board pivoted to respond to the crisis. Board engagement and oversight has been elevated since the onset of the pandemic with the focus shifting towards governance oversight of the Group's COVID-19 response in addition to 'business as usual' Board and Committee meetings. This included the formation of a Board subcommittee which met weekly across a two month period in response to the COVID-19 pandemic.





Asia

The Board visited Singapore and Shanghai in July 2019.

- Board networking session for the Asia regional senior leadership team, to determine capability at the level below the GLT
- Board networking session with the China senior leadership team
- Informal mentoring of various leadership team members to provide guidance, motivation and support in in career development
- Attendance at Lendlease Singapore Region 'town hall' style update including panel discussion with all Board members followed by a broader networking opportunity for Singapore staff
- Received briefing from external speakers on insights into retail-led opportunities in the Asia region
- Safety induction and guided site visit of Paya Lebar Quarter mixed-use urban regeneration project
- Received a deep dive presentation of the Ardor Gardens senior living project in Shanghai and overall China senior living strategy, viewed the precinct and met with key Government officials and customers

Europe

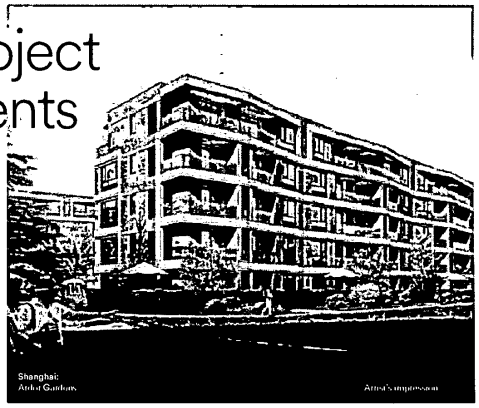
The Board visited London in October 2019.

- Board networking session for the Europe regional senior leadership team, to determine capability at the level below the GLT
- Informal mentoring of various leadership team members to provide guidance, motivation and support in in career development
- Attendance at Lendlease Europe Region employee update including Q&A with staff and broader networking opportunity for all regional staff
- Received briefing from external speaker on insights into infrastructure delivery in the UK and collaboration between public and private sectors in relation to project delivery
- Guided walk of the Euston area for mixed-use urban regeneration project
- Received a deep dive presentation of the Thamesmead project and viewed the precinct
- In conjunction with external customers, guided tour of The Elephant, Elephant & Castle projects to view Lendlease placemaking capabilities

Australia

- Quarterly engagement with regional business leaders to provide updates and overview of key regional business issues. (Undertaken by individual directors, at regular intervals throughout the reporting period. During COVID-19, the sessions continued via video conference)
- Overview and site walk of Melbourne Metro project (September 2019 by individual directors)
- Attendance by Chairman at 'town hall' event and panel session in Melbourne (September 2019)
- Viewing and site walk of One Sydney Harbour residential precinct and overview of project (November 2019)
- Deep-dive education session of Lendlease Digital capability and function (February 2020 by individual director)

Board project assessments



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. During the first half of the financial year, the Board continued its longstanding tradition of extending a Board program whilst in region to conduct site visits and attend deep dive reviews of various projects.

The Silvertown Quays and Ardor Gardens development projects are presented as case studies of the activities that the Board undertakes in reviewing and assessing strategic opportunities. Site visits allow the Board to see and experience firsthand the challenges associated with a project's delivery, and Board conversations around project challenges and opportunities are appreciated in a fuller geographic and strategic context.

These activities undertaken by the Board are examples of how the Board oversees management, delivering projects in accordance with the Group's strategy, through its program of activities.

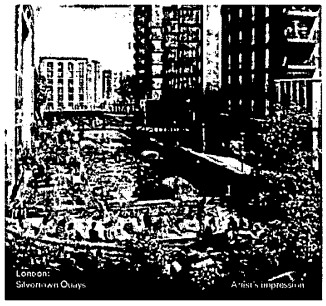
Silvertown Quays, London

Commencing in early 2018, the Board were introduced to the opportunity to secure via a joint venture with Starwood Capital, a long term large scale regeneration for residential and commercial use. Silvertown Quays offers the regeneration of an existing heritage asset – the Millennium Mills – and the delivery of significant new public realm. In making its investment decision, the Board considered numerous factors relevant to the development's viability. These included focusing on the alignment to strategy, understanding of risk limits, the environment, health and sustainability profile of the project and knowledge sharing from other London urban regeneration projects. In October 2019, the Board received a deep dive presentation from the Project Team which covered several aspects of the development including the planning and scheme masterplan process, community consultation program, government relations, socioeconomic and sustainability factors and technical innovation. The Board visited the area to view the site and to observe how key stakeholder consultation process was shaping the delivery of the project.

Ardor Gardens, Shanghai

Lendlease's development expertise in retirement living has been extended to Shanghai where we are delivering an initial c.850 senior living homes. The Ardor Gardens project, in the context of the senior living strategy, is an example of how the Board reviews and evaluates strategic opportunities over a longer term period. The China senior living strategy was first presented to the Board more than five years ago. Due to its strategic significance, the Board initially received progress updates ahead of a formal request for approval to move forward in this sector in China. Numerous factors were considered prior to the Board arriving at its decision. These included the rationale for the strategy, macro economic indicators, financial and commercial assessment, funding and development strategy, safety and sustainability issues, and key risks. While not exhaustive, these factors were indicative of the issues considered during Boardroom discussions.

The Board has continued to receive updates on the senior living strategy in China and in July 2019, a number of the Board members visited Ardor Gardens. By visiting the site, the Board gained an appreciation for its location and proximity to infrastructure, and in meeting with key stakeholders, the Board further understood the complexities of this project.



Supporting value creation

Focus for Governance

The Board continues to recognise 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.

This year, given the unprecedented COVID-19 pandemic crisis, a significant amount of Board attention was focused on the management response to the crisis.

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:

Reviewed the way health and safety issues are reported. Supported reporting a broader range of leading and lagging indicators to provide a more rounded approach as well as the resulting performance.

Discussed the measures and actions taken at a project and regional level in response to a fatality resulting from a critical incident on a project in Kuala Lumpur whereby a worker passed away from an infection whilst recovering from surgery in hospital.

Received a cross committee referral on the audit of safety incidents on a Lendlease project and requested that management investigate and report on these incidents until the matter was closed out to the satisfaction of both the Sustainability and Audit committees.

Received reports on the ways that management were responding to the onset of COVID-19 and the significant disruptions across Lendlease's operations and broadening of health and safety objectives.

Endorsed global standards in response to COVID-19 addressing project shutdown protocols, social distancing applications on site and in regional offices, and the protocols in the event of confirmed cases.

Pre COVID-19 Board members assessed our health and safety culture and received presentations during site visits in Asia, Europe and Australia. Questioned frontline leaders and employees on Lendlease's Global Minimum Requirements (GMRs).

Post COVID-19, Board members received reports from management on the innovative use of technology during safety 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:

A major focus area for the Board in FY20 was the response to the COVID-19 pandemic. In order to keep focus on business resilience during this time, a Board subcommittee was formed with the objective of oversighting cashflow, balance sheet and liquidity scenarios, culminating in a decision to raise capital in April 2020.

Approved an equity raising via an institutional placement and Security Purchase Plan as a prudent measure to strengthen the balance sheet and position the Group to deliver the development pipeline and take advantage of opportunities as markets stabilise.

Oversight and approval of workforce management and cost reduction initiatives across the business to reflect the changing environment as a result of the COVID-19 pandemic.

Oversight of an extensive review of the Risk Appetite Statement, Risk Appetite Framework and Risk Tolerances against enterprise risks, to maintain alignment on the appetite for risk in order to drive more informed and consistent decision making. Approved the Risk Appetite Statement, Risk Appetite Framework and Risk Tolerances following this review.

Endorsed the deployment of the Risk Appetite Framework (RAF) through the introduction of a RAF template for all investment decisions.

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. This included the reporting of C-SAT and NPS scores for each of the Americas, Asia, Australia Construction & Property and Europe regions.

Received regular reports on key customer experience initiatives underway in various regions including 'deep dive' rolling reviews across various business units.

Received various external reports on the measuring of Board effectiveness as viewed by external investors. Monitored the reporting of the program of activities to respond to the insights gained from the report.

Received presentations from external customers to brief the Board on key customer relationships relevant to a particular business.

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:

Reviewed and discussed the Group's talent management and strategic resourcing strategy and endorsed actions to provide greater transparency. Pre COVID-19 engaged with regional senior leaders and the Board to gain greater visibility of the emerging pool of potential internal successors to the GLT.

Refreshed the review of formal development plans for the Global Leadership Team by creating a new baseline at which to chart progress against these plans.

Responded to COVID-19 by endorsing various temporary workforce management initiatives. An up to six month reduction of 20 percent in fixed remuneration for the Global Leadership Team and a voluntary reduction of up to 20 percent of Non-Executive Director base fees.

Supported the establishment of a Hardship and Wellbeing Fund in response to COVID-19, seeded in part by the voluntary fee reduction agreed by Non-Executive Directors.

Continue to review the progress on the work in evolving the Group's purpose and values.

Endorsed the launch of two global knowledge sharing Practices based on Urbanisation and Residential Development. These bring together senior sector leaders and subject matter experts to develop specialist IP for our people.

Endorsed a newly developed 'Risk Index' in the six monthly People Survey. The 'Risk Index' provides insight into how our people feel about escalating issues with their manager and with reporting instances of unethical conduct.

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:

Continued to support the commitment to reconciliation in progressing the work to a second Elevate Reconciliation Action Plan.

Engaged with management and attended a number of workshops on 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).

Endorsed new, challenging sustainability targets for carbon and social value to begin the next chapter of sustainability.

Attended a 'deep dive' discussion on Modern Slavery risks in our global supply chains and oversaw the development of timetable towards submission of the 2020 Modern Slavery Statement.

Endorsed a new global Supplier Code of Conduct setting out the expectations of suppliers, contractors and their supply chains across a range of areas.

Board of Directors' information

Interests in Capital

The interests of each of the Directors in the Stapled Securities of the Group at 17 August 2020 is set out below.
The current Non Executive Directors acquired Lendlease securities using their own funds.

Current Directors	Securities Held Directly 2020	Securities Held Beneficially/ Indirectly 2020[1]	Total 2020	Securities Held Directly 2019	Securities Held Beneficially/ Indirectly 2019[1]	Total 2019
M J Ullmer	-	110,000	110,000	-	100,000	100,000
S B McCann	547,200	291,527	838,727	481,478	268,540	750,018
C B Carter	-	18,061	18,061	-	15,000	15,000
P M Coffey	-	21,216	21,216	-	9,810	9,810
D P Craig	-	63,061	63,061	-	50,000	50,000
M Ford	-	4,065	4,065	-	-	-
J S Hemstritch	-	23,061	23,061	-	20,000	20,000
E M Proust	-	53,061	53,061	-	25,000	25,000
N M Wakefield Evans	-	34,020	34,020	-	30,248	30,248
R Welanetz	7,000	-	7,000	-	-	-
Former Director						
S B Dobbs[1]	-	12,000	12,000	-	12,000	12,000

1. S B Dobbs ceased to be a Non Executive Directors on 20 November 2019. 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 2020, 16 Board meetings were held. Five meetings were held in person: three in Australia, one in Asia and one in the UK. In addition, there were three video/teleconference meetings scheduled in the FY20 Board calendar. From March 2020, the Board proceeded to meet using technology only due to the mandatory travel and group meeting restrictions put in place in response to the COVID-19 pandemic. Two of these meetings were already scheduled in the FY20 Board calendar as in person meetings but proceeded using video/teleconference technology. An additional six meeting were held via video/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, eight 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, diversity, talent and remuneration/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, and compliance. 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 oversees the reviews of Board, Committee and Director performance.

Attendance at Meetings of Directors 1 July 2019 to 30 June 2020

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2020 financial year, are set out in the tables below.

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

Membership	Board (Chairman M J Ullmer)		Board Subcommittee Meetings[6] (Chairman M J Ullmer)		Nomination Committee (Chairman C B Carter)	
	MH[1]	MA	MH	MA	MH	MA
M J Ullmer	16	16	8	8	7	7
S B McCann (CEO)	16	16	7	7	-	-
C B Carter	16	16	-	-	7	7
P M Coffey	16	16	5	5	7	7
D P Craig	16	16	6	6	7	7
M A Ford[2]	7	7	-	-	2	2
J S Hemstritch	16	14[4]	3	3	7	7
E M Proust	16	16	2	2	7	7
N M Wakefield Evans	16	16	7	7	7	7
R F Welanetz[2]	7	7	2	2	2	2
S B Dobbs[3]	5	5	-	-	3	3

Membership	People and Culture Committee (Chairman E M Proust)		Risk Committee (Chairman P M Coffey)		Sustainability Committee (Chairman N M Wakefield Evans)		Audit Committee (Chairman D P Craig)	
	MH	MA	MH	MA	MH	MA	MH	MA
M J Ullmer	5	5	7	7	5	5	5	5
S B McCann[5] (CEO)	5	5	7	7	5	5	5	5
C B Carter	5	5	7	7	5	5	-	-
P M Coffey	5	5	7	7	-	-	5	5
D P Craig	5	5	7	7	-	-	5	5
M A Ford[2]	-	-	2	2	1	1	1	1
J S Hemstritch	5	5	7	7	-	-	5	5
E M Proust	5	5	7	7	5	5	-	-
N M Wakefield Evans	-	-	7	7	5	5	5	5
R F Welanetz[2]	1	1	2	2	1	1	-	-
S B Dobbs[3]	-	-	4	4	3	3	3	3

1. Reflects the number of meetings held during the time the Director held office during the year. 6 out of the 16 meetings were out of schedule Board teleconferences constituted to address specific issues. 2. M A Ford and R F Welanetz were appointed to the Board on 1 March 2020. The number of meetings attended reflects the number of meetings since their appointment. M A Ford and R F Welanetz attended the February 2020 meeting held in Sydney as observers prior to their formal appointment to the Board. This meeting has not been included in the number of meetings attended as it was prior to their formal appointments. 3. S B Dobbs retired from the Board on 20 November 2019. The number of meetings attended reflects the number of meetings until S B Dobbs' retirement. 4. J S Hemstitch was unable to attend 2 of the 6 unscheduled Board teleconferences as they were called at short notice to address specific issues. 5. These subcommittee meetings of the Board were convened during the reporting period to address specific issues. Only the subcommittee members attended the relevant meeting. 6. S B McCann is not a member of the Committee but as Group CEO and Managing Director, has a standing invitation to the Sustainability and Audit Committees.

Remuneration Report

Message from the Board

This year has been challenging and unprecedented. It has required the Board and management to rapidly navigate and respond to the uncertain health, safety and financial impacts of COVID-19.

The Board's primary focus has been the safety of our employees, customers, subcontractors and other stakeholders and the strength of our balance sheet. Refer to the Board's response to COVID-19 on page 107 for a summary of key remuneration-related decisions made during FY20.

For the first nine months of the year, the business performed well. As the pandemic situation has evolved and as a result of providing for the costs of separating the Engineering business, in line with those previously advised, a statutory loss was recorded for FY20.

Linking remuneration decisions and performance

In applying our Executive Reward Strategy (ERS), a number of financial and non financial factors have been considered by the Board when determining remuneration outcomes for Key Management Personnel (KMP) in FY20. Key points are highlighted below:

Financial outcomes

Given the financial result for the year, no Short Term Award (STA) has been made to the Group CEO or senior executives in relation to financial performance. No adjustments were made to FY20 STA scorecard targets to account for the impact of COVID-19.

Accordingly, the receipt of a modest amount of COVID-19 related assistance from governments, had no influence on the quantum of awards, nor did the completion of the capital raising.

Non financial outcomes

We achieved a significant improvement in performance across a wide range of safety metrics and our Critical Incident Frequency Rate (CIFR) is at its lowest level since records began in 2012.

However, tragically, a fatality was reported during 2020. This incident has been accounted for in the Board's assessment of remuneration outcomes for the Group CEO and senior executives based on either accountability or responsibility for safety outcomes.

We achieved a significant increase in leadership effectiveness scores as measured by their teams. This will remain a key focus for us as we grow and deliver our global pipeline.

Our net promoter and customer satisfaction scores have improved in an otherwise challenging environment and the development and implementation of our digital strategy has continued to progress at pace and a new business brand has been launched.

Our Development pipeline grew by an impressive 48 per cent over the year.

Given the key contributions made during the year that position the Group for success in FY21 and beyond, the Board considered that the recognition, in part, of the achievement of non financial performance was fair and appropriate.

FY20 remuneration outcomes

For executives, the Board determined that no cash STA would be awarded in FY20 and it was more appropriate to issue an FY20 Deferred Equity Award albeit at a reduced quantum. Half of the award is scheduled to vest in September 2021 and the balance in September 2022.

The value of the FY20 Deferred Equity Award for the Group CEO is equivalent to 35 per cent of his STA target (23 per cent of his STA maximum) and the value of the FY20 Deferred Equity Awards for executives is equivalent to between 25 per cent to 40 per cent of STA targets (between 17 per cent to 27 per cent of STA maximums).

The Board determined in August 2020 that the FY20 Deferred Equity Award was the right approach given that it:

- Recognises the achievement of non financial performance outcomes that support long term value creation
- Considers the balance between motivating, recognising and rewarding executives with securityholder interests
- Considers that although a final dividend for FY20 will not be paid from Lendlease Corporation Limited, securityholders will receive distributions of over $191 million relating to FY20
- Provides the Board with additional review points prior to vesting
- Provides a retention element given that executives will be required to wait up to two years for the award to vest. The Board is very mindful that the retention of highly capable executives is critical to our ability to deliver the pipeline into the future.

Looking ahead

In FY21, the Board will continue to review and assess the effectiveness of our ERS as we contemplate what is required to motivate and retain our senior executives to navigate the challenges and realise the opportunities that lay ahead. We look forward to informing you of progress.

Michael Ullmer, AO
Chairman

Elizabeth Proust, AO
Chairman,
People & Culture Committee

Board's response to COVID-19

The key remuneration-related decisions that the People & Culture Committee and Board made during FY20 in response to COVID-19 include:

Workforce management actions

With a focus on reducing short-term costs and preserving jobs we implemented the following workforce management actions:

The Fixed Remuneration for the Group CEO, Group Leadership Team (GLT) and other senior leaders was temporarily reduced by 20 per cent from 1 May 2020.

Non Executive Directors were able to temporarily reduce their base fees by 20 per cent from 1 June 2020.

Other workforce management actions across the Group included reduced hours of work, furlough / stand downs and, in a limited number of cases, redundancies.

Hardship & Wellbeing Fund

The impacts of COVID-19 have been especially challenging for some of our people. Through no fault of their own, some have experienced hardship, even after exploring alternative sources of support. For this reason, we established the Lendlease Hardship & Wellbeing Fund which provides grants to support our people who need short-term help to cover essential expenses of everyday life. A portion of the savings achieved through the workforce management actions outlined above have been used to seed the Hardship & Wellbeing Fund.

In the two months since the creation of the Hardship & Wellbeing Fund, 99 Hardship & Wellbeing Fund grants have been approved for payment.

Temporary release from mandatory securityholding requirement

The Group CEO and GLT members were provided with the opportunity to request a temporary release from the mandatory securityholding requirement, such that the required holding of Lendlease securities is halved. The Group CEO did not request this release.

Access to wage subsidy support

Wherever we operate, Lendlease has continued its partnership approach to helping governments respond to the public health and economic crisis presented by COVID-19. We acknowledge that our government partners have adopted the same approach and recognised the crucial role of the property and infrastructure sectors in the economy. As our company has been negatively impacted by COVID-19 in most markets, Lendlease has been eligible and accessed wage subsidy support in markets where it was offered. Government support globally totalled $15 million (in Australia $7 million) and has been accounted for as a reduction in employee expenses.

As a Board, we have considered the amount of wage subsidy support accessed by the Group when determining FY20 remuneration outcomes.

FY21 Fixed Remuneration to remain unchanged from FY20 levels

There were no Fixed Remuneration increases awarded to KMPs that remained in the same role during FY20. For FY21, the Board determined that Fixed Remuneration will remain at FY20 levels for the majority of employees across the Group.

Substantially lower FY20 Group incentive pool

After taking into consideration FY20 financial and non financial performance, the Board approved a Group incentive pool that was significantly lower compared to prior years. The quantum of the incentive pool recognises the statutory loss, key contributions made in FY20 that position the Group for success in FY21 and beyond as well as the importance of motivating and retaining our high performing employees to navigate the challenges ahead. The funding rate for the FY20 Group incentive pool is aligned to the FY20 Deferred Equity Award outcomes for the Group CEO and senior executives.

Board discretion applied to executive FY20 short term remuneration outcomes

For executives, the Board determined that no cash STA would be awarded in FY20 and it was more appropriate to issue an FY20 Deferred Equity Award albeit at a reduced quantum. Half of the award is scheduled to vest in September 2021 and the balance in September 2022.

No adjustments to FY20 STA scorecard targets

During the year the Board made no adjustments to FY20 STA scorecard targets to account for the impact of COVID-19.

Target setting for 2020 Long Term Award (LTA)

In relation to the 2020 LTA, the Board deferred its decision on setting the average Return on Equity (ROE) target until the sale of the Engineering business was complete. The impact of COVID-19 will be considered when this target is set, following the sale.

Contents

a. Questions and answers 108
b. Executives and Non Executive Directors covered by this report 109
c. Snapshot of FY20 Remuneration Outcomes 110
d. Executive Reward Strategy on a page 111
e. Executive remuneration outcomes and disclosures 112
f. Remuneration governance 119
g. How risk management is incorporated into executive reward 121
h. How executive rewards are linked to performance 122
i. Executive contracts 128
j. Equity based remuneration 129
k. Non Executive Directors 134

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

Remuneration Report

a. Questions and answers

We regularly receive feedback regarding our ERS from securityholders. Below is a summary of the key questions that we have been asked, or anticipate being asked, and our responses.

Our reward structure is unlike frameworks commonly found in other large listed organisations as it reflects the most important aspects of our business strategy, namely the long dated nature of our business, where profits emerge over an extended period of time. Accordingly, the ERS has a relatively high weighting toward securities that have long dated vesting and deferral periods.

1. Why was a Deferred Equity Award made to KMP in FY20 when financial goals were not achieved?

Lendlease has paid no cash STA in FY20.

Lendlease uses a balanced scorecard to assess the annual performance of senior executives that comprises 50 per cent financial goals and 50 per cent non financial goals.

The FY20 Deferred Equity Award recognises that although the FY20 financial goals were not met, significant progress was made against most of the non financial goals that support long term value creation. The FY20 Deferred Equity Award also acknowledges the importance of motivating, recognising, rewarding and retaining our key executives.

The Board considered that paying a cash STA would not have been appropriate. However, an equity award that aligns the interests of senior executives with securityholders into the future was considered to be fair and in the best interests of the Group.

2. Why was an equity award issued rather than a cash award?

Our current ERS is structured to pay any STA as cash.

The Board determined that an equity award would be more appropriate, with half of the award vesting in September 2021 and the balance vesting in September 2022.

Issuing an equity award that is deferred equally over two years provides the Board with additional review points prior to vesting and delivers a retention element given that senior executives will be required to wait for up to two years for the award to vest.

3. Why was an award made to KMP in FY20 when dividends were reduced?

Notwithstanding the statutory loss for the year, securityholders received an interim distribution, commensurate with our distribution policy, at the half year. Whilst a final dividend has not been paid from Lendlease Corporation Limited a small final distribution will be paid from the Lendlease Trust. The reduced incentive pool for the year represents a lower proportion of amounts distributed to securityholders than in any of the past five years.

4. What impact does the capital raising have on remuneration decisions and outcomes?

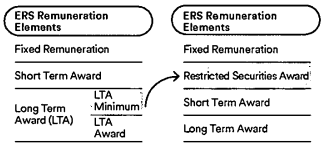
Performance securities and performance rights for existing awards 'on foot' were not adjusted following the capital raising as is the practice in many large listed organisations.

5. Why is the LTA Minimum referred to as the Restricted Securities Award (RSA) in this report?

The RSA (LTA Minimum) was incorporated into the ERS:

- To promote alignment with securityholders as a portion of target remuneration is delivered in Lendlease securities
- To support long term value creation
- To better align reward to risk management.

To support these objectives, we believe that this component of the ERS is better described as an RSA, illustrated below.



The value of the RSA is fixed at the time of grant but will vary with the security price over the deferral period (up to six years).

The quantum of Total Target Remuneration is unchanged.

6. Is the RSA just Fixed Remuneration?

The RSA is an important component of our ERS as it aligns our senior executives to securityholders and supports long term value creation.

It is important to recognise that the RSA is not the same as Fixed Remuneration given that:

- The RSA is deferred and vests between three and six years after it is granted
- The value of the RSA is directly linked to the security price and therefore may be lower or higher than the original allocation value
- The Board has discretion to forfeit part or all of any unvested RSA where it considers vesting would provide a participant with a benefit that was unwarranted or inappropriate.

7. Does Lendlease pay distributions on the RSA?

Distribution equivalent amounts are paid as cash on the RSA.

This practice aligns senior executive reward outcomes to securityholder interests and paying distributions on this type of award is not uncommon.

Distributions are not paid on the LTA, unless and until vesting conditions are met.

b. Executives and Non Executive Directors covered by this report

The following executives and Non Executive Directors were considered KMP for the year ended 30 June 2020. Former executives and Non Executive Directors who were KMP during the year are also covered by this report.

Name	
Group CEO	
Stephen McCann	Group Chief Executive Officer and Managing Director
Current Senior Executives	
Johannes Dekker	Group Head of Engineering and Building
Tarun Gupta	Group Chief Financial Officer
Denis Hickey	Chief Executive Officer, Americas
Anthony Lombardo	Chief Executive Officer, Asia
Neil Martin	Chief Executive Officer, Europe since 10 September 2019
Kylie Rampa	Chief Executive Officer, Property Australia
David Andrew Wilson	Group Chief Commercial and Risk Officer
Former Senior Executive	
Daniel Labbad	Chief Executive Officer, Europe until 9 September 2019

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
Colin Carter	Independent Non Executive Director
Philip Coffey	Independent Non Executive Director
David Craig	Independent Non Executive Director
Margaret Ford	Independent Non Executive Director since 1 March 2020
Jane Hemstritch	Independent Non Executive Director
Elizabeth Proust	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director
Robert Welanetz	Independent Non Executive Director since 1 March 2020
Former Non Executive Director	
Steve Dobbs	Independent Non Executive Director until 20 November 2019

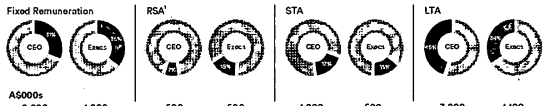
For personal use only

Remuneration Report

c. Snapshot of FY20 remuneration outcomes

Target Remuneration Mix

The FY20 target remuneration mix is:



A$000s							
2,200	1,200	500	500	1,200	500	3,200	1,100

Total Target Remuneration | Group CEO - 7,100 | Typical Lendlease Senior Executive - 3,300

Fixed Remuneration

The Fixed Remuneration for the Group CEO and senior executives was temporarily reduced by 20 per cent from 1 May 2020 as part of the Group's response to COVID-19. Some of the cost savings from this action were used to seed Lendlease's Hardship & Wellbeing Fund.

There were no Fixed Remuneration increases awarded to KMPs that remained in the same role during FY20.

FY20 Cash STA Outcomes

No cash STA was paid in FY20:

	% of Target STA Paid		% of Maximum STA Paid	
	FY20	FY19	FY20	FY19
Group CEO	0%	0%	0%	0%
Senior Executives	0%	25% - 50%	0%	17% - 33%

See page 124 for more details.

FY20 Deferred Equity Award

The Board approved in August 2020 that an FY20 Deferred Equity Award would be fair and appropriate given that it:

- Recognises the achievement of non financial performance outcomes that support long term value creation
- Considers the balance between motivating, recognising and rewarding executives with securityholder interests
- Considers that although a final dividend for FY20 will not be paid from Lendlease Corporation Limited, securityholders will receive distributions of over $191 million relating to FY20
- Provides the Board with additional review points prior to vesting
- Provides a retention element given that executives will be required to wait up to two years for the award to vest.

The FY20 Deferred Equity Award will be issued in or around September 2020 as Lendlease securities that vest over two years, with half vesting in September 2021 and the balance in September 2022.

The value of the FY20 Deferred Equity Award for the Group CEO is equivalent to 35 per cent of his STA target (23 per cent of his STA maximum) and the value of the FY20 Deferred Equity Awards for executives is equivalent to between 25 per cent to 40 per cent of STA targets (between 17 per cent to 27 per cent of STA maximums).

See the Remuneration Awarded table on page 115 for more details.

LTI Outcomes

The vesting outcomes for the two LTI awards that were subject to performance testing during FY20 are set out below:

	Performance Period	Performance Test	Performance Hurdle	Performance Outcome	Vesting Outcome	Overall Vesting Outcome
2016 LTI Award	1 July 2015 to 30 June 2019	Year 4	Relative Total Securityholder Return (TSR)	12th percentile ranking compared to comparator group	0%	16.0%
			ROE	Average 4 year ROE performance was 11.5%	34.4%	
2017 LTI Award	1 July 2016 to 30 June 2019	Year 3	Relative TSR	26th percentile ranking compared to comparator group	0%	11.6%
			ROE	Average 3 year ROE performance was 11.0%	25.0%	

See page 126 for more details.

Mandatory Securityholding Requirement

As part of the Group's response to support our people during COVID-19, the Group CEO and GLT members were provided with the opportunity to request a temporary release from the mandatory securityholding requirement, such that the required holding of Lendlease securities is halved. The Group CEO did not request this release.

See Equity Holdings & Transactions for the year ended 30 June 2020 on page 133 for more details.

Effectiveness Review of ERS for FY21

In FY21, the Board will continue to review and assess the effectiveness of our ERS as we contemplate what is required to motivate and retain our senior executives to navigate the challenges and realise the opportunities that lay ahead.

NED Remuneration

Non Executive Directors were able to temporarily reduce their base fees by 20 per cent from 1 June 2020 as part of the Group's response to COVID-19. Some of the cost savings from this action were used to seed Lendlease's Hardship & Wellbeing Fund.

There were no increases to NED fees during FY20.

d. Executive Reward Strategy on a page

Our Vision > To create the best places

Our Strategy > Sets us up for the long term so we can continue to deliver on our vision

Our strategy is urbanisation-led, leveraging our integrated model to create the best urban precincts in key gateway cities internationally. See the 'Our strategy' section on page 18 for further information.

Our Remuneration Principles > Reinforce and actively support our Vision and Strategy

Executive Remuneration at Lendlease is:

- Aligned with securityholder interests
- Transparent and easy to communicate
- Aligned with team behaviours and enterprise leadership
- Market competitive to retain highly capable executives
- Balanced with a significant portion of remuneration at risk, which is only earned for outstanding performance
- Longer dated and aligned to our earnings profile, reflecting the importance of urbanisation projects
- Risk management focused with clear practices that minimise potential conflicts of interest and enable effective and aligned decision making

Our Remuneration Framework > Reflects our remuneration principles and supports our Vision and Strategy

	Aligned with Securityholders	At Risk – Performance Hurdles	At Risk – Performance Hurdles & Security Price
Fixed Remuneration	**Restricted Securities Award (RSA)[1]**	**Short Term Award (STA)**	**Long Term Award (LTA)**
Set to attract and retain highly capable executives	**Focussed on retention and long term value creation**	**Focused on priority areas in the current financial year**	**Focused on future years, with a six year time horizon**
Delivered as: Base salary and superannuation for Australian executives and base salary for executives outside of Australia Consistent Fixed Remuneration set for similarly sized roles to simplify pay setting, support mobility and team approach	**Delivered as:** Rights **Deferral period:** Up to six years with awards delivered in four equal tranches over Y3, Y4, Y5 and Y6 **Distributions:** Distribution equivalent amounts are paid as cash on the RSA during the deferral period The value of the RSA is fixed at the time of grant but will vary with the security price over the deferral period	**Delivered as:** Cash **Performance period:** One year **Performance measures:** Financial (50 per cent) and Non Financial (50 per cent) measures aligned to Lendlease's focus areas of value creation	**Delivered as:** Performance rights **Performance period:** Three years with vested awards delivered in four equal tranches over Y3, Y4, Y5 and Y6 **Performance measures:** 50 per cent relative TSR and 50 per cent average ROE **Distributions:** Paid as an adjustment of additional securities or cash for any awards that vest

Remuneration Governance > Robust governance is critical to the integrity of our remuneration framework

The People & Culture Committee and the Board review our remuneration principles and remuneration framework as well as determine the STA and LTA outcomes for the Group CEO and senior executives, which remain subject to malus consideration. The Board retains an overarching discretion to reduce or forfeit any unvested awards if it considers that vesting of such awards will result in the participant receiving a benefit that was unwarranted or inappropriate. Additionally, the Group CEO RSA and LTA is submitted for securityholder approval at the AGM.

1. Previous y LTA Minimum.

Remuneration Report

e. Executive remuneration outcomes and disclosures

The Board undertook an assessment of the Group CEO's scorecard and the results are included below:

Performance Measures For Year Ended 30 June 2020	Area of Focus	Reason Chosen	Result		Performance Assessment
Financial Performance - 50 per cent Weighting					
A range of financial measures that includes specific targets for: - Profit after Tax - EBITDA - 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 – The Group experienced a very challenging year with a Statutory Loss after Tax of $310 million for the year ended 30 June 2020. **EBITDA** – Behind Target – A solid Core operating EBITDA in H1FY20 of $628 million was followed by a $65 million loss in H2FY20 as our three Core segments experienced a significant deterioration in operating conditions as a result of the pandemic. Core operating EBITDA for the full year was $563 million. The Non core segment recorded an EBITDA loss of $495 million which included accounting for $525 million pre tax in Engineering separation costs. The EBITDA for the year ended 30 June 2020 was a $90 million loss. **Operating and Investing Cash Flow** – Behind Target – Actual cash flow was ($232 million), which is below target primarily as a result of a delay in apartment settlements. **Overheads** – Behind Target – Focus on business efficiencies saw overheads lower than targeted, but reduction in NPAT resulted in Overhead / GPM ratio not being met.
Non Financial Performance - 50 per cent Weighting (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		Notwithstanding the progress made during the year, there was one fatal incident recorded. Tragically, Mohammed Nurul Amin passed away in hospital while in post operative recovery following an incident on the Affin Bank Berhad project in Malaysia. This tragic incident has been considered in assessing the Group CEO's overall performance. Our CIFR is at the lowest (0.7) since records began in 2012. Lost Time Injury Frequency Rate (LTIFR) for the year is 1.5, the lowest since records began in 2000. Strong focus on safety risk management remains paramount at all times and has remained our primary concern during COVID-19. The Group CEO continues to provide visible health and safety leadership, notwithstanding the limited number of site visits able to be arranged in the second half of the financial year.
Strategic Initiatives and Managing Risk		Effective capital management drives longer term securityholder returns.	BELOW ABOVE		In response to the immediate impacts of COVID-19, the Group enters FY21 in a strong financial position as a result of the successful completion of the institutional placement ($950 million) and Security Purchase Plan ($260 million), with gearing below 10 per cent and total liquidity above $5 billion at 30 June 2020. In addition to these measures, significant progress has been made on our strategy, including the San Francisco Bay Area project (c. $22 billion end value), PSP Investments partnership in Milan (c.$4 billion end value), PLLACes on One Sydney Harbour and a new joint venture with Mitsubishi Estate. In addition, the divestment of the Engineering business is expected to complete in early FY21. There is continued improvement in risk management including the establishment of our first two Practices (Residential and Urban Regeneration) to drive consistency of approach on all pipeline projects globally.
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 more systemically embedded within the business. Key customers have been assigned dedicated account leaders and all activity coordinated through the account structure. Annual customer experience research is now well established across all regions and is supported by regional CEOs. NPS[1] and C-SAT[2] global performance remains solid with small increases achieved in FY20 in a tough operating environment. Our digital strategy, as a founding member alongside Microsoft, Dell and Anys in establishing the Global Digital Twin Consortium, has been progressed. The launch of our property lifecycle platform, Podium, will help us continue to lead in this space.
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		Increasing our senior leadership effectiveness was a key focus in FY20 following the targets not being achieved in FY19. Active focus, communication and visibility of senior leaders, supported by the Leadership Excellence Program, has driven a substantial improvement of +17 in Leadership Effectiveness scores to 61 per cent and a 4 percentage point increase in our Change Management Index (ahead of our target). The retention rate for talent segments was 91 per cent in FY20, ahead of our target of greater than 90 per cent. The proportion of women in leadership roles has increased across the Group from 26.1 per cent to 26.9 per cent.
Sustainability		Capital investors, policy-makers, customers and communities are seeking partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes that deliver long term value.	BELOW ABOVE		Our new Sustainability Strategic Framework has been endorsed by our GLT, including the formation of the Carbon Target Sub-Committee to determine appropriate targets for the coming years. Significant progress was made in the disclosure against the Taskforce for Climate-related Financial Disclosure (TCFD) framework as well as the publishing of our 2050 Future Climate Scenarios.

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

1. NPS measures whether our customers' experience fosters loyalty. 2. C-SAT measures whether customers are satisfied with our products and services.

For personal use only

For personal use only

Remuneration Report

e. Executive remuneration outcomes and disclosures continued

Comparison of remuneration tables

In this section, the value of remuneration for the Group CEO and each senior executive is reported. In addition to the required statutory table (based on the accounting disclosures), we have included a further table setting out the remuneration awarded on page 115, and graphs showing remuneration received on page 116, to provide a more complete illustration of our approach to executive remuneration. An explanation of the differences is set out below.

Disclosure	Awarded Table	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 2019 or later and reflects the 20 per cent Fixed Remuneration reduction that applied from 1 May 2020 as part of the Group's response to COVID-19. 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.	This includes the amount of TPV/Base Salary received during the financial year and reflects the 20 per cent Fixed Remuneration reduction that applied from 1 May 2020 as part of the Group's response to COVID-19. It excludes annual leave and long service leave accruals. For individuals whose remuneration changed during the year, remuneration received reflects the different amounts of TPV/Base Salary paid.	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 include the movement in annual leave accruals. Cash salary also reflects the 20 per cent Fixed Remuneration reduction that applied from 1 May 2020 as part of the Group's response to COVID-19 and the value of distribution equivalent amounts paid as cash on the RSA.
STA Cash	The STA that will be paid as cash in September 2020 in respect of the financial year.		
Deferred Short Term Incentive (STI)	N/A - The STI was replaced by the STA in FY19.	N/A - The value of Deferred STI that vested during the year is included in Prior STI and LTI Awards.	The accounting expense attributed to this financial year for Deferred STI awards granted in September 2018 and the Executive Deferred Award (EDA) granted to a limited number of executives in September 2019.
Total Short Term Remuneration	The sum of Fixed Remuneration and STA Cash.	N/A	N/A
Deferred Equity Award	The value of the Deferred Equity Award to be issued in or around September 2020 that vests over two years with half vesting in September 2021 and the balance in September 2022.	N/A - value will be reflected in FY21 and FY22.	
RSA	The value of Rights awarded at the time of grant. The value varies with the security price over the deferral period. The RSA vests in September 2022, September 2023, September 2024 and September 2025.	The value of Rights which vested during the year. The value shown represents the value of Rights at the grant date. No RSA vested during FY20.	The RSA is reported in the Security Based Payments section of the statutory disclosures. This is the accounting expense attributed to this financial year for RSA's granted in the 2019 and 2020 financial years.
LTA	The LTA replaced the LTI in FY19. The Remuneration Awarded table shows the target face value of the 2020 LTA offered in September 2019. The 2020 LTA vests in September 2022, September 2023, September 2024 and September 2025 and the awards are subject to relative TSR and average ROE performance hurdles (explained in detail on page 126).	N/A	The LTA is reported in the Security Based Payments section of the statutory disclosures. This is the accounting expense attributed to this financial year for LTA granted in the 2019 and 2020 financial years.
Prior STI and LTI Awards	N/A - not disclosed in this table.	The value of any Deferred STI awards, including the EDA and LTI awards which vested during this financial year. The value shown represents the value of the awards at the grant date. The Deferred STI awards which vested in September 2019 were granted in September 2017 and September 2018. The LTIs which vested in September 2019 were granted in September 2015 and September 2016.	Prior STI and LTI Awards are reported as part of the Security Based Payment section of the statutory disclosures. This includes the accounting expense attributed to this financial year for the 2018 Deferred STI Award and the LTI Awards granted in the 2016, 2017 and 2018 financial years.
Security Price Growth and Distributions	N/A	The value of security price growth and distributions paid between the grant date and the vesting date for STI, RSA and LTI awards which vested during the year. This also includes the value of distribution equivalent amounts paid as cash on the RSA.	N/A

1. Previous y LTA Minimum.

Remuneration awarded by the Board for the year ended 30 June 2020

The remuneration awarded is set out in the table below.

The Board has reviewed senior executive remuneration and no further increases are anticipated for FY21, with the exception of Neil Martin who will transition to the target remuneration for the CEO, Europe role during the year.

A$000s[1]	Short Term		STA Opportunity		Total Short Term Remuneration		'At Risk' – Deferred to Future Periods			
Name	Fixed Remuneration[2]	STA Cash[3]	% of Target STA Cash Paid	% of Maximum STA Cash Paid	2020	2019[4]	Deferred Equity Award[5]	RSA[6]	LTA[7] 2020 Target	LTA 2020 Max[7,8]
Group CEO										
Stephen McCann	2,127	0	0%	0%	2,127	2,200	420	500	3,200	5,550
Current Senior Executives										
Johannes Dekker	1,161	0	0%	0%	1,161	1,325	125	500	1,100	3,200
Tarun Gupta	1,160	0	0%	0%	1,160	1,325	175	500	1,100	3,200
Denis Hickey	1,610	0	0%	0%	1,610	1,880	274	500	1,100	3,200
Anthony Lombardo	1,105	0	0%	0%	1,105	1,320	166	500	1,100	3,200
Neil Martin[9]	1,001	0	0%	0%	1,001	-	198	313	687	2,000
Kylie Rampa	1,160	0	0%	0%	1,160	1,450	125	500	1,100	3,200
David Andrew Wilson	1,205	0	0%	0%	1,205	1,372	175	500	1,100	3,200
Former Senior Executive										
Daniel Labbad[10]	263	-	-	-	263	1,582	-	-	-	-

Remuneration received for the year ended 30 June 2020

Remuneration received during the year includes Fixed Remuneration, prior STI and LTI awards and the security price growth and distributions on these awards which vested during the year.

The Board determined in August 2020 that a cash STA would not be awarded in FY20. Prior STI awards that vested during the year were granted in September 2017 and 2018 and were released in September 2019. Prior 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 2019. These awards were also released in September 2019.

Security price growth and distributions represent 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	Granted	Grant price per security $	Vest price $ (1 Sept 2019)	Gain per security $	Distributions paid per security $	Total $
2017 STI	September 2017	17.11	17.02	(0.09)	1.11	1.02
2018 STI	September 2018	19.79	17.02	(2.77)	0.42	(2.35)
2016 LTI	September 2015	15.16	17.02	1.86	2.37	4.23
2017 LTI	September 2016	13.49	17.02	3.53	1.77	5.30

The impact of security price movements on unvested awards that are scheduled to vest in September 2020 will be included in the FY21 Remuneration Report. This will reflect the security price decline immediately following the escalation of the COVID-19 pandemic. For example, the security price movement on the 2018 STI was a loss of 37.5 per cent between the grant date and 30 June 2020.

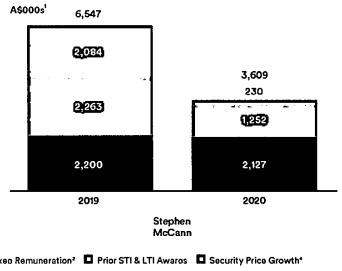
1. 2020 remuneration is reporteo in AUD baseo on the 12 month average historic foreign exchange rates for FY20 (rounoeo to two oecima p aces): GBP 0.63 (app ieo to Danie Labbao ano Nei Martin), SGD 0.93 (app ieo to Anthony Lombaroo) ano USD 0.67 (app ieo to Denis Hickey). A senior executives are paio in oca currency. 2. Fixeo Remuneration inc uoes the contractua y awaroeo amount of Tota Package Va ue/Base Sa ary (inc uoing the va ue of any benefits sa ary sacrificeo) but exc uoes any a owances or non monetary benefits. A so ref ects the 20% Fixeo Remuneration reouction that app ieo from 1 May 2020 as part of the Group's response to COVID-19. 3. The STA Cash refers to the Short Term Awaro for the Group CEO ano senior executives for the year enoeo 30 June 2020, which is payab e in cash in September 2020. For FY20, the Boaro oetermineo that a cash STA wou o not be awaroeo. 4. 2019 remuneration is reporteo in AUD baseo on the 12 month average historic foreign exchange rates for FY19 (rounoeo to two oecima p aces): GBP 0.55 (app ieo to Danie Labbao), SGD 0.97 (app ieo to Anthony Lombaroo) ano USD 0.71 (app ieo to Denis Hickey). 5. The FY20 Deferreo Equity Awaro was approveo by the Boaro in August 2020 ano is expecteo to be issueo to executives in or arouno September 2020, in recognition of the non financia goa s that were achieveo in FY20 that support ong term va ue creation. The FY20 Deferreo Equity Awaro a so ref ects the importance of motivating, recognising, rewaroing ano retaining our key executives ano wi be issueo as Leno ease securities that vest over two years with ha f vesting in September 2021 ano the ba ance in September 2022. 6. Previous y LTA Minimum. 7. The LTA refers to the Long Term Awaro for the Group CEO ano senior executives for the year enoeo 30 June 2020. It is awaroeo on a face va ue basis. Refer to page 126 for a oetai eo exp anation of LTA awaros. 8. The LTA provioes for the opportunity for outperformance if hurо es are achieveo above target. The maximum opportunity is 150% of the LTA target p us the RSA for the Group CEO ano 200% of LTA target p us the RSA for senior executives. 9. Nei Martin was appointeo to the Chief Executive Officer, Europe ro e on 10 September 2019 ano remuneration ref ects the remuneration awaroeo on appointment to this ro e. 10. Danie Labbao ceaseo as a KMP on 9 September 2019 ano remuneration ref ects his time in his KMP ro e.

Remuneration Report

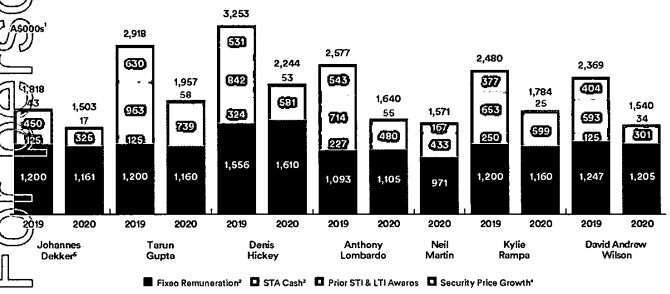
e. Executive remuneration outcomes and disclosures continued

Remuneration received for the Group CEO other senior executives during 2019 and 2020

Remuneration Received for the Group CEO during 2019 and 2020



Remuneration Received for senior executives during 2019 and 2020



1. 2020 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY20 (rounded to two decimal places): GBP 0.53 (applied to Neil Martin), SGD 0.93 (applied to Anthony Lombardo) and USD 0.67 (applied to Denis Hickey). 2019 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY19 (rounded to two decimal places): SGD 0.97 (applied to Anthony Lombardo) and USD 0.71 (applied to Denis Hickey). All senior executives are paid in local currency. 2. Fixed Remuneration includes the TPV/Base Salary received during the financial year and reflects the 20% Fixed Remuneration reduction that applied from 1 May 2020 as part of the Group's response to COVID-19. 3. STA Cash refers to the Short Term Award for the Group CEO and senior executives for the relevant financial year, payable in cash annually in September. For FY20, the Board determined that a cash STA would not be awarded. 4. Reflects 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. This is also included the value of distribution equivalent amounts paid as cash on the RSA. 5. For Johannes Dekker, his prior year awards included a sign-on award reflecting remuneration foregone on resignation from his previous employer.

Statutory disclosures – Remuneration of the Group CEO and senior executives for the years ended 30 June 2020 and 2019

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, RSA, LTI and LTA awards from prior years, and the accounting expense attributed to the RSA and LTA from this year.

A$000s[1]		Short Term Benefits			Post Employment Benefits			Security Based Payments[7]		
Name	Year	Cash Salary[2]	STA Cash[3]	Non Monetary Benefits[4]	Superannuation[5]	Other Long Term Benefits[6]	Sub-total	LTI / LTA	Deferred STI	Total
Group CEO										
Stephen McCann	2020	2,130	-	-	26	36	2,192	1,815	219	4,226
	2019	2,155	-	-	25	33	2,213	2,375	875	5,463
Current Senior Executives										
Johannes Dekker[8]	2020	1,180	-	260	10	38	1,488	1,700	74	3,262
	2019	1,191	125	287	11	230	1,844	708	318	2,870
Tarun Gupta	2020	1,164	-	18	21	-	1,203	735	157	2,095
	2019	1,166	125	-	21	-	1,312	757	635	2,704
Denis Hickey	2020	1,634	-	190	-	-	1,824	715	104	2,643
	2019	1,558	324	251	-	-	2,133	588	467	3,188
Anthony Lombardo	2020	1,129	-	280	-	-	1,409	692	114	2,215
	2019	1,094	227	291	-	-	1,612	655	425	2,692
Neil Martin[9]	2020	849	-	8	-	-	857	303	438	1,598
Kylie Rampa	2020	1,164	-	45	21	19	1,249	750	159	2,158
	2019	1,149	250	3	21	18	1,441	538	593	2,572
David Andrew Wilson	2020	1,209	-	9	21	20	1,259	995	76	2,330
	2019	1,287	125	-	21	18	1,451	735	278	2,464
Former Senior Executive										
Daniel Labbad[10]	2020	454	-	355	-	-	809	865	121	1,795
	2019	1,424	273	284	-	-	1,981	669	519	3,169
Total	**2020**	**10,913**	**-**	**1,165**	**99**	**113**	**12,290**	**8,570**	**1,462**	**22,322**
Total	**2019**	**11,024**	**1,449**	**1,116**	**99**	**299**	**13,987**	**7,025**	**4,110**	**25,122**

1. 2020 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY20 (rounded to two decimal places): GBP 0.53 (applied to Daniel Labbad and Neil Martin), SGD 0.93 (applied to Anthony Lombardo) and USD 0.67 (applied to Denis Hickey). 2019 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY19 (rounded to two decimal places): GBP 0.55 (applied to Daniel Labbad), SGD 0.97 (applied to Anthony Lombardo) and USD 0.71 (applied to Denis Hickey). All senior executives are paid in local currency. 2. Cash Salary includes the payment of cash allowances such as motor vehicle allowance and the value of distribution equivalent amounts paid as cash on the RSA. For Daniel Labbad and Neil Martin, this also includes cash allowances paid in lieu of pension contributions. Cash salary also reflects the 20% Fixed Remuneration reduction that applied from 1 May 2020 as part of the Group's response to COVID-19. 3. STA Cash refers to the Short Term Award for the Group CEO and senior executives for the year ended 30 June 2020, which is payable in cash in September 2020. For FY20, the Board determined that a cash STA would not be awarded. 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 defined superannuation fund. For Daniel Labbad, the 2019 comparative has been restated to reflect that cash allowances paid in lieu of pension contributions are now included in Cash Salary. 6. Other Long Term Benefits represents the accrual of long term leave entitlements (e.g. long service leave). 7. Security based payments reflect the accounting expense on a fair value basis. For all executives other than Neil Martin, security based payments are issued as indeterminate rights and performance rights. For Neil Martin, Deferred STI (including his Executive Deferred Award) is issued as securities. LTI/LTA includes the accounting expense for the RSA (previously LTA Minimum). 8. For Johannes Dekker, amounts under Other Long Term Benefits, Deferred STI and LTI/LTA include the prorated 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 businesses. 9. Neil Martin was appointed to the Chief Executive Officer, Europe role on 10 September 2019 and remuneration reflects time in this KMP role. 10. Daniel Labbad ceased as a KMP on 9 September 2019 and remuneration reflects his time in his KMP role. His unvested LTI, LTA and Deferred STI awards remain on foot and subject to the original vesting conditions. The security based payment expense for the current period therefore includes up to three years of each unvested award expense that has been accelerated and disclosed in total for FY20, including those amounts which would otherwise have been included in future year disclosures.

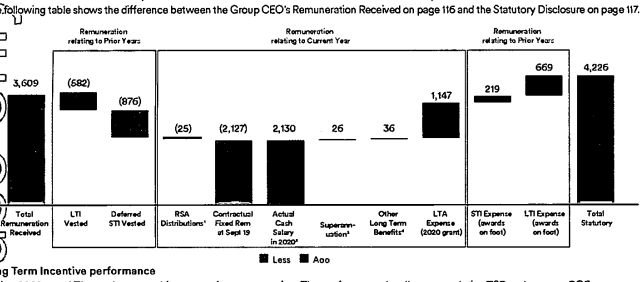
For personal use only

Remuneration Report

e. Executive remuneration outcomes and disclosures continued

Reconciliation of 2020 statutory remuneration with Remuneration Received for the Group CEO

The following table shows the difference between the Group CEO's Remuneration Received on page 116 and the Statutory Disclosure on page 117.



Long Term Incentive performance

During 2020, two LTI awards were subject to performance testing. The performance hurdles were relative TSR and average ROE. Each hurdle is tested over a three and four year performance period. The outcomes are shown below.

2016 LTI Award

The four year relative TSR test was conducted in July 2019. Lendlease's relative TSR performance achieved the 12th percentile when compared to the comparator group over the period from 1 July 2015 to 30 June 2019. As a result, none of the tested award vested.

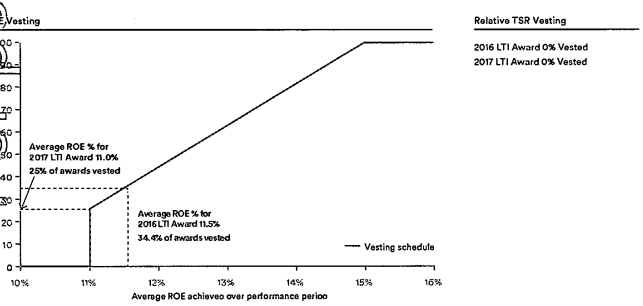
The four year average ROE test was also conducted in July 2019. Lendlease's four year average ROE performance was 11.5 per cent over the period from 1 July 2015 to 30 June 2019. As a result, 34.4 per cent of the tested award vested.

2017 LTI Award

The three year relative TSR test was conducted in July 2019. Lendlease's relative TSR performance achieved the 26th percentile when compared to the comparator group over the period from 1 July 2016 to 30 June 2019. As a result, none of the tested award vested.

The three year average ROE test was also conducted in July 2019. Lendlease's three year average ROE performance was 11.0 per cent over the period from 1 July 2016 to 30 June 2019. As a result, 25 per cent of the tested award vested.

The four year relative TSR and four year ROE tests for this award are scheduled for July 2020 and the results will be shown in the 2021 Remuneration Report.



1. Reflects the value of distribution equivalent amounts paid as cash on the RSA. 2. There is a difference between Actual Cash Salary received during 2020 and the contractual fixed remuneration as Actual Cash Salary includes RSA Distributions and excludes superannuation whereas contractual fixed remuneration includes superannuation and excludes RSA Distributions. 3. Superannuation includes the value of insurance premiums funded by Lendlease for Australian executives who are members of the Lendlease defined superannuation fund. 4. Other Long Term Benefits represents the accrual of long term leave entitlements (e.g. long service leave).

f. 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 & 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. The People & Culture Committee is also accountable for reviewing and making recommendations to the Board on the goals, performance and remuneration of members of the GLT. A description of the People & Culture Committee's scope can be found on page 104.

Management

Management makes recommendations to the People & Culture Committee in relation to developing and implementing the ERS and structure. The Group CEO also provides his recommendations on Fixed Remuneration and STA outcomes for his direct reports for approval by the People & Culture Committee.

Independent remuneration advisor

Until 30 June 2020, the Board appointed independent remuneration advisor was PwC. The Board engaged EY in July 2020. Strict governance protocols are observed to ensure advisors' advice to the People & Culture Committee is made free from undue influence by KMP. The following arrangements were made to ensure that advisors' advice was free of undue influence:

- Advisors are engaged by, and report directly to, the Chair of the People & Culture Committee
- The agreement for the provision of any remuneration consulting services is executed by the Chair of the People & Culture Committee on behalf of the Board
- Any reports delivered by advisors were provided directly to the Chair of the People & Culture Committee
- Advisors are permitted, where approved by the People & Culture Committee Chair, to speak to management to understand company processes, practices and other business issues and obtain management's perspectives.

The Board is satisfied that any advice provided by either advisor is made free from undue influence from any of the KMP.

During the year, advisors did not provide a remuneration recommendation as defined in Section 9B of the *Corporations Act 2001*.

For personal use only

Remuneration Report

f. Remuneration governance continued

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 & 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 & 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 & 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. 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 & 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) • 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 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 133.

Personally held securities may be counted towards the mandatory securityholding requirement as does the RSA. Unvested deferred securities and unvested awards under the previous STI and LTI do not count towards this mandatory holding. The RSA counts towards the mandatory securityholding.

Until such time as the senior executive meets the mandatory securityholding requirements, for senior executives based in Australia, Lendlease imposes a disposal restriction on 50 per cent of any senior executives' Deferred STI, RSA, LTI or LTA that vests. 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 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 unvested Lendlease securities.

Hedging

Deferred STI, RSA, 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.

g. 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 & Culture Committee • The Board has overall responsibility for remuneration decisions concerning senior executives • The People & 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 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 & 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 per cent of his TPV • Senior executives are expected to accumulate and maintain a securityholding of 100 per cent 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 RSA has a six year time horizon, vesting progressively over Y3, Y4, Y5 and Y6 • The 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 lapse 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 towards appropriate outcomes based on a culture of accountability. Recent examples include: – Supporting the voluntary 20 per cent Fixed Remuneration reduction for executives in response to COVID-19 and matching it with a similar reduction to Non Executive Director base fees – Looking beyond solely financial measures and recognising non financial performance that supports long term value creation in FY20 – The announcement the Group CEO made concerning his zero STA for FY19.

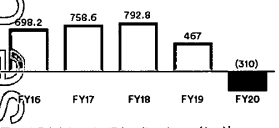
Remuneration Report

h. How executive rewards are linked to performance

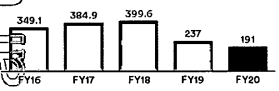
Five year performance summary

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

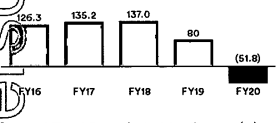
Statutory Profit after Tax (PAT) Attributable to Securityholders ($m)[1]



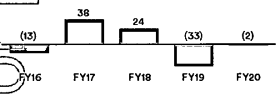
Total Dividends/Distributions ($m)[1]



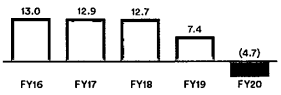
Earnings per Stapled Security (EPSS) (cents)[2] (excluding treasury securities)



Annual Total Securityholder Return (%)[3]



Return on Equity (ROE) (%)[4]



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 reward outcomes because they are influenced (up or down) by the available pool.

Group 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, influenced by the costs associated with the separation of the Engineering business, was a statutory loss for FY20. Following an overall assessment of financial and non financial performance and the overall health of the business before and during the COVID-19 situation, the Board approved a small pool of incentive awards to recognise significant contributions. The pool was substantially lower than FY19 and an even smaller portion compared to the five prior years. The Board acknowledges the importance of continuing to motivate our employees through recognising their contributions.

Group CEO scorecard and performance in 2020

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
- 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
- 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. The Board considers safety leadership behaviour and outcomes in assessing the overall performance of the Group CEO and each senior executive. While the assessment is not structured formulaically 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.

The fatal incident in FY20 has been considered in assessing the Group CEO's STA outcome. The Group CEO's cash STA is 0 per cent of his target and his FY20 Deferred Equity Award is equivalent to 35 per cent of his STA target (23 per cent of his STA maximum). Refer to the Group CEO's scorecard on pages 112 and 113 for further details.

1. At 30 June 2020, a va ues have been rounded to the nearest mi ion do ars un ess otherwise indicated. 2. EPSS is ca cu ated using the weighted average number of securities on issue exc uding treasury securities. As required under AASB 133 *Earnings per Share*, the 30 June 2019 weighted average number of ordinary shares and the weighted average number of stap ed securities have been adjusted to ref ect the new stap ed securities issued via the institutional p acement and Security Purchase P an during the year. FY19 EPSS has been restated from 82.9 to 80.0 to ref ect this change. 3. Represents the movement in the Group's security price, distribution yie d and any return on capital during the financial year. 4. ROE is ca cu ated as the annual Statutory Profit after Tax attributab e to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Restricted Securities Award (RSA)[1]

This section presents a summary of the key features of the RSA plan.

RSA Design	How the RSA Works
Objective	• The key objectives of the RSA are: – To promote alignment with securityholders as a portion of target remuneration is delivered in Lendlease securities – To support long term value creation – To better align reward to risk management.
Quantum	• The RSA is set at $500,000 for the Group CEO and for senior executives[2]. Refer to the target remuneration mix set out in the Snapshot of FY20 remuneration outcomes on page 110
Instrument & Eligibility	• The RSA is delivered to a limited number of senior executives as an annual grant of rights to acquire securities on a face value basis • The Board intends that the RSA be settled in Lendlease securities, although the award may be settled in cash at the Board's discretion
Determining the number of Rights	• The number of 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
Deferral Period	• The RSA is deferred for three years and released in four equal tranches over a further three year period, at the end of Y3, Y4, Y5 and Y6
Distributions	• Distribution equivalent amounts are paid as cash on the RSA during the deferral period
Malus	• The Board may adjust the number of rights downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts • The number of 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 RSA lapses • If the executive is terminated for poor performance, the Board can adjust unvested RSA 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 RSA may remain on foot subject to the original vesting conditions.

1. Previous y LTA Minimum. 2. The FY20 RSA for Nei Martin was $312,500.

Remuneration Report

h. How executive rewards are linked to performance continued

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 FY20 STA plan and 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 STA are outlined in the table below:

STA Design	How the STA Works
STA Quantum	• The 2020 STA has been set with reference to the Group CEO and senior executive target remuneration mix set out in the Snapshot of FY20 remuneration outcomes on page 110.
STA Funding	• The pool of funds available to reward executives under the STA plan is determined by direct reference to Group financial and non 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 FY20 scorecard (approved by the Board) and performance against the scorecard is summarised on pages 112 and 113 • 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 a reduction in STA outcomes for the year. The fatal incident that occured in FY20 has been considered in assessing the Group CEO's STA • The People & 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	• The STA is delivered as cash in September following the end of the performance year.

Prior Short Term Incentive (STI)

Key features of the 2018 STI plan are the same as the FY20 STA, except for the following which apply to the 2018 STI plan 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.
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.

FY20 Deferred Equity Award

This section presents a summary of the key features of the FY20 Deferred Equity Award plan.

FY20 Deferred Equity Award	How the FY20 Deferred Equity Award Works
Objective	• The key objectives of the FY20 Deferred Equity Award are to: – Recognise the achievement of non financial performance outcomes that support long term value creation – Consider the balance between motivating, recognising and rewarding executives with securityholder interests – Recognise that although a final dividend for FY20 will not be paid from Lendlease Corporation Limited, securityholders will receive distributions of over $191 million relating to FY20 – Provide the Board with additional review points prior to vesting – Provide a retention element given that executives will be required to wait up to two years for the award to vest.
Quantum	• Refer to the Remuneration Awarded table on page 115 for more details
Instrument & Eligibility	• The FY20 Deferred Equity Award is delivered to senior executives as a grant of rights to acquire securities on a face value basis • The Board intends that the FY20 Deferred Equity Award be settled in Lendlease securities, although the award may be settled in cash at the Board's discretion
Determining the number of Rights	• The number of rights allocated is based on the VWAP of stapled securities acquired on or off market around September 2020
Deferral Period	• The FY20 Deferred Equity Award is deferred over two years, with half vesting in September 2021 and the balance in September 2022
Distributions	• Distributions are not paid on any unvested FY20 Deferred Equity Award for the Group CEO and senior executives. However, in calculating the amount of Lendlease securities or cash provided on vesting of the FY20 Deferred Equity Award, the value of any distributions declared during the vesting period is taken into consideration
Malus	• The Board may adjust the number of rights downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts • The number of 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 FY20 Deferred Equity Award lapses • If the executive is terminated for poor performance, the Board can adjust unvested FY20 Deferred Equity Award 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 FY20 Deferred Equity Award may remain on foot subject to the original vesting conditions.

For personal use only

Remuneration Report

h. 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 127 shows the key differences between this award and LTI awards from prior years, some of which remain on foot.

LTA Design	How the LTA Works
Objective	• Reward senior executives for delivering 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 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.
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'.
Deferral	• Once the award has been determined, awards are retained and released in four equal tranches over a further three year period.

Performance Hurdles

Market Measure 50 per cent	Non Market Measure 50 per cent
Relative Total Securityholder Return (RTSR)	**Average Return On Equity (ROE)**
• TSR is measured by the growth in security 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.	• 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	Percentage of Target LTA plus RSA Vesting[1]		Average ROE	Percentage of Target LTA plus RSA Vesting[1]	
	Group CEO	Senior Executives		Group CEO	Senior Executives
At the 50th	50 per cent	50 per cent	Between 10 per cent and target ROE set by the Board	Pro rata straight line vesting between 13.5 per cent and 100 per cent	Pro rata straight line vesting between 31.25 per cent and 100 per cent
At or above the 51st and below the 75th	Pro rata straight line vesting between 54 per cent and 146 per cent	Pro rata straight line vesting between 56 per cent and 194 per cent			
75th or greater	150 per cent	200 per cent	At target set by the Board	100 per cent	100 per cent
			Between target set by the Board and 14 per cent	Pro rata straight line vesting between 100 per cent and 150 per cent	Pro rata straight line vesting between 100 per cent and 200 per cent
			At 14 per cent or greater	150 per cent	200 per cent

1. During the year the Board determined that the LTA Minimum is better described as an RSA. Given this decision was made after awards were communicated, the vesting schedule reflects the transition and shows the proportion of the combined target LTA, and half of the RSA (previously LTA Minimum) that vests at different levels of performance.

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: - TSR 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 - 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, differing views held by 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 110 • Having regard to the benchmark data and market positioning as described on page 120.
LTA 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 not paid on the LTA, unless and until vesting conditions are met.
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.

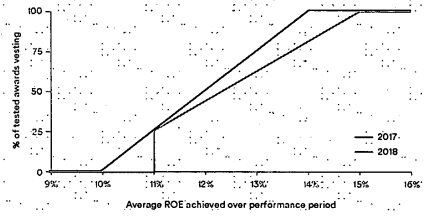
Prior LTI Awards

Key differences between the LTI plan for the years 2017-2018 and the current LTA plan are as follows:

- 2017 LTI awards 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 grant value is assessed over a three year period, and the remaining 50 per cent is 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 to 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 Rights 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



Remuneration Report

i. 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:

Name	Notice by Lendlease	Notice by Executive	Treatment on Termination with Notice by Lendlease
Group CEO			
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 entitlements and benefits
Current Senior Executives			
Johannes Dekker[1]	12 months	6 months	Notice payment is based on TPV. Payment for accrued leave is based on TPV less superannuation
Tarun Gupta	6 months	6 months	Notice payment is based on TPV. Payment for accrued leave is based on TPV 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
Anthony Lombardo	12 months	6 months	Notice payment and accrued leave is based on base salary
Neil Martin	6 months	6 months	Notice payment and accrued leave is based on base salary
Kylie Rampa	6 months	6 months	Notice payment is based on TPV. Payment for accrued leave is based on TPV less superannuation
David Andrew Wilson	6 months	6 months	Notice payment is based on TPV. Payment for accrued leave is based on TPV less superannuation
Former Executive			
Daniel Labbad	9 months	6 months	Notice payment and accrued leave is based on base salary

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.

j. Equity based remuneration

Deferred securities

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 2020 $	% Vested	% Forfeited
Group CEO										
Stephen McCann	Deferred STI	2017	Sept 2017	Sept 2019	26,725	16.37	437,512	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	22,434	19.50	437,510	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	22,434	19.50	437,510	218,755	-	-
Total					71,593		1,312,532	218,755		
Current Senior Executives										
Johannes Dekker[3]	Sign-On Award	-	May 2018	Sept 2019	8,535	17.57	150,000	18,750	100%	-
	Sign-On Award	-	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	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	1,264	19.79	25,015	12,508	-	-
Total					16,753		300,030	74,115		
Tarun Gupta	Deferred STI	2017	Sept 2017	Sept 2019	19,285	17.11	330,005	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	15,842	19.79	313,520	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	15,842	19.79	313,520	156,760	-	-
Total					50,969		957,045	156,760		
Denis Hickey	Deferred STI	2017	Sept 2017	Sept 2019	17,966	17.11	307,434	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	10,554	19.79	208,868	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	10,554	19.79	208,868	104,434	-	-
Total					39,074		725,170	104,434		
Anthony Lombardo	Deferred STI	2017	Sept 2017	Sept 2019	9,753	17.11	166,893	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	11,517	19.79	227,926	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	11,517	19.79	227,926	113,963	-	-
Total					32,787		622,745	113,963		
Neil Martin	Deferred STI	2017	Sept 2017	Sept 2019	11,861	17.11	202,965	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	11,605	19.79	229,668	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	11,605	19.79	229,668	114,834	-	-
	EDA	2019	Sept 2019	Sept 2019	11,329	16.86	191,007	190,987	100%	-
	EDA	2019	Sept 2019	Sept 2021	11,329	16.86	191,007	79,578	-	-
	EDA	2019	Sept 2019	Sept 2022	11,329	16.86	191,007	53,052	-	-
Total					69,058		1,235,322	438,450		
Kylie Rampa	Deferred STI	2017	Sept 2017	Sept 2019	13,710	17.11	234,606	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	16,039	19.79	317,418	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	16,039	19.79	317,418	158,709	-	-
Total					45,788		869,442	158,709		
David Andrew Wilson	Deferred STI	2017	Sept 2017	Sept 2019	5,698	17.11	97,504	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	7,719	19.79	152,762	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	7,719	19.79	152,762	76,381	-	-
Total					21,136		403,028	76,381		
Former Senior Executive										
Daniel Labbad	Deferred STI	2017	Sept 2017	Sept 2019	18,234	17.11	312,020	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2019	12,234	19.79	242,116	[redacted]	100%	-
	Deferred STI	2018	Sept 2018	Sept 2020	12,234	19.79	242,116	121,058	-	-
Total					42,702		796,252	121,058		

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 relating remuneration foregone on resignation 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

j. 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[1] $	Total Fair Value At Grant Date[1,2,3,4] $	Expense For the Year Ended 30 June 20 $	% Vested	% Forfeited
Group CEO									
Stephen McCann	June 2016 LTI (50%)	Sept 2015	Sept 2019	101,818	10.56	1,075,198	(473,659)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	122,440	11.33	1,387,245	(405,810)	12%	88%
	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	1,312,071	382,208	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	100,388	13.23	1,328,133	386,889	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	44,476	9.94	442,091	107,271	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	44,476	9.94	442,091	107,271	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	44,476	9.94	442,091	107,271	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	44,476	9.94	442,091	107,271	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	64,240	22.55	1,448,612	286,641	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	64,240	22.55	1,448,612	286,641	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	64,240	22.55	1,448,612	286,641	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	64,240	22.55	1,448,612	286,641	-	-
Total				982,338		14,066,173	1,815,454		
Current Senior Executives									
Johannes Dekker[5]	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	Retention Award	Jan 2019	Jan 2022	251,168	11.94	3,000,000	1,000,000	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				439,224		6,337,524	1,700,092		
Tarun Gupta	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	250,050	(110,142)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	33,272	11.33	376,972	(110,278)	12%	88%
	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	413,509	37,962	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	31,638	13.23	418,571	121,931	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				341,555		5,177,258	734,723		

1. For LTI 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 LTA for the Group CEO: at vesting, 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 126 for more details. 3. For the LTA for other senior executives: at vesting, 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 126 for more details. 4. The fair value at grant date represents an actuarial valuation of the award, including the RSA (previously LTA Minimum), 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 businesses.

Long Term Incentive Awards continued

Name	Plan (For the Year Ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security[1] $	Total Fair Value At Grant Date[1,2,3,4] $	Expense For the Year Ended 30 June 2020 $	% Vested	% Forfeited
Current Senior Executives continued									
Denis Hickey	June 2016 LTI (50%)	Sept 2015	Sept 2019	16,576	10.56	175,043	(77,106)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	22,626	11.33	256,353	(74,979)	12%	88%
	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	286,285	18,196	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,790	84,417	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				293,692		4,603,836	715,330		
Anthony Lombardo	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	250,050	(110,142)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	26,618	11.33	301,582	(88,219)	12%	88%
	June 2017 LTI (50%)	Sept 2016	Sept 2020	26,618	11.44	304,510	76,128	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	24,034	13.07	314,124	21,907	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	24,034	13.23	317,970	92,626	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				313,039		4,825,760	692,392		
Neil Martin	June 2020 LTA (25%)	Sept 2019	Sept 2022	17,362	22.08	383,353	75,872	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	17,362	22.08	383,353	75,872	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	17,362	22.08	383,353	75,872	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	17,362	22.08	383,353	75,872	-	-
Total				69,448		1,533,412	303,488		

For personal use only

Remuneration Report

j. Equity based remuneration continued

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 2020 $	% Vested	% Forfeited
Current Senior Executives continued									
Kylie Rampa	June 2016 LTI (50%)	Sept 2015	Sept 2019	9,472	10.56	100,024	(44,059)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	19,165	11.33	217,139	(63,509)	12%	88%
	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	286,285	18,196	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,790	84,417	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				279,666		4,450,010	749,949		
David Andrew Wilson[6]	DE Award (50%)	May 2016	May 2021	80,000	13.42	1,073,600	214,781	-	-
	DE Award (50%)	May 2016	May 2023	80,000	13.42	1,073,600	153,415	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2019	14,208	10.56	150,036	(66,094)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	15,971	11.33	180,951	(52,934)	12%	88%
	June 2017 LTI (50%)	Sept 2016	Sept 2020	15,971	11.44	182,708	45,676	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	53,624	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	53,624	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2022	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2023	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2024	27,780	22.08	613,382	121,399	-	-
	June 2020 LTA (25%)	Sept 2019	Sept 2025	27,780	22.08	613,382	121,399	-	-
Total				394,206		5,998,419	994,936		
Former Senior Executive									
Daniel Labbad[7]	June 2016 LTI (50%)	Sept 2015	Sept 2019	18,943	10.56	200,038	(88,118)	16%	84%
	June 2017 LTI (50%)	Sept 2016	Sept 2019	27,683	11.33	313,648	(91,743)	12%	88%
	June 2017 LTI (50%)	Sept 2016	Sept 2020	27,683	11.44	316,694	92,368	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	27,076	13.07	353,883	44,437	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	27,076	13.23	358,215	166,773	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	185,249	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	185,249	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	185,249	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	185,249	-	-
Total				205,397		2,426,474	864,712		

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(a) of the Notes to Consolidated Financial Statements. 7. Daniel Labbad ceased as a KMP on 9 September 2019. The expense for the year ended 30 June 2020 reflects the full entitlement to unvested LTI and LTA which would otherwise have been included in future year disclosures and may not vest. These unvested awards remain on foot and subject to the original vesting conditions.

For personal use only

Equity holdings and transactions for the year ended 30 June 2020

	Year	Number of Securities Required Under the Mandatory Securityholding 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	RSA[3]	Total Securities/ Performance Rights That May Count Towards the Mandatory Securityholding Requirement
Group CEO								
Stephen McCann	2020	248,000	750,018	88,709		838,727	58,720	897,447
	2019	169,500	765,136	213,386	(229,504)	750,018	24,024	774,042
Current Senior Executives								
Johannes Dekker	2020	90,000	14,225	12,892		27,117	58,776	85,893
	2019	62,000		14,225		14,225	24,048	38,273
Tarun Gupta	2020	90,000	116,411	73,913		190,324	58,776	249,100
	2019	62,000	158,332	78,079	(120,000)	116,411	24,048	140,459
Denis Hickey[5]	2020	60,000	61,443	24,192	(57,000)	28,635	58,776	87,411
	2019	76,000	49,063	37,494	(25,114)	61,443	24,048	85,491
Anthony Lombardo	2020	84,000	110,654	29,906	(79,906)	60,654	58,776	119,430
	2019	54,000	136,708	61,614	(87,668)	110,654	24,048	134,702
Neil Martin	2020	75,000		18,391	(18,391)		21,704	21,704
Kylie Rampa	2020	90,000	61,925	35,216	(50,080)	47,061	58,776	105,837
	2019	62,000	11,478	50,447		61,925	24,048	85,973
David Andrew Wilson	2020	94,000	49,364	23,346		72,710	58,776	131,486
	2019	64,000	22,997	49,210	(22,843)	49,364	24,048	73,412
Former Senior Executive								
Daniel Labbad[6]	2020		67,001	20,642		87,643	24,048	111,691
	2019	66,000	67,001	33,184	(33,184)	67,001	24,048	91,049
Total	2020		1,231,041	327,207	(205,377)	1,352,871	457,128	1,809,999
Total	2019		1,211,715	537,639	(518,313)	1,231,014	192,360	1,423,401

1. Mandatory securityholding requirements are reviewed in August each year. The mandatory securityholding requirement for Neil Martin was set for the first time in September 2019 when he was appointed to the Chief Executive Officer, Europe role. As part of the Group's response to COVID-19, Denis Hickey requested a temporary release from the application mandatory securityholding requirement and the reduced mandatory securityholding requirement (50% of the original mandatory securityholding requirement) has been reflected for 2020. 2. For senior executives, securities received relate to security entitlements under employee benefit vehicles. 3. Under the RSA (previous LTA Minimum), performance rights will vest over a period of up to six years. This number of performance rights counts towards mandatory securityholding requirements. 4. The 2019 comparative for Denis Hickey has been restated from 37,494 to 61,443 to include a correction to his securityholding. 5. Daniel Labbad ceased as a KMP on 9 September 2019. The ending balance of securities for 2020 represents the balance held at that date.

Loans to KMP

No loans were made to KMP or their related parties during the current year or prior year.

Other transactions with KMP

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.

Remuneration Report

k. Non Executive Directors

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 & Culture Committee	Risk Committee	Audit Committee	Sustainability Committee
Chair Fee A$	640,000	36,000	48,000	48,000	48,000	48,000
Member Fee A$	160,000	Nil	36,000	Nil	36,000	36,000

Board and committee fees are paid as cash. Superannuation contributions are paid in addition to the Board and committee fees outlined above in accordance with superannuation legislation and are capped at the Maximum Superannuation Contribution Base. 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.

There were no increases to NED fees during FY20.

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.

The program is an important element of the Board's activities to enable the Non Executive Directors to obtain the required deep understanding of operations within the regions.

All Non Executive 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 Non Executive Directors for the extra time commitment.

Travel Fees	Fee (Each Way) A$
Travel less than 4 hours	Nil
Travel between 4 and 10 hours	2,800
Travel over 10 hours	6,000

1. Applies to David Crawford and Philip Coebatch.

The table below sets out fees paid to Non Executive Directors during 2020 and 2019.

A$000s		Short Term Benefits				Post Employment Benefits	
	Year	Base Fees[1]	Committee Chair Fees	Committee Membership Fees	Travel Fees	Superannuation[2]	Total
Non Executive Directors							
Michael Ullmer	2020	629			18	21	668
	2019	460	20	15	36	21	552
Colin Carter	2020	157	36	72	6	21	292
	2019	160	36	72	24	21	313
Philip Coffey	2020	157	48	72	18	21	316
	2019	160	24	72	36	21	313
David Craig	2020	157	48	36	18	21	280
	2019	160	48	36	36	21	301
Margaret Ford[3]	2020	51		21	12	7	91
Jane Hemstritch	2020	157	20	57	18	21	273
	2019	160	48	36	36	21	301
Elizabeth Proust	2020	157	28	51	18	21	275
	2019	160	-	60	36	21	277
Nicola Wakefield Evans	2020	160	48	36	18	21	283
	2019	160	24	54	36	21	295
Robert Welanetz[4]	2020	51		21	12	7	91
Former Non Executive Directors							
Phillip Colebatch[5]	2019	67	-	30	24	9	130
David Crawford[6]	2019	267	-	-	24	9	300
Steve Dobbs[7]	2020	67		30	40	9	146
	2019	160	-	72	63	21	316
Total	2020	1,743	228	396	178	170	2,715
Total	2019	1,914	200	447	351	186	3,098

1. Non Executive Directors were able to temporarily reduce their base fees by 20% from 1 June 2020 as part of the Group's response to COVID-19. 2. Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation. 3. Margaret Ford was appointed as a Non Executive Director on 1 March 2020. 4. Robert Welanetz was appointed as a Non Executive Director on 1 March 2020. 5. Philip Coebatch ceased to be a Non Executive Director on 16 November 2018. 6. David Crawford ceased to be Chairman and Non Executive Director on 16 November 2018. 7. Steve Dobbs ceased to be a Non Executive Director on 20 November 2019.

For personal use only

Remuneration Report

k. Non Executive Directors continued

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	2020	100,000	10,000	110,000
	2019	50,000	50,000	100,000
Colin Carter	2020	15,000	3,061	18,061
	2019	15,000	-	15,000
Philip Coffey	2020	9,810	11,406	21,216
	2019	9,810	-	9,810
David Craig	2020	50,000	13,061	63,061
	2019	24,870	25,130	50,000
Margaret Ford[1]	2020	-	4,065	4,065
Jane Hemstritch	2020	20,000	3,061	23,061
	2019	20,000	-	20,000
Elizabeth Proust	2020	25,000	28,061	53,061
	2019	10,000	15,000	25,000
Nicola Wakefield Evans	2020	30,248	3,772	34,020
	2019	16,766	13,482	30,248
Robert Welanetz[2]	2020	-	7,000	7,000
Former Non Executive Directors				
Philip Colebatch[3]	2019	18,323	-	18,323
David Crawford[4]	2019	81,315	1,017	84,332
Steve Dobbs[5]	2020	12,000	-	12,000
	2019	12,000	-	12,000
Total[6]	2020	262,058	83,487	345,545
Total	2019	260,084	104,629	364,713

Purchase of Lendlease securities by Non Executive Directors

The current Non Executive Directors acquired Lendlease securities using their own funds.

1. As Margaret Ford was appointed as a Non Executive Director on 1 March 2020 a nil opening balance has been shown. 2. As Robert Welanetz was appointed as a Non Executive Director on 1 March 2020 a nil opening balance has been shown. 3. Philip Colebatch ceased to be a Non Executive Director on 16 November 2018. The end balance of securities for 2019 represents the balance he held at that date. 4. David Crawford ceased to be a Non Executive Director on 16 November 2018. The end balance of securities for 2019 represents the balance he held at that date. 5. Steve Dobbs ceased to be a Non Executive Director on 20 November 2019. The end balance of securities for 2020 represents the balance held at that date. 6. The 2020 opening balance excludes the securities held by Philip Colebatch (18,323) and David Crawford (84,332) given that they both ceased to be Non Executive Directors in the 2019 financial year.

This page is intentionally left blank.

For personal use only

Directors' Report

The Directors' Report for the financial year ended 30 June 2020 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 89 incorporating the Performance and Outlook on pages 76 to 89
- Biographical information for the Directors and Company Secretary on pages 92 to 97
- Officers who were previously partners of the audit firm on page 97
- Directors' interests in capital on page 104
- Board and committee meetings and attendance on pages 104 to 105
- Remuneration Report on pages 106 to 137
- Lead Auditor's Independence Declaration on page 140.

a. Dividends/Distributions

The 2019 final dividend/distribution of $169 million (30.0 cents per security, unfranked) referred to in the Directors' Report dated 19 August 2019, was paid on 16 September 2019. Details of dividends/distributions in respect of the current year are as follows:

	$m
Interim dividends/distributions of 30.0 cents per security (unfranked) paid on 17 March 2020[1]	169
Final dividends/distributions of 3.3 cents per security (unfranked) declared by Directors to be payable on 15 September 2020[2]	22
Total dividends/distributions	**191**

1. Comprises of an unfranked dividend of 22.1 cents per share paid by the Company and an unfranked trust distribution of 7.9 cents per unit paid by Lendlease Trust.
2. Comprises of an unfranked trust distribution of 3.3 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 1 July 2020, the Group disposed of a 25 per cent interest in One Sydney Harbour R1 Trust. The Group recorded a gain on sale of $19 million (net of transaction costs). The remaining 75 per cent interest retained by the Group provided a revaluation of $128 million based on the transaction price.

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 92 to 97 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 92 to 97 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 2020 $000s	June 2019 $000s
Audit and Other Assurance Services		
Audit services	7,233	7,141
Other assurance services	524	495
Total audit and other assurance services	**7,757**	**7,636**
Non audit services	557	714
Total audit, non audit and other assurance services	**8,314**	**8,350**

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.

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, 17 August 2020

S B McCann
Group Chief Executive Officer and Managing Director
Sydney, 17 August 2020

For personal use only

KPMG

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 2020 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

KPMG

D M McLennan

D M McLennan
Partner

Sydney
17 August 2020

This page is intentionally left blank.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Financial Statements

Table of Contents

Consolidated Financial Statements	
Income Statement	145
Statement of Comprehensive Income	146
Statement of Financial Position	147
Statement of Changes in Equity	148
Statement of Cash Flows	150
Notes to the Consolidated Financial Statements	151

Notes Index

Section A: Performance	
1. Segment Reporting	152
2. Dividends/Distributions	155
3. Earnings Per Share/Stapled Security	155
4. Revenue from Contracts with Customers	156
5. Share of Profit of Equity Accounted Investments	158
6. Other Income	158
7. Other Expenses	159
8. Finance Revenue and Finance Costs	161
9. Taxation	162
10. Events Subsequent to Balance Date	165
Section B: Investment	
11. Inventories	166
12. Equity Accounted Investments	167
13. Other Financial Assets	172
Section C: Liquidity and Working Capital	
14. Cash and Cash Equivalents	173
15. Notes to Statement of Cash Flows	174
16. Borrowings and Financing Arrangements	174
17. Issued Capital	176
18. Capital Management	177
19. Liquidity Risk Exposure	177
20. Commitments	178
21. Loans and Receivables	179
22. Trade and Other Payables	180
Section D: Risk Management	
23. Financial Risk Management	182
24. Hedging	184
25. Fair Value Measurement	185
26. Contingent Liabilities	186
Section E: Basis of Consolidation	
27. Consolidated Entities	187
28. Employee Benefit Vehicles	188
29. Parent Entity Disclosures	189
30. Related Party Information	190
Section F: Other Notes	
31. Intangible Assets	192
32. Discontinued Operations	194
33. Defined Benefit Plans	196
34. Employee Benefits	199
35. Impact of New and Revised Accounting Standards	202
36. Other Significant Accounting Policies	204
Directors' Declaration	**205**

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 2020 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 investments 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 17 August 2020.

Consolidated Financial Statements

Income Statement

Year Ended 30 June 2020

		Note	June 2020 $m	June 2019[1,2] $m
Revenue from contracts with customers		4	11,671	14,889
Other revenue			163	152
Cost of sales			(11,361)	(13,929)
Gross profit			473	1,112
Share of profit of equity accounted investments		5	(13)	338
Other income		6	352	293
Other expenses			(1,195)	(863)
Results from operating activities from continuing operations			(383)	880
Finance revenue		8	12	17
Finance costs		8	(165)	(142)
Net finance costs			(153)	(125)
(Loss)/Profit before tax from continuing operations			(536)	755
Income tax benefit/(expense)		9	194	(198)
(Loss)/Profit after tax from continuing operations			(342)	557
Profit/(loss) after tax from discontinued operations		32	32	(90)
(Loss)/Profit after tax			(310)	467
(Loss)/Profit after tax attributable to:				
Members of Lendlease Corporation Limited			(342)	313
Unitholders of Lendlease Trust			32	154
(Loss)/Profit after tax attributable to securityholders			(310)	467
External non controlling interests			-	-
(Loss)/Profit after tax			(310)	467
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS) from Continuing Operations				
Shares excluding treasury shares	(cents)	32	(57.1)	95.4
Shares on issue	(cents)	32	(56.7)	94.7
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury securities	(cents)	3	(51.8)	80.0
Securities on issue	(cents)	3	(51.4)	79.4

1. June 2019 balances have been restated for discontinued operations during the year. Refer to Note 32 'Discontinued Operations' for further detail.
2. As required under AASB 133 *Earnings per Share*, the 30 June 2019 weighted average number of ordinary shares and the weighted average number of stapled securities have been updated to reflect the new stapled securities issued via the Institutional placement and Security Purchase Plan during the year. The Basic/Diluted EPS and Basic/Diluted EPSS have been restated to reflect this change.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year Ended 30 June 2020

	Note	June 2020 $m	June 2019[2] $m
(Loss)/Profit after Tax		(310)	467
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in hedging reserve	9b	(19)	(61)
Movements in foreign currency translation reserve	9b	(5)	92
Total items that may be reclassified subsequently to profit or loss[1]		(24)	31
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9b	(1)	(5)
Defined benefit plans remeasurements	9b	13	(39)
Total items that will not be reclassified to profit or loss		12	(44)
Total comprehensive (expense)/income after tax		(322)	454
Total comprehensive (expense)/income after tax from continued operations attributable to:			
Members of Lendlease Corporation Limited		(381)	390
Unitholders of Lendlease Trust		27	154
Total comprehensive (expense)/income after tax from discontinued operations attributable to:			
Members of Lendlease Corporation Limited		32	(90)
Total comprehensive (expense)/income after tax attributable to securityholders		(322)	454
External non controlling interests			-
Total comprehensive (expense)/income after tax		(322)	454

1. Includes $(33) million (June 2019: $3 million) relating to share of other comprehensive income of equity accounted investments.
2. June 2019 balances have been restated for discontinued operations during the year. Refer to Note 32 'Discontinued Operations' for further detail.

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2020

	Note	June 2020 $m	June 2019 $m
Current Assets			
Cash and cash equivalents	14	1,111	1,290
Loans and receivables	21	1,667	2,050
Inventories	11	2,256	2,238
Other financial assets	13	16	97
Current tax assets		27	11
Other assets		59	70
Disposal Group assets held for sale	32	841	-
Total current assets		5,977	5,756
Non Current Assets			
Loans and receivables	21	744	688
Inventories	11	3,113	3,345
Equity accounted investments	12	3,671	3,452
Investment properties		658	501
Other financial assets	13	1,076	1,103
Deferred tax assets	9c	141	101
Property, plant and equipment		693	548
Intangible assets	31	1,457	1,457
Defined benefit plan asset	33	156	140
Other assets		62	87
Total non current assets		11,771	11,422
Total assets		17,748	17,178
Current Liabilities			
Trade and other payables	22	4,496	5,724
Provisions		343	332
Borrowings and financing arrangements	16a	134	225
Other financial liabilities		10	6
Disposal Group liabilities held for sale	32	670	-
Total current liabilities		5,653	6,287
Non Current Liabilities			
Trade and other payables	22	2,405	1,401
Provisions		62	45
Borrowings and financing arrangements	16a	2,261	2,490
Other financial liabilities		1	1
Deferred tax liabilities	9c	434	597
Total non current liabilities		5,163	4,534
Total liabilities		10,816	10,821
Net assets		6,932	6,357
Equity			
Issued capital	17	1,889	1,300
Treasury securities		(68)	(68)
Reserves		165	105
Retained earnings		3,265	3,815
Total equity attributable to members of Lendlease Corporation Limited		5,151	5,152
Total equity attributable to unitholders of Lendlease Trust		1,756	1,182
Total equity attributable to securityholders		6,907	6,334
External non controlling interests		25	23
Total equity		6,932	6,357

The accompanying notes form part of these consolidated financial statements.

For personal use only

Consolidated Financial Statements continued

Statement of Changes in Equity

Year Ended 30 June 2020

	Issued Capital $m	Treasury Securities[5] $m	Hedging Reserve $m	RESERVES Foreign Currency Translation Reserve $m	Non Controlling Interest Acquisition Reserve $m	Other Reserve $m	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 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 plans 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 interests	-	-	-	-	-	-	-	-	-	-	22	22
Distribution Reinvestment Plan (DRP)	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	-	-	-	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**
Impact of change in accounting policy[1]	-	-	-	-	-	-	-	(42)	(42)	-	-	(42)
Balance as at 1 July 2019	**1,300**	**(68)**	**(84)**	**68**	**(97)**	**106**	**112**	**3,773**	**5,110**	**1,182**	**23**	**6,315**
Total Comprehensive Income												
Profit for the period	-	-	-	-	-	-	-	(342)	(342)	32	-	(310)
Other comprehensive income (net of tax)	-	-	(19)	-	(1)	-	-	13	(7)	(5)	-	(12)
Total comprehensive income	**-**	**-**	**(19)**	**-**	**(1)**	**-**	**-**	**(329)**	**(349)**	**27**	**-**	**(322)**
Other Comprehensive Income (Net of Tax)												
Net investment hedging	-	-	-	-	-	-	-	-	-	-	-	-
Effect of foreign exchange movements	-	-	-	-	(1)	-	-	-	(1)	(5)	-	(6)
Effective cash flow hedges	-	-	(19)	-	-	-	-	-	(19)	-	-	(19)
Defined benefit plans remeasurements	-	-	-	-	-	-	-	13	13	-	-	13
Other comprehensive income (net of tax)	**-**	**-**	**(19)**	**-**	**(1)**	**-**	**-**	**13**	**(7)**	**(5)**	**-**	**(12)**
Transactions with Owners of the Company												
Capital contributed by non controlling interests	-	-	-	-	-	-	-	-	-	-	2	2
Distribution Reinvestment Plan (DRP)	9	-	-	-	-	-	-	-	9	2	-	11
Share issue via institutional placement (net of transaction costs)[2]	454	-	-	-	-	-	-	-	454	479	-	933
Share issue via Security Purchase Plan (net of transaction costs)[3]	126	-	-	-	-	-	-	-	126	134	-	260
Dividends and distributions	-	-	-	-	-	-	-	(178)	(178)	(67)	-	(245)
Treasury securities acquired	-	(52)	-	-	-	-	-	-	(52)	-	-	(52)
Treasury securities vested	-	52	-	-	-	-	-	-	52	-	-	52
Fair value movement on allocation and vesting of securities	-	-	-	-	-	-	3	-	3	-	-	3
Transfer as a result of asset disposal[4]	-	-	7	(30)	-	-	-	-	(23)	-	-	(23)
Other movements	-	-	-	-	-	-	-	(1)	(1)	(1)	-	(2)
Total other movements through reserves	**589**	**-**	**7**	**(30)**	**-**	**-**	**3**	**(179)**	**390**	**547**	**2**	**939**
Balance as at 30 June 2020	**1,889**	**(68)**	**(96)**	**38**	**(98)**	**106**	**115**	**3,265**	**5,151**	**1,756**	**25**	**6,932**

1. June 2020 Statement of Changes in Equity has been adjusted to reflect the impact of the first time adoption of AASB 16 *Leases* (refer to Note 35 'Impact of New and Revised Accounting Standards' for further detail) by recording $(42) million to opening retained earnings.
2. On 4 May 2020 the Group issued 97 million new stapled securities via an institutional placement at an issue price of $9.80.
3. On 4 June 2020 the Group issued 27 million new stapled securities via a Security Purchase Plan at an issue price of $9.80.
4. These movements in reserves were transferred to profit and loss in the year.
5. Opening balance for number of treasury securities 1 July 2019 was 4 million (1 July 2018: 4 million) and closing balance at 30 June 2020 was 4 million.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Year Ended 30 June 2020

	Note	June 2020[3] $m	June 2019[3] $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		13,488	17,026
Cash payments in the course of operations		(13,313)	(16,902)
Interest received		15	13
Interest paid in relation to other corporations		(164)	(152)
Interest in relation to lease liabilities[1]		(25)	-
Dividends/distributions received		146	105
Income tax paid in respect of operations		(11)	(30)
Net cash provided by operating activities	15	137	60
Cash Flows from Investing Activities			
Sale/redemption of investments		448	571
Acquisition of investments		(709)	(378)
Acquisition of/capital expenditure on investment properties		(57)	(53)
Net loan drawdowns from associates and joint ventures		(9)	(22)
Disposal of consolidated entities (net of cash disposed and transaction costs)		136	266
Disposal of property, plant and equipment		11	14
Acquisition of property, plant and equipment		(112)	(165)
Acquisition of intangible assets		(77)	(66)
Net cash (used in)/provided by investing activities		(369)	167
Cash Flows from Financing Activities			
Net proceeds from share issue	17	1,193	-
Proceeds from borrowings		4,658	4,640
Repayment of borrowings		(4,970)	(4,347)
Dividends/distributions paid		(327)	(258)
Payments for on market buyback of stapled securities			(174)
Payments for on market buyback of stapled securities – Distribution Reinvestment Plan			(11)
Increase in capital of non controlling interests		2	22
Repayment of lease liabilities[1]		(61)	-
Net cash provided by/(used in) financing activities		495	(128)
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		9	14
Net increase in cash and cash equivalents		272	113
Cash and cash equivalents at beginning of financial year		1,290	1,177
Cash and cash equivalents at end of financial year[2]	14	1,562	1,290

1. June 2019 comparatives $nil as interest in relation to lease liabilities and Repayment of lease liabilities were not recognised under AASB 117 *Leases*. Operating lease expenses were recorded as Cash payments in the course of operations. Refer to Note 35 'Impact of New and Revised Accounting Standards' for further detail.
2. $451 million of Cash and cash equivalents has been classified as Disposal Group assets held for sale at 30 June 2020. Refer to Note 14 'Cash and Cash Equivalents' for further detail.
3. Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operations have been disclosed in Note 32 'Discontinued Operations'.

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 2020, 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
- Provides comparative financial information in the Income Statement, Statement of Comprehensive Income and related Notes has been restated for discontinued operations during the year. The comparative information in the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related Notes has not been restated. Refer to Note 32 'Discontinued Operations' for further details
- Includes certain other comparative balances that have been reclassified following the adoption of AASB 16 *Leases*
- 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 Consolidated 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 36 'Other Significant Accounting Policies'
- Consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 35 '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.
- These significant accounting estimates and judgements have been considered in the context of the COVID-19 outbreak and the impact of the current economic conditions.

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 or within the next 12 months. 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.

The financial statements are prepared on a going concern basis. In preparing the financial statements, including assessing the going concern basis of accounting, the Group has considered the COVID-19 pandemic.

The Group has:

- Raised over $1.2 billion through its recent equity raising. See Note 17 'Issued Capital'
- Over $4.2 billion in undrawn facilities. See Note 16 'Borrowings and Financing Arrangements'
- Over $1.1 billion in cash and cash equivalents. See Note 14 'Cash and Cash Equivalents'
- Net positive cash inflow from operating activities. See Statement of Cash Flows.

Following this assessment, the Group is well placed to manage its financing and future commitments over the next 12 months from the date of the financial statements.

Notes to Consolidated Financial Statements continued

Section A: Performance

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and Profit after tax (PAT) are the key measures used to assess the Group's performance. This section of the Financial Report focuses on disclosures that enhances a user's understanding of EBITDA and 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 and Outlook section of the Directors' Report.

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 EBITDA and PAT. EBITDA and PAT are 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 inner city mixed use developments, apartments, communities, 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 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 in the Australian infrastructure sector. These products and services represent the Engineering and Services businesses. The Chief Operating Decision Maker receives separate information about these businesses, given the Group announced in February 2019 that the Engineering and Services businesses are no longer a required part of the Group's strategy. The results of the discontinued operations referenced throughout the financial statements is included in this segment. Discontinued operations represents the Engineering business that the Group intends to sell, excluding the projects retained by the Group. Refer to Note 32 'Discontinued Operations' for further detail.

Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

	EBITDA[2]		PROFIT BEFORE TAX		INCOME TAX (EXPENSE)/BENEFIT		PROFIT AFTER TAX	
	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
Core								
Development	322	793	300	787	(67)	(233)	233	554
Construction	101	211	67	198	(25)	(57)	42	141
Investments	140	489	117	482	(13)	(114)	104	368
Total core segments	**563**	**1,493**	**484**	**1,467**	**(105)**	**(404)**	**379**	**1,063**
Non core	(495)	(461)	(574)	(489)	168	152	(406)	(337)
Total segments	**68**	**1,032**	**(90)**	**978**	**63**	**(252)**	**(27)**	**726**
Reconciling items								
Corporate activities	(158)	(165)	(392)	(358)	109	99	(283)	(259)
Total Group	**(90)**	**867**	**(482)**	**620**	**172**	**(153)**	**(310)**	**467**
Discontinued operations[1]			54	(135)	(22)	45	32	(90)
Results from continuing operations	**(90)**	**867**	**(536)**	**755**	**194**	**(198)**	**(342)**	**557**
Interest, tax, depreciation and amortisation[2]	(220)	(400)						
Statutory result ((Loss)/Profit after tax)	**(310)**	**467**						

1. Refer to Note 32 'Discontinued Operations' for further detail.
2. EBITDA includes continuing and discontinued operations, and represents earnings before net finance costs of $148 million (June 2019: $125 million), tax benefit of $172 million (June 2019: tax expense of $(153) million), depreciation and amortisation of $244 million (June 2019: $122 million).

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 2020								
Core								
Development	2,344	6	(5)	67	(23)	(36)	5,150	7,281
Construction	7,627	-	(6)	17	(28)	(17)	1,310	3,565
Investments	390	1	(7)	(100)	(17)	(63)	3,032	4,236
Total core segments	**10,361**	**7**	**(18)**	**(16)**	**(68)**	**(116)**	**9,492**	**15,082**
Non core	2,884	6	(1)	3	(84)	9	279	1,828
Total segments	**13,245**	**13**	**(19)**	**(13)**	**(152)**	**(107)**	**9,771**	**16,910**
Corporate activities	44	5	(147)	-	(92)	(37)	627	838
Statutory result	**13,289**	**18**	**(166)**	**(13)**	**(244)**	**(144)**	**10,398**	**17,748**
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**

1. Segment revenue as disclosed in the Performance and Outlook section of the Directors' Report, is comprised of Revenue from contracts with customers, Other revenue and Finance revenue.
2. Equity Accounted Investments.
3. Material Non Cash Items relates 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.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

	NON CURRENT ASSETS[1]	
	June 2020 $m	June 2019 $m
Australia	4,882	5,462
Asia	1,361	1,176
Europe	1,382	1,158
Americas	2,146	2,006
Total segment	**9,771**	**9,802**
Corporate activities	627	276
Statutory result	**10,398**	**10,078**

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]							
	Development $m	Construction $m	Investments $m	Total Core Segments $m	Non Core $m	Total Segments $m	Corporate Activities $m	Statutory Result $m
Year Ended June 2020								
Australia	1,198	3,217	172	4,587	2,884	7,471	44	7,515
Asia	13	255	134	402		402		402
Europe	969	782	16	1,767		1,767		1,767
Americas	164	3,373	68	3,605		3,605		3,605
Total	**2,344**	**7,627**	**390**	**10,361**	**2,884**	**13,245**	**44**	**13,289**
Year Ended June 2019								
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**

1. Segment revenue as disclosed in the Performance and Outlook section of the Directors' Report, 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]

	Cents Per Share/Unit	COMPANY/TRUST June 2020 $m	June 2019 $m
Parent Company Interim Dividend			
December 2019 – paid 17 March 2020	22.1	124	-
December 2018[2]			-
Lendlease Trust Interim Distribution			
December 2019 – paid 17 March 2020	7.9	45	-
December 2018 – paid 20 March 2019	12.0		68
Parent Company Final Dividend			
June 2020[3]			-
June 2019 – paid 16 September 2019	9.5		53
Lendlease Trust Final Distribution			
June 2020 – provided for (payable 15 September 2020)	3.3	22	-
June 2019 – paid 16 September 2019	20.5		116
Total		**191**	**237**

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 final dividend was declared for the Company for 30 June 2020.

Dividend Franking

The amount of franking credits available for use in subsequent reporting periods as at 30 June 2020 is $17 million, based on a 30 per cent tax rate (30 June 2019: $16 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.

		JUNE 2020		JUNE 2019[2]	
		Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS)[1]					
(Loss)/profit attributable to members of Lendlease Corporation Limited (Company)	$m	(342)	(342)	313	313
Weighted average number of ordinary shares	m	599	603	584	588
Basic/Diluted EPS	cents	**(57.1)**	**(56.7)**	**53.6**	**53.2**
Basic/Diluted Earnings Per Stapled Security (EPSS)[1]					
(Loss)/profit attributable to securityholders of Lendlease Group	$m	(310)	(310)	467	467
Weighted average number of stapled securities	m	599	603	584	588
Basic/Diluted EPSS	cents	**(51.8)**	**(51.4)**	**80.0**	**79.4**

1. Balances include both continuing and discontinued operations. Earnings per share/stapled security for continuing and discontinued operations have been separately disclosed in Note 32 'Discontinued Operations'.
2. As required under AASB 133 *Earnings per Share*, the 30 June 2019 weighted average number of ordinary shares and the weighted average number of stapled securities have been updated to reflect the new stapled securities issued via the Institutional placement and Security Purchase Plan during the year. The Basic/Diluted EPS and Basic/Diluted EPSS have been restated to reflect this change.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

4. Revenue from Contracts with Customers

Accounting Policies

Provision of Construction and Development services

Construction services include project management, design and construction services predominantly in the 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 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 standalone 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
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 uses 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
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 are 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. Sales 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 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. The recognition and determination of when control passes requires management judgement and is considered an area of accounting judgement.

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.

The Group may enter a PLLACes (Presold Lendlease Apartment Cash Flows) transaction for certain residential apartment buildings from time to time. This involves the Group receiving an upfront cash inflow from third party investors (investors) in exchange for selling the investors the rights to the cash proceeds that are due from customers once the apartments are completed. When customers settle their apartments the Group does not receive any cash proceeds nor does it pay any amounts to the investors as the customers pay the investors directly. On entry into a PLLACes transaction the cash inflow is disclosed as an operating cash inflow in the Statement of Cash Flows which typically occurs over a year in advance of the revenue recognition from the sale of the apartments. At the same time, an Other payables - PLLACes is also recognised within Trade and Other Payables and is de-recognised as revenue once settlement of the apartments occurs.

	June 2020 $m	June 2019[3] $m
Revenue from the provision of services		
Core Construction services	7,626	9,678
Non core Construction services	1,441	1,644
Construction services	**9,067**	**11,322**
Development services	1,083	738
Investment services	310	260
Total revenue from the provision of services	**10,460**	**12,320**
Revenue from the sale of development properties	1,211	2,569
Total revenue from contracts with customers[1,2]	**11,671**	**14,889**

1. 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 section of the Directors' Report, is comprised of Revenue from contracts with customers, Other revenue and Finance revenue.
2. The performance of the business including the impacts of the COVID-19 pandemic on operations has been discussed further in the Performance and Outlook section of the Directors' Report.
3. June 2019 balances have been restated for discontinued operations during the year. Refer to Note 32 'Discontinued Operations' for further detail.

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.

	Note	June 2020 $m	June 2019 $m
Associates[1]			
Share of profit	12a	(14)	24
Joint Ventures[1]			
Share of profit	12b	1	314
Total share of profit of equity accounted investments		**(13)**	**338**

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.

6. Other Income

Accounting Policies

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'.

	June 2020 $m	June 2019[3] $m
Net gain on sale/transfer of investments		
Consolidated entities[1]	183	74
Other financial assets at fair value	5	20
Equity accounted investments	35	-
Other assets and liabilities	-	3
Total net gain on sale/transfer of investments	**223**	**97**
Net gain on fair value measurement		
Investment properties	24	85
Fair value through profit or loss assets	-	97
Total net gain on fair value measurement	**24**	**182**
Other[2]	105	14
Total other income	**352**	**293**

1. During the period, the Group disposed of a 25 per cent interest in Victoria Cross Commercial Head Trust. The Group recorded a gain on sale of $31 million. Refer to Note 27 'Consolidated Entities' for further detail. The remaining 75 per cent interest retained by the Group provided a revaluation gain of $92 million based on the transaction price.
2. The Group purchased the remaining stake in Intown SRL, a Joint Venture and subsequently formed a joint venture with an investment partner which resulted in a total revaluation gain of $64 million. At 30 June 2020, the Group held a 50% interest in the joint venture, MSG South. Refer to Note 12 'Equity Accounted Investments' for further detail.
3. June 2019 balances have been restated for discontinued operations during the year. Refer to Note 32 'Discontinued Operations' for further detail.

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 34a '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 34g '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 on non market conditions, 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 33 '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

Short term lease and low value lease payments, including outgoings, are recognised in the Income Statement on a straight line basis over the term of the lease.

Depreciation and Amortisation

Depreciation on owned assets is charged to the Income Statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. 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.

Right-of-use assets are depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

7. Other Expenses continued

	June 2020 $m	June 2019[5] $m
Profit before income tax includes the following other expense items:		
Employee benefit expenses[1,2]	2,373	2,227
Superannuation accumulation plan expense	36	39
Net defined benefit plans expense	1	1
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	4	1
Property inventories	30	(1)
Equity accounted investments	24	6
Other assets	6	-
Net loss on fair value measurement of fair value through profit or loss assets	17	-
Lease expense (including outgoings)	33	95
Depreciation on right-of-use assets[3]	66	-
Depreciation on owned assets[4]	80	58
Amortisation[3]	54	50
Net foreign exchange loss	(2)	6

1. Total expense before recoveries through projects.
2. Due to the COVID-19 pandemic, the Group accessed Australian and international Government employee programs in the second half of FY20. This totalled $15 million (Australia: $7 million) and has been accounted for as a reduction in employee expenses.
3. June 2019 comparatives are $nil as depreciation of right-of-use assets was not recognised under AASB 117 *Leases*.
4. June 2019 comparatives have been reclassified to separately present depreciation and amortisation due to the adoption of AASB 16 *Leases*.
5. June 2019 balances have been restated for discontinued operations during the year. Refer to Note 32 'Discontinued Operations' for further detail.

	June 2020 $000s	June 2019 $000s
Auditors' Remuneration		
Amounts received or due and receivable by the auditors of Lendlease Group for:		
Audit services	7,233	7,141
Other assurance services	524	495
Total audit and other assurance services	**7,757**	**7,636**
Nonaudit services[1]	557	714
Total audit, other assurance and non audit services	**8,314**	**8,350**

1. Non audit services include amounts charged for work relating to financial, regulatory and asset due diligence of the Group.

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.

	June 2020 $m	June 2019 $m
Finance Revenue		
Other corporations	6	8
Other finance revenue	4	5
Total interest finance revenue	**10**	**13**
Interest discounting	2	4
Total finance revenue	**12**	**17**
Finance Costs		
Interest expense in relation to other corporations[1]	159	156
Interest expense in relation to lease liabilities[2]	25	-
Less: Capitalised interest finance costs[3]	(33)	(25)
Total interest finance costs	**151**	**131**
Non interest finance costs	14	11
Total finance costs	**165**	**142**
Net finance costs	**(153)**	**(125)**

1. As a result of the adoption of AASB 16 *Leases*, the description has changed from Other corporations to Interest expense in relation to other corporations.
2. June 2019 comparatives are $nil as Interest expense in relation to lease liabilities was not recognised under AASB 117 *Leases*.
3. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 3.5 per cent (30 June 2019: 4.0 per cent), which is the effective interest rate.

For personal use only

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation

Accounting Policies

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 taxable goodwill
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- 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
- 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.

a. Income Tax Expense

	June 2020 $m	June 2019 $m
Recognised in the Income Statement		
Current Tax Expense		
Current year	(58)	82
Adjustments for prior years	(2)	(4)
Benefit of tax losses recognised	(2)	(2)
Total current tax (benefit)/expense	**(62)**	**76**
Deferred Tax Expense		
Origination and reversal of temporary differences	(77)	72
Temporary differences recovered	(5)	6
Net tax losses recognised	(18)	(2)
Change in tax rate	(10)	1
Total deferred tax (benefit)/expense	**(110)**	**77**
Total income tax (benefit)/expense from continuing operations	(194)	198
Total income tax expense/(benefit) from discontinued operations[1]	22	(45)
Total income tax (benefit)/expense[2]	**(172)**	**153**
Reconciliation of Effective Tax Rate		
(Loss)/Profit before Tax	(482)	620
Income tax using the domestic corporation tax rate 30%	**(145)**	**186**
Adjustments for prior year	(5)	(5)
Non assessable and exempt income[3]	(30)	(51)
Non allowable expenses[4]	22	8
Net write off/(recognition) of tax losses through income tax expense	12	8
Temporary differences recognised through income tax expense[5]	(5)	7
Utilisation of capital losses on disposal of assets	-	(3)
Effect of tax rates in foreign jurisdictions[6]	(34)	(1)
Other	13	4
Income tax (benefit)/expense	**(172)**	**153**
Deferred Tax Recognised Directly in Equity		
Relating to:		
Impact of adoption of new accounting standard	(5)	-
Defined benefit plans remeasurements	1	(8)
Foreign currency translation reserve	(10)	7
Non controlling interest acquisition reserve	(2)	3
Total deferred tax expense recognised directly in equity	**(16)**	**2**

b. Tax Effect Relating to Other Comprehensive Income

	June 2020			June 2019		
	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	(19)	-	(19)	(61)	-	(61)
Movements in foreign currency translation reserve	(15)	10	(5)	99	(7)	92
Movements in non controlling interest acquisition reserve	(1)	-	(1)	(5)	-	(5)
Movements in defined benefit plans remeasurements	14	(1)	13	(47)	8	(39)
Total other comprehensive income net of tax	**(21)**	**9**	**(12)**	**(14)**	**1**	**(13)**

1. Refer to Note 32 'Discontinued Operations' for further detail.
2. Represents income tax benefit from continuing operations of $194 million and income tax expense from discontinued operations of $22 million.
3. Includes Lendlease Trust Group profit.
4. Includes accounting expenses for which a tax deduction is not allowed permanently.
5. 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.
6. 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. This also includes the effect of changes in tax rates and tax loss carry back.

Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

c. Deferred Tax Assets and Liabilities

	June 2020		June 2019	
	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	2	(53)	-	(64)
Inventories	62	(451)	67	(424)
Other financial assets	5	(54)	2	(61)
Other assets	104	(13)	93	(96)
Equity accounted investments	4	(403)	7	(398)
Investment properties	-	(57)	-	(8)
Property, plant and equipment	32	(18)	3	(37)
Intangible assets	-	(21)	-	(23)
Net defined benefit plans	21	(34)	23	(29)
Trade and other payables	190	-	192	-
Provisions	135	-	118	(1)
Borrowings and financing arrangements	49	-	20	-
Other financial and non financial liabilities	18	(2)	-	-
Unused revenue tax losses recognised	157	-	75	-
Items with a tax base but no carrying value	54	(20)	65	(20)
Total deferred tax assets/(liabilities)	**833**	**(1,126)**	**665**	**(1,161)**
Deferred tax set off	(692)	692	(564)	564
Net deferred tax assets/(liabilities)	**141**	**(434)**	**101**	**(597)**

	1 July 2019 $m	Recognised in Income $m	Recognised in Equity $m	Other/ Foreign Exchange $m	30 June 2020 $m
June 2020					
Movement in temporary differences during the financial year:					
Loans and receivables	(64)	13	-	-	(51)
Inventories	(357)	(29)	-	(3)	(389)
Other financial assets	(59)	9	-	1	(49)
Other assets	(3)	93	-	1	91
Equity accounted investments	(391)	(16)	10	(2)	(399)
Investment properties	(8)	(30)	-	(19)	(57)
Property, plant and equipment	(34)	(5)	5	4814	
Intangible assets	(23)	2	-	-	(21)
Net defined benefit plans	(6)	(5)	(1)	(1)	(13)
Trade and other payables	192	7	-	(9)190	
Provisions	117	33	-	(15)	135
Borrowings and financing arrangements	20	30	-	(1)	49
Other financial and non financial liabilities	-	1	-	15	16
Unused revenue tax losses recognised	75	20	-	62	157
Items with a tax base but no carrying value	45	(13)	2	-	34
Total net deferred tax assets/(liabilities)	**(496)**	**110**	**16**	**77**	**(293)**

	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 plans	(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 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)**

	June 2020 $m	June 2019 $m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unused revenue tax losses	51	43
Unused capital tax losses	24	16
Net deductible temporary differences	78	65
Total unrecognised deferred tax assets	**153**	**124**

Of the unrecognised deferred tax assets of $153 million, only $37 million expires by 2039. The remainder of the unrecognised deferred tax assets have no expiry date.

10. Events Subsequent to Balance Date

On 1 July 2020, the Group disposed of a 25 per cent interest in One Sydney Harbour R1 Trust. The Group recorded a gain on sale of $19 million (net of transaction costs). The remaining 75 per cent interest retained by the Group provided a revaluation gain of $128 million based on the transaction price.

Notes to Consolidated Financial Statements continued

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
- 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.

	June 2020 $m	June 2019 $m
Current		
Development properties[1]	1,337	1,031
Construction contract assets	912	1,180
Other	7	27
Total current	**2,256**	**2,238**
Non Current		
Development properties[1]	3,113	3,345
Total non current	**3,113**	**3,345**
Total inventories	**5,369**	**5,583**

1. The Group has considered the impacts of COVID-19 on its recoverability assessment of inventories at 30 June 2020. As part of its semi annual review of development property projects, the Group has considered slow down in sales volumes in the short term, longer production timeframes, and increased costs for its projects. While the carrying value of most projects has not been impacted due to their long dated nature, the Group has recognised a $30 million impairment (refer to Note 7 'Other Expenses') to inventories as a result of commercial factors on certain projects.

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.

	Note	June 2020 $m	June 2019 $m
Associates			
Investment in associates	12a	518	277
Less: Impairment	12a	(5)	(7)
Total associates		**513**	**270**
Joint Ventures			
Investment in joint ventures	12b	3,198	3,195
Less: Impairment	12b	(40)	(13)
Total joint ventures		**3,158**	**3,182**
Total equity accounted investments		**3,671**	**3,452**

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

a. Associates	INTEREST June 2020 %	INTEREST June 2019 %	SHARE OF PROFIT June 2020 $m	SHARE OF PROFIT June 2019 $m	NET BOOK VALUE June 2020 $m	NET BOOK VALUE June 2019 $m
Australia						
Development						
Lendlease Communities Fund 1	20.8	20.8	-	-	4	4
Investments						
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	(8)	(1)	27	36
Other			-	-	5	-
Total Australia			**(8)**	**(1)**	**36**	**40**
Asia						
Investments						
Lendlease Global Commercial REIT	25.3	-	(10)	-	261	-
Lendlease Asian Retail Investment Fund 1	48.7	-	15	-	4	-
Lendlease Asian Retail Investment Fund 2	39.4	38.2	-	(1)	35	30
Lendlease Asian Retail Investment Fund 3	20.1	20.1	(14)	23	180	201
Total Asia			**(9)**	**22**	**480**	**231**
Europe						
Development						
Other			-	-	-	4
Total Europe			**-**	**-**	**-**	**4**
Americas						
Investments						
Other			3	3	2	2
Total Americas			**3**	**3**	**2**	**2**
Total Group			**(14)**	**24**	**518**	**277**
Less: Impairment			-	-	(5)	(7)
Total associates			**(14)**	**24**	**513**	**270**

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.

b. Joint Ventures	INTEREST June 2020 %	INTEREST June 2019 %	SHARE OF PROFIT June 2020 $m	SHARE OF PROFIT June 2019 $m	NET BOOK VALUE June 2020 $m	NET BOOK VALUE June 2019 $m
Australia						
Development						
Circular Quay Tower	20.0	20.0	13	18	117	93
Melbourne Quarter R1	50.0	50.0	5	-	67	66
Melbourne Metro[1]	30.0	30.0	-	-	-	-
Victoria Cross	75.0	-	-	-	123	-
Other			7	3	23	16
Investments						
Lendlease Retirement Living Trust	75.0	75.0	(29)	100	1,367	1,397
Other			(7)	(1)	-	12
Total Australia			**(11)**	**120**	**1,697**	**1,584**

1. Balance includes the Melbourne Metro equity accounted investment of $70 million (June 2019: $70 million), which is offset by Lendlease's share of the hedge reserve of the joint venture of $70 million (June 2019: $70 million). The hedge reserve represents an out of the money position of financial instruments in the joint venture.

b. Joint Ventures continued	INTEREST June 2020 %	INTEREST June 2019 %	SHARE OF PROFIT June 2020 $m	SHARE OF PROFIT June 2019 $m	NET BOOK VALUE June 2020 $m	NET BOOK VALUE June 2019 $m
Asia						
Development						
The Exchange TRX	60.0	60.0	(5)	-	354	364
Investments						
CDR JV Ltd (313@somerset)	25.0	25.0	7	5	3	96
Paya Lebar Quarter	30.0	30.0	(10)	130	379	382
Total Asia			**(8)**	**135**	**736**	**842**
Europe						
Development						
Hungate (York) Regeneration Limited	50.0	50.0	2	(1)	8	6
Intown SRL Joint Venture	-	50.0	-	(1)	-	38
LRIP LP	20.0	20.0	1	9	77	39
LRIP 2 LP	50.0	-	7	-	10	-
MSG South	50.0	-	2	-	25	-
Silvertown	50.0	50.0	(5)	(3)	2	6
Stratford City Business District Limited (International Quarter London)	50.0	50.0	1	4	125	130
Victoria Drive Wandsworth	50.0	50.0	(5)	(5)	38	40
Investments						
Treviso	50.0	50.0	-	-	14	14
Other			-	(2)	1	8
Total Europe			**3**	**1**	**300**	**281**
Americas						
Development						
277 Fifth Avenue	40.0	40.0	(15)	-	54	64
845 Madison	37.5	37.5	38	-	88	44
Lendlease Towers LLC	-	50.0	(26)	(3)	-	30
Americas Residential Partnership	50.0	50.0	2	37	302	341
Other			1	-	21	9
Construction						
Lendlease Turner Joint Venture	50.0	50.0	17	24	-	-
Total Americas			**17**	**58**	**465**	**488**
Total Group			**1**	**314**	**3,198**	**3,195**
Less: Impairment			-	-	(40)	(13)
Total joint ventures			**1**	**314**	**3,158**	**3,182**
Total associates			**(14)**	**24**	**513**	**270**
Total equity accounted investments			**(13)**	**338**	**3,671**	**3,452**

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. 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. 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 and investment of property assets.

	LENDLEASE GLOBAL COMMERCIAL REIT[1]		PAYA LEBAR QUARTER[2]		LENDLEASE RETIREMENT LIVING TRUST[4]	
Income Statement[3]	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
Revenue and other income	60	-	219	361	126	165
Cost of sales	(16)	-	(168)	(346)	(26)	(26)
Other expenses	(30)	-	(160)	(34)	(60)	(54)
Unrealised fair value (losses)/gains	(22)	-	(190)	638	(62)	68
Depreciation and amortisation	-	-	-	-	-	(1)
Interest expense	(1)	-	(54)	(36)	(18)	(19)
Income tax expense	-	-	(1)	-	-	-
Profit/(loss) for the period	(9)	-	(354)	583	(39)	133
Other comprehensive income/(expense)	17	-	-	-	(1)	(8)
Total comprehensive income/(expense)	8	-	(354)	583	(40)	125
Group's ownership interest	25.3%	-	30.0%	30.0%	75.0%	75.0%
Group's total share of:						
Profit/(loss) for the period	(2)	-	(106)	175	(29)	100
Other adjustments	(8)	-	96	(45)	-	-
Total profit/(loss) for the period	(10)	-	(10)	130	(29)	100
Other comprehensive income/(expense)	(5)	-	(19)	18	-	(6)
Total comprehensive income/(expense)	(15)	-	(29)	148	(29)	94

1. The presentation of the material associates and joint ventures has been reclassified to separately present Cost of sales, Unrealised fair value (losses)/gains and Interest expense.
2. The underlying investments in this associate are office and retail investment properties measured at fair value. At 30 June 2020, valuations were undertaken that took into account the impacts of the COVID-19 pandemic. The downward valuation movement was driven by the retail asset due to the impact of the contraction in the local Singapore economy. Additionally, the current market conditions relating to the carrying value of the investment were also considered. The carrying value of the investment is considered recoverable as it correlates with the net assets of the associate, which have been valued at 30 June 2020 as noted above.
3. The underlying investments in this joint venture are office and retail investment properties measured at fair value. At 30 June 2020, valuations were undertaken that took into account the impacts of the COVID-19 pandemic. The downward valuation movement was driven by a decrease in assumptions on market rent by 3%, reduced growth rate of 30 basis points, an increase in assumed vacancies, and the impact of the contraction in the local Singapore economy.
4. The underlying investments in this joint venture are a portfolio of Australian retirement village investment properties measured at fair value. At 30 June 2020, valuations were undertaken that took into account the impacts of the COVID-19 pandemic. The downward valuation movement was driven by a reduction in average sales price of 1.9%, as well as a marginal increase in the discount rate from 12.3% in the first half of the year to 12.4% at June, both as a result of the Australian retirement sector market pressures including the impacts of the COVID-19 pandemic.

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 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
Aggregate amounts of the Group's share of:				
Profit/(loss) from continuing operations	(4)	24	40	84
Other comprehensive income/(expense)	(1)	12	(14)	(21)
Aggregate amounts of Group's share of total comprehensive income/(expense) of individually immaterial equity accounted investments	(5)	36	26	63

c. Material Associates and Joint Ventures Summarised Financial Information continued

	LENDLEASE GLOBAL COMMERCIAL REIT		PAYA LEBAR QUARTER		LENDLEASE RETIREMENT LIVING TRUST[1]	
Statement of Financial Position	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
Current assets						
Cash and cash equivalents	87	-	149	84	40	34
Other current assets	14	-	100	256	80	75
Total current assets	101	-	249	340	120	109
Non current assets						
Investment properties	1,506	-	3,128	3,263	7,232	7,288
Other non current assets	16	-	-	-	1	2
Total non current assets	1,522	-	3,128	3,263	7,233	7,290
Current liabilities						
Resident liabilities	-	-	-	-	4,700	4,759
Financial liabilities (excluding trade payables)	-	-	1,864	1,911	-	-
Other current liabilities	21	-	95	37	67	63
Total current liabilities	21	-	1,959	1,948	4,767	4,822
Non current liabilities						
Financial liabilities (excluding trade payables)	552	-	-	-	781	586
Other non current liabilities	13	-	121	64	-	146
Total non current liabilities	565	-	121	64	781	732
Net assets	1,037	-	1,297	1,591	1,805	1,845
Reconciliation to Carrying Amounts						
Opening net assets 1 July	-	-	1,591	875	1,845	1,720
Total comprehensive income for the period	8	-	(354)	583	(40)	125
Acquisition/contributions	1,077	-	169	64	-	-
Distributions	(16)	-	-	-	-	-
Foreign currency translation for the period	(32)	-	(9)	69	-	-
Closing net assets	1,037	-	1,297	1,591	1,805	1,845
% ownership	25.3%	-	30.0%	30.0%	75.0%	75.0%
Group's share of net assets	262	-	389	477	1,354	1,384
Other adjustments	(1)	-	(10)	(95)	-	13
Carrying amount at end of period	261	-	379	382	1,354	1,397

1. The carrying amount at the end of the period differs to Note 12b 'Joint Ventures' due to an impairment in the current period of $13 million.

Material joint ventures had $32 million (June 2019: $99 million) in capital expenditure commitments.

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
Statement of Financial Position	June 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
Aggregate carrying value of individually immaterial equity accounted investments	257	270	1,452	1,403

Notes to Consolidated Financial Statements continued

Section B: Investment continued

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 2020 $m	June 2019 $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	16	10
Total current		**16**	**97**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	153	151
Lendlease One International Towers Sydney Trust	Level 3	53	54
Australian Prime Property Fund – Industrial	Level 3	101	96
Australian Prime Property Fund – Commercial	Level 3	372	369
Australian Prime Property Fund – Retail	Level 3	57	74
Lendlease Public Infrastructure Investment Company	Level 3	40	40
Military Housing Projects Initiative	Level 3	211	211
Lendlease Asian Retail Investment Fund	Level 3	-	44
Parkway Parade Partnership Limited	Level 3	72	43
Other investments	Level 3	9	11
Derivatives	Level 2	8	-
	Level 1	-	10
Total non current		**1,076**	**1,103**
Total other financial assets		**1,092**	**1,200**

1. Refer to Note 25 'Fair Value Measurement' for details of the basis for determining fair value and the valuation technique.

a. Fair Value Reconciliation

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows.

	June 2020 $m	June 2019 $m
Carrying amount at beginning of financial year	1,180	1,529
(Disposals)	(51)	(493)
Net (losses)/gains recognised in Income Statement	(16)	106
Other movements	(45)	38
Carrying amount at end of financial year	**1,068**	**1,180**

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 disclosures 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.

	Notes	June 2020 $m	June 2019 $m
Continuing			
Cash		937	731
Short term investments[1]		174	559
Total cash and cash equivalents in the Statement of Financial Position		**1,111**	**1,290**
Disposal Group Assets Held for Sale			
Cash		142	-
Short term investments		309	-
Total cash and cash equivalents classified as Disposal Group assets held for sale	32	**451**	**-**
Total cash and cash equivalents		**1,562**	**1,290**

1. Short term investments earned variable rates of interest which averaged 1.5 per cent per annum during the year (30 June 2019: 2.3 per cent).

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

15. Notes to Statement of Cash Flows

	June 2020 $m	June 2019 $m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
(Loss)/Profit after tax (including external non controlling interests)	(310)	467
Amortisation and depreciation	244	122
Net gain on sale of investments, plant and equipment	(225)	(99)
Impairment of equity accounted investments	24	6
Impairment of inventories	30	-
Impairment of loans and receivables	4	-
Impairment of intangible assets	22	-
Impairment of property, plant and equipment	2	-
Net unrealised foreign exchange loss and currency hedging costs	18	8
Net fair value loss/(gain) on investments	17	(97)
Share of loss/(profit) of equity accounted investments	13	(338)
Dividends/distributions from equity accounted investments	102	43
Fair value gain on investment properties	(24)	(85)
Other	(83)	(19)
Net cash provided by operating activities before changes in assets and liabilities	**(166)**	**8**
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Decrease in receivables	282	644
Decrease/(increase) in inventories	77	(224)
Decrease in other assets	1	9
Increase in net defined benefit plans	(20)	(13)
Increase/(decrease) in payables	102	(439)
Increase in operating derivatives assets/liabilities	(9)	-
(Increase)/decrease in deferred tax items	(176)	130
Increase in current tax	(13)	(23)
Increase/(decrease) in other provisions	59	(32)
Net cash provided by operating activities[1]	**137**	**60**

[1] Balances include cash flows relating to both continuing and discontinued operations.

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.

	June 2020 $m	June 2019 $m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes	134	225
Total current	**134**	**225**
Non Current		
Commercial notes	1,500	1,502
Bank credit facilities	761	988
Total non current	**2,261**	**2,490**
Total borrowings	**2,395**	**2,715**

	June 2020 $m	June 2019 $m
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,036	1,727
Amount of facility used	(1,634)	(1,727)
Amount of facility unused	**402**	**-**
Bank Credit Facilities		
Facility available	4,461	3,495
Amount of facility used	(761)	(988)
Amount of facility unused	**3,700**	**2,507**
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
- $225 million of unsecured medium term notes issued in May 2013 ($125 million) and June 2014 ($100 million) in the Australian bond market with a 6.0 per cent per annum coupon which matured and was repaid in May 2020
- $80 million of unsecured medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028
- £300 million COVID Corporate Financing Facility from the Bank of England maturing March 2021 drawn to $134 million as at 30 June 2020.

A number of bank credit facilities were entered into in the current period. These include:

- $800 million syndicated loan facility with Tranche A $400 million and Tranche B $400 million both maturing in May 2022. As at 30 June 2020, tranches A and B were undrawn
- CNY871 million bank facility maturing in January 2025 drawn to $29 million as at 30 June 2020.

Existing bank credit facilities include:

- £400 million club bank facility maturing in March 2023 undrawn as at 30 June 2020
- $1,800 million syndicated cash advance facility with Tranche A $900m maturing December 2021 and Tranche B $900 million maturing September 2022. As at 30 June 2020, tranche A and tranche B were undrawn
- $960 million A$ syndicated loan facility, maturing in March 2024. As at 30 June 2020, 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	CNY $m	S$ $m	Total $m
June 2020									
Within one year	134		134			134			134
Between one and five years	564	725	1,289	725		535	29		1,289
More than five years	965	7	972	79	575	7		311	972
Total	**1,663**	**732**	**2,395**	**804**	**576**	**676**	**29**	**311**	**2,395**
June 2019									
Within one year	225	-	225	225	-	-	-	-	225
Between one and five years	543	980	1,523	835	-	688	-	-	1,523
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**

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

16. Borrowings and Financing Arrangements continued

	Note	June 2020 $m	June 2019 $m
c. Movement in Borrowings and Financing Arrangements			
Balance at beginning of financial year	16a	2,715	2,359
Net (repayments of)/proceeds from borrowings		(312)	293
Effect of foreign exchange rate movements		(8)	64
Other movements			(1)
Balance at end of financial year	16a	**2,395**	**2,715**

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.

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	June 2020		June 2019		June 2020		June 2019	
	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	1,300	584	1,297	584	921	584	920
Distribution reinvestment plan (DRP)		9	-	3		2	-	1
Share issue via institutional placement (net of transaction costs)[1,4]	97	454	-	-	97	479	-	-
Share issue via Security Purchase Plan (net of transaction costs)[2,4]	27	126	-	-	27	134	-	-
Issued capital at end of financial year	**708**	**1,889**	**584**	**1,300**	**708**	**1,536**	**584**	**921**
Buyback at beginning of financial year[3]	(20)	(285)	(10)	(145)	(20)	(67)	(10)	(33)
On market buyback of stapled securities[3]			(10)	(140)			(10)	(34)
Buyback at end of financial year[3]	**(20)**	**(285)**	**(20)**	**(285)**	**(20)**	**(67)**	**(20)**	**(67)**
Balance reflected in Retained Earnings/ Reserves[3]		**285**	**-**	**285**		**67**	**-**	**67**
Issued capital at end of financial year	**688**	**1,889**	**564**	**1,300**	**688**	**1,536**	**564**	**921**

1. On 4 May 2020, the Group issued 97 million new stapled securities via an institutional placement at an issue price of $9.80.
2. On 4 June 2020, the Group issued 27 million new stapled securities via a Security Purchase Plan at an issue price of $9.80.
3. 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.
4. During the period the Group raised $1,193 million in equity after costs which was allocated 48.4% to the Company and 51.6% to Lendlease Trust.

a. Issuance of Securities

As at 30 June 2020, the Group had 688 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.

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 25 August 2020. 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 2020 are Baa3/BBB- respectively (June 2019: 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 and 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 2020, the Group does not anticipate a significant liquidity risk in relation to the following financial liabilities. This is due to its continued strong cash flows and the Group's financial profile, as supported by the $1.2 billion equity raising, significant committed undrawn facilities and low gearing ratio. Refer to Note 14 'Cash and Cash Equivalents', Note 16 'Borrowings and Financing Arrangments' and Note 17 'Issued Capital' for further details.

The Group has provided collateral of $nil (June 2019: $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 2020							
Non Derivative Financial Liabilities							
Trade and other payables[1,2]	22	4,688	5,166	3,941	782	97	346
Lease liabilities[3]	22	544	650	119	123	234	174
Borrowings and financing arrangements	16a	2,395	2,667	215	588	848	1,016
Other financial liabilities			26	26			
Total		**7,627**	**8,509**	**4,301**	**1,493**	**1,179**	**1,536**
Derivative Financial Liabilities							
(Outflow)			(399)	(397)		(1)	(1)
Inflow		11	404	404			
Total		**11**	**5**	**7**	**-**	**(1)**	**(1)**
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)**

1. Trade and other payables are presented excluding lease liabilities. The carrying amount of trade and other payables excludes $884 million of current and $785 million of non current amounts (June 2019: $1,375 million of current and $184 million of non current amount) in relation to items where there is no future cash outflow or liquidity risk.
2. Balance includes Disposal Group liabilities held for sale.
3. Lease liabilities are presented separately from trade and other payables to disclose a maturity analysis as required under AASB 16 *Leases*. June 2019 comparatives are $nil as lease liabilities were not recognised under AASB 117 *Leases*.

Other contractually committed cash flows the Group is exposed to are detailed in Note 20 'Commitments'.

For personal use only

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

20. Commitments

	June 2020[1] $m	June 2019 $m
a. Capital Expenditure Commitments		
At balance date, capital expenditure commitments agreed or contracted but not provided for in the financial statements are as follows:		
Due within one year	16	46
Due between one and five years		-
Due later than five years		-
Total	16	46

1. Balance includes Disposal Group capital expenditure commitments.

	June 2020 $m	June 2019 $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	386	292
Due between one and five years	1,234	340
Due later than five years	15	-
Total	1,635	632

c. Operating Lease Commitments

Operating lease commitments are no longer required under AASB 16 *Leases* as these are now recorded as Lease liabilities. The difference between the operating lease commitment disclosed at 30 June 2019 and the Lease liabilities recorded on adoption is due to discounting of the lease payments.

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. Contract debtors represent receivables where the right to receive payment from customers remains conditional. 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, and books provision 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.

	Note	June 2020 $m	June 2019 $m
Current			
Trade receivables		752	1,012
Less: Impairment		(16)	(13)
		746	999
Related parties		32	76
Retentions		351	330
Contract debtors	21a	263	349
Accrued income	21a	62	57
Other receivables		213	241
Less: Impairment			(2)
Total current		1,667	2,050
Non Current			
Related parties		176	38
Less: Impairment		(2)	(1)
Retentions		218	351
Other receivables		352	300
Total non current		744	688
Total loans and receivables		2,411	2,738

As at the reporting date, $501 million of the trade debtors were current (30 June 2019: $640 million) and $261 million were past due (30 June 2019: $372 million). Of the past due amount, $245 million was not impaired (30 June 2019: $359 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, 23.1 per cent (30 June 2019: 18.6 per cent) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2020 (30 June 2019: $nil).

	June 2020 $m	June 2019 $m
Provision for Impairment		
Carrying amount at beginning of financial year	16	14
Bad and doubtful debts impairment loss net of provisions written back	4	2
Utilised bad and doubtful debts impairment provision	(2)	-
Other movements (including foreign exchange rate movements)		-
Carrying amount at end of financial year	18	16
Total impairment as a percentage of total loans and receivables	0.7%	0.6%

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

21. Loans and Receivables continued

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. In the current reporting period, additional reviews were undertaken to assess recoverability in light of the COVID-19 pandemic. As the majority of the Group's customers are Government entities for the Construction business and are institutional investors in the Development and Investment businesses, no additional risk has been identified. Impairment as noted above was immaterial in FY20. 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.

	Note	June 2020 $m	June 2019 $m
a. Contract Assets			
Current			
Contract debtors		26	349
Construction contract assets	11	912	1,180
Accrued income		62	57
Total contract assets[1]		1,237	1,586

1. Movements in contract assets during the period relate primarily to the transfer of balances into Trade receivables as the right to receive payment from customers becomes unconditional and contract assets transferred to Disposal Group assets held for sale. Refer to Note 32 'Discontinued Operations' for further details.

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'.

Lease Liabilities

Lease liabilities are measured at the present value of the lease payments discounted using the interest rate implicit in the lease. The Group uses its incremental borrowing rate as the discount rate.

	Note	June 2020 $m	June 2019 $m
Current			
Trade and accrued creditors		2,281	3,136
Construction contract liabilities	22a	1,460	1,404
Related parties		17	18
Retentions		476	476
Deferred land payments		19	98
Unearned Income[1]	22a	40	119
Lease liabilities[2]		71	-
Other payables - PLLACes[1,3]			164
Other		132	309
Total current		4,496	5,724

1. June 2019 Unearned income balance has been reclassified to separately present PLLACes transactions. PLLACes transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.
2. As a result of the adoption of AASB 16 *Leases*, Lease liabilities have been presented separately. June 2019 comparatives are Nil as Lease liabilities were not recognised under AASB 117 *Leases*.
3. Refer to Note 4 'Revenue from Contracts with Customers' for further details.

	Note	June 2020 $m	June 2019 $m
Non current			
Trade and accrued creditors		4	7
Retentions		190	309
Deferred land payments		614	635
Unearned income[1]	22a	177	183
Lease liabilities[2]		473	-
Other payables - PLLACes[1,3]		508	-
Other		339	267
Total non current		2,405	1,401
Total trade and other payables		6,901	7,125

1. June 2019 Unearned income balance has been reclassified to separately present PLLACes transactions. PLLACes transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.
2. As a result of the adoption of AASB 16 *Leases*, Lease liabilities have been presented separately. June 2019 comparatives are $nil as Lease liabilities were not recognised under AASB 117 *Leases*.
3. Refer to Note 4 'Revenue from Contracts with Customers' for further details.

As a result of the adoption of AASB 16 *Leases*, the Group has recognised amounts for Right-of-use assets and Lease liabilities. As at 30 June 2020, the Group recognised right-of-use assets of $359 million within Property, Plant and Equipment and $50 million within Investment Properties.

	June 2020 $m	June 2019 $m
a. Contract Liabilities		
Current		
Unearned income[1,2]	40	119
Construction contract liabilities[3]	1,460	1,404
Total current	1,500	1,523
Non Current		
Unearned income[1]	177	183
Total non current	177	183
Total contract liabilities	1,677	1,706

1. Movements in Unearned income relates primarily to residential presales settled during the period and deposits received for development properties.
2. June 2019 Unearned income balance has been reclassified to separately present PLLACes transactions.
3. Movements in Construction contract liabilities relate primarily to billings raised during the period in excess of revenue recognised on construction contracts with customers and losses incurred on retained Engineering projects, offset by Construction contract liabilities transferred to Disposal Group liabilities held for sale. Refer to Note 32 'Discontinued Operations' for further details.

During the year, the Group recognised $846 million in revenue from contracts that held a contract liability balance at the beginning of the financial year. The total transaction price relating to the Group's Unearned income on the Group's development contracts at June 2020 is $758 million relating primarily to various UK and Australian projects. The difference between the Unearned income amount noted in the table above and this amount primarily relates to the remaining development 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.

The total transaction price allocated to unsatisfied performance obligations on the Group's construction contracts as at June 2020 is $13.9 billion for the core business (June 2019: $15.6 billion) and $5.1 billion for the Non core business (June 2019: $5.4 billion), which is the construction backlog reported in the Performance and Outlook section of the Directors' report. This includes new work secured during the period. Of the total construction backlog, 47 per cent is expected to be realised within the next 12 months to June 2021 (June 2019: 53 per cent to June 2020), 25 per cent to June 2022 (June 2019: 25 per cent to June 2021) and the remaining 28 per cent realised post June 2022 (June 2019: 22 per cent post June 2021).

For personal use only

Notes to Consolidated Financial Statements continued

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 manages 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

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	Other m[2]
June 2020[1]								
Net asset/(liability) exposure (local currency)	3,390	717	596	593	190	599	1,044	33
June 2019								
Net asset/(liability) exposure (local currency)	3,380	645	476	462	118	569	1,047	37

1. Balance includes Disposal Group assets and liabilities held for sale.
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 2019: 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 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
USD	4	14	(5)	(12)
GBP	-	3	-	(5)
SGD	6	8	(4)	(6)
EUR	4	-	(3)	1
CNY	1	1	(1)	(1)
MYR	2	(2)	(2)	1
	17	24	(16)	(22)

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 2020 $m	June 2019 $m	June 2020 $m	June 2019 $m
USD	117	103	(96)	(83)
GBP	127	86	(104)	(86)
SGD	72	51	(59)	(46)
EUR	33	20	(28)	(17)
CNY	14	13	(11)	(11)
MYR	38	40	(33)	(33)
	401	313	(331)	(276)

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

23. Financial Risk Management continued

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 2020[1] $m	June 2019 $m
Fixed Rate		
Financial assets	173	770
Financial liabilities	(2,103)	(1,806)
	(1,930)	(1,036)
Variable Rate		
Financial assets	1,241	476
Financial liabilities	(736)	(990)
	505	(514)

1. Balance includes Disposal Group financial assets and liabilities held for sale.

Sensitivity Analysis

At 30 June 2020, 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 $6 million (June 2019: $21 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 $6 million (June 2019: $21 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, including Disposal Group, is $936 million (June 2019: $249 million).

There are 56 foreign currency contracts that will mature in more than one year (June 2019: 72 foreign currency contracts).

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 assets at fair value including 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 2020		JUNE 2019	
	Note	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Liabilities					
Current					
Commercial notes	16a	134	133	225	234
Non Current					
Commercial notes	16a	1,500	1,676	1,502	1,640

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. Fair value of unlisted equity investments has also taken the COVID-19 pandemic into consideration to determine fair value at 30 June 2020. This has included more frequent independent valuations of underlying investment properties to account for current market conditions. This has resulted in a net fair value loss in Other financial assets of $17 million. Refer to Note 7 'Other expenses'
- 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
- 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 include 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
- 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.

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

26. Contingent Liabilities

The Group has the following contingent liabilities, being liabilities in respect of which there is the potential for a cash outflow in excess of any provision where the likelihood of payment is not considered probable or cannot be measured reliably at this time.

- There are a number of legal claims and exposures that arise from the normal course of the Group's business, particularly in respect of claims for defects and under warranties and indemnities. In many cases, there is uncertainty as to whether a future liability will arise in respect to these items. Where it is probable there will be liabilities from such claims, a provision has been made for anticipated losses arising from such claims.
- 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. 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. On 21 November 2019, the Supreme Court ordered consolidation of the two class actions into a single proceeding. The consolidated proceeding alleges that Lendlease was in breach of its continuous disclosure obligations under the *Corporations Act 2001* and made representations about its Engineering and Services business that were misleading or deceptive or likely to mislead or deceive. 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.

For personal use only

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.
- 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	EUROPE
Lendlease Corporation Limited	Lendlease Construction (Europe) Limited
AUSTRALIA	Lendlease Construction Holdings (Europe) Limited
Capella Capital Lendlease Pty Limited	Lendlease Europe Finance plc
Capella Capital Partnership	Lendlease Europe Limited
Lendlease Building Pty Limited	Lendlease Residential (CG) Limited
Lendlease Building Contractors Pty Limited	Lendlease (Elephant & Castle) Limited
Lendlease Communities (Australia) Limited	**ASIA**
Lendlease Development Pty Limited	Lendlease Japan Inc.
Lendlease Engineering Pty Limited	Lendlease Singapore Pte. Limited
Lendlease Finance Limited	**AMERICAS**
Lendlease Infrastructure Investments Pty Limited	Lendlease (US) Capital, Inc.
Lendlease International Pty Limited	Lendlease (US) Construction, Inc.
Lendlease Real Estate Investments Limited	Lendlease (US) Construction LMB, Inc.
Lendlease Responsible Entity Limited	Lendlease (US) Public Partnerships, LLC
Lendlease Services Pty Limited	Lendlease (US) Public Partnerships Holdings LLC
Lendlease Trust[1]	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.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

27. Consolidated Entities continued

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 2020			
Australia			
Victoria Cross Commercial Head Trust	25.0	21 December 2019	31
June 2019			
Americas			
Americas Residential Partnership	50.0	19 July 2018	172

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 2020, employees own approximately 1.0 per cent (June 2019: 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.

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 2020.

	COMPANY	
	June 2020 $m	June 2019 $m
Results		
Profit after tax	613	110
Other comprehensive income after tax	(1)	-
Total comprehensive income after tax	**612**	**110**
Financial Position		
Current assets	1,613	5,738
Non current assets	2,858	1,978
Total assets	**4,471**	**7,716**
Current liabilities	577	4,844
Non current liabilities	2	6
Total liabilities	**579**	**4,850**
Net assets	**3,892**	**2,866**
Issued capital	1,889	1,300
Treasury securities	(68)	(68)
Reserves	182	179
Retained earnings	1,889	1,455
Total equity	**3,892**	**2,866**

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.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

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 to certain subsidiaries. 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[1]	
	June 2020 $000s	June 2019 $000s
Transactions		
Guarantee fees	30,998	29,497
Dividend income	478,893	306,217
Interest income	6,932	10,249
Interest expense	103,546	106,282
Outstanding Balances (Net of Provisions Raised)		
Receivables	1,251,166	4,730,795
Payables	505,634	4,772,546

1. During the period the funding of the majority of Group entities was moved from the Company to Lendlease Finance Limited, a wholly owned subsidiary of the Company.

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
- Dividends received or due and receivable from subsidiaries.

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
- 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 2020 (June 2019: $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 2020 $000s	June 2019 $000s
Revenue		
Associates	42,343	5,808
Joint ventures	1,297,079	1,197,961
Total	**1,339,422**	**1,203,769**

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 2020 $000s	June 2019 $000s
Short term employee benefits[1]	14,623	16,501
Post employment benefits[1]	269	285
Security based payments	10,032	11,135
Other long term benefits	113	299
Total	**25,037**	**28,220**

1. The 2019 comparative has been restated to reflect that cash allowances paid in lieu of pension superannuation in the UK have been reclassified from post employment benefits to short term employee benefits.

Information regarding Directors' and senior executives' remuneration is provided in the Remuneration Report within the Directors' Report.

FOR PERSONAL USE ONLY

Notes to Consolidated Financial Statements continued

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 CGUs use the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the recoverable amounts.

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.

	Note	June 2020 $m	June 2019 $m
Goodwill	31a	1,213	1,232
Management agreements		36	39
Other intangibles		208	186
Total intangible assets		**1,457**	**1,457**
a. Goodwill			
Construction		1,181	1,200
Development		32	32
Total goodwill		**1,213**	**1,232**
Reconciliations			
Reconciliations of the carrying amounts for each category of goodwill are as follows:			
Construction			
Carrying amount at beginning of financial year		1,200	1,185
Transferred to Disposal Group		(19)	-
Effect of foreign exchange rate/other movements		-	15
Carrying amount at end of financial year	31b	**1,181**	**1,200**
Development			
Carrying amount at beginning of financial year		32	30
Effect of foreign exchange rate movements		-	2
Carrying amount at end of financial year		**32**	**32**

b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified as set out below. During June 2019, the Group 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 identified a corresponding change in CGU for goodwill impairment testing. The Construction Australia CGU was split into two CGUs, Construction Australia Core and Construction Australia Non core. Construction Australia Non core contains the Services business. Goodwill has been re-allocated to each CGU on a relative value basis.

The goodwill from the Engineering business, held within Construction Australia Non core CGU, was transferred to Disposal Group assets held for sale during the year.

	June 2020 $m	June 2019 $m
Construction		
Australia Core	573	573
Australia Non core[1]	151	170
Europe	246	248
Americas	203	201
Asia	8	8
Total construction goodwill	**1,181**	**1,200**

1. Goodwill of $19 million relating to the Engineering business was transferred to Disposal Group assets held for sale during the year. This has subsequently been impaired within the Disposal Group assets held for sale. Refer to Note 32 'Discontinued Operations' for further details.

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 other than in the Disposal Group for the year ended 30 June 2020. Based on information available and market conditions at 30 June 2020, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill. The forseeable change in the assumptions took the COVID-19 pandemic into consideration.

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 2019: 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 9.4 per cent and 13.1 per cent (June 2019: between 10.0 per cent and 13.2 per cent). 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.

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

32. Discontinued Operations

Discontinued operations relate to a component of the Group including its corresponding assets and liabilities that have been classified as held for sale and represent a separate major line of business or geographical area of operation. The group of assets and their corresponding liabilities (together referred to as a Disposal Group), may only be classified as held for sale once the following criteria are met:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use
- The sale must be highly probable.

A disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Where fair value is lower than the carrying amount, the difference is recognised as an impairment loss within the Income Statement.

The results of discontinued operations are presented separately in the Income Statement and Statement of Comprehensive Income. Comparatives have also been restated for the Income Statement, Statement of Comprehensive Income and corresponding Notes to separately disclose the results of the discontinued operations from continuing operations.

On 25 February 2019, the Group announced that its Engineering and Services businesses are no longer a required part of the Group's strategy. Management at that time committed to a plan to exit from Non core operations of Engineering and Services. On 19 December 2019, the Group entered into an agreement with Acciona to sell its Engineering business for a purchase price of $180 million. In June 2020, the purchase price was revised to $160 million. The discontinued operations represents the Engineering business to be sold, excluding the projects retained by the Group. The transaction, which at 30 June 2020 was subject to conditions including client and third party consents, is expected to complete in the first half of FY21. On 28 April 2020, the Group announced the sales process for the Services business has been paused given the uncertainty in market conditions. The Services business no longer meets the accounting criteria to be held for sale, therefore it has not been included in discontinued operations or assets and liabilities classified as held for sale at 30 June 2020.

The Group previously disclosed a cost estimate to exit the Non core segment of $450-$550 million pre tax. These costs are now estimated to be approximately $550 million pre tax, with $525 million pre tax ($368 million after tax) expensed in the year ended 30 June 2020. $15 million pre tax was expensed in the prior year. Exit related costs include: implementation and selling costs and estimated costs to cover concluding projects retained by the Group which have been recorded in Continuing Operations.

At 30 June 2020, the results of the Engineering and Services businesses have been presented separately from the Construction segment as Non core. Refer to Note 1 'Segment Reporting' for details.

The results of the discontinued operations, representing the Engineering business to be sold, are as follows:

	June 2020 $m	June 2019 $m
Results from Discontinued Operations		
Revenue from contracts with customers	1,437	1,497
Cost of sales	(1,263)	(1,509)
Gross profit/(loss)	174	(12)
Other income	8	2
Impairment on Disposal Group held for sale[1]	(19)	-
Other expenses	(109)	(125)
Profit/(loss) before tax for discontinued operations	54	(135)
Income tax (expense)/benefit	(22)	45
Total profit/(loss) after tax for discontinued operations as presented in the Income Statement	32	(90)

1. Relates to the impairment of goodwill as a result of the measurement of the Disposal Group at fair value less costs to sell.

		June 2020 Shares/ Securities Excluding Treasury Securities	June 2020 Shares/ Securities on Issue	June 2019 Shares/ Securities Excluding Treasury Securities	June 2019 Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS) from Continuing Operations					
(Loss)/profit from continuing operations attributable to members of Lendlease Corporation Limited (Company)	$m	(374)	(374)	403	403
Weighted average number of ordinary shares	m	599	603	584	588
Basic/Diluted EPS from continuing operations	cents	(62.4)	(62.0)	69.0	68.5
Basic/Diluted Earnings Per Share (EPS) from Discontinued Operations					
Profit/(loss) from discontinued operations attributable to members of Lendlease Corporation Limited (Company)	$m	32	32	(90)	(90)
Weighted average number of ordinary shares	m	599	603	584	588
Basic/Diluted EPS from discontinued operations	cents	5.3	5.3	(15.4)	(15.3)
Basic/Diluted Earnings Per Stapled Security (EPSS) from Continuing Operations					
(Loss)/profit from continuing operations attributable to securityholders of Lendlease Group	$m	(342)	(342)	557	557
Weighted average number of stapled securities	m	599	603	584	588
Basic/Diluted EPSS from continuing operations	cents	(57.1)	(56.7)	95.4	94.7
Basic/Diluted Earnings Per Stapled Security (EPSS) from Discontinued Operations					
Profit/(loss) from discontinued operations attributable to securityholders of Lendlease Group	$m	32	32	(90)	(90)
Weighted average number of stapled securities	m	599	603	584	588
Basic/Diluted EPSS from discontinued operations	cents	5.3	5.3	(15.4)	(15.3)

The net cash flows for discontinued operations, representing the Engineering business to be sold, are as follows:

Cash Flows from Discontinued Operations	June 2020 $m	June 2019 $m
Net cash inflow from operating activities	156	263
Net cash outflow from investing activities	(59)	(12)
Net cash outflow from financing activities	-	-
Net increase in cash and cash equivalents	97	251

The major classes of assets and liabilities held for sale at 30 June 2020, representing the Engineering business to be sold, are as follows:

Disposal Group Assets/(Liabilities) Held for Sale	June 2020 $m	June 2019[2] $m
Cash and cash equivalents	451	-
Loans and receivables	135	-
Inventories	32	-
Other assets[1]	223	-
Total Disposal Group assets held for sale	841	-
Trade and other payables	629	-
Other liabilities	41	-
Total Disposal Group liabilities held for sale	670	-
Disposal Group net assets held for sale	171	-

1. Includes $201 million of Property, plant and equipment.
2. The Group had no assets or liabilities recorded as held for sale at 30 June 2019. Comparative balances for the Statement of Financial Position have not been restated.

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. 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
- 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.

	Note	June 2020 $m	June 2019 $m
Lendlease Superannuation Plan		(1)	1
Lendlease UK Pension Scheme	33a	157	139
Total net defined benefit plan asset		**156**	**140**

a. Lendlease 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 the 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 $33 million in contributions to its defined benefit plan in 2021. This includes the annual deficit recovery payment of $28 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. The following information provides additional detail on risk.

	June 2020 $m	June 2019 $m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	(1,324)	(1,208)
Fair value of plan assets	1,481	1,347
Net defined benefit plan asset	**157**	**139**

	June 2020 $m	June 2019 $m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,208	1,077
Included in Income Statement		
Interest cost	28	30
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Financial assumptions	135	116
Experience adjustments	(9)	7
Demographic assumptions	31	7
Other		
Benefits paid	(41)	(48)
Effect of foreign exchange rate movements	(28)	19
Defined benefit obligations at end of financial year	**1,324**	**1,208**
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,347	1,228
Included in Income Statement		
Interest income	32	35
Administration costs	(2)	(4)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	173	83
Other		
Contributions by Group companies	5	31
Benefits paid	(41)	(48)
Effect of foreign exchange rate movements	(33)	22
Fair value of plan assets at end of financial year	**1,481**	**1,347**
iv. Expense Recognised in the Income Statement		
Net interest cost	(3)	(5)
Administration costs	2	4
Net defined benefit plan (income)/expense	**(1)**	**(1)**
v. Fair Value of Plan Assets		
Plan assets comprise:		
Global equities	437	422
Investment funds	384	417
Infrastructure	115	82
Government index linked bonds	491	335
Other assets	54	91
Fair value of plan assets at the end of the financial year	**1,481**	**1,347**

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 $1,408 million (June 2019: $1,246 million) and $73 million (June 2019: $82 million) 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 2019: 75.0 per cent growth assets and 25.0 per cent matching assets).

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Defined Benefit Plans

	June 2020	June 2019
vi. Principal Actuarial Assumptions		
Discount rate (%)	1.5	2.3
RPI inflation (%)	3.0	3.4
Average pension increase in payments (%)	2.5	2.7
Future mortality (years):		
Male	24.9	24.9
Female	26.4	26.4

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 2019: 24.9 years) if they are male and 26.4 years if they are female (June 2019: 26.4 years).

At 30 June 2020, the weighted average duration of the defined benefit obligation was 19 years (June 2019: 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 2020						
Defined benefit asset/(obligations)	25	(26)	(19)	22	(64)	63
June 2019						
Defined benefit asset/(obligations)	21	(20)	(16)	13	(41)	41

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.

34. 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)
- Distinguished Executives Award (DE Award)
- Executive Deferred Award (ED 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 typically 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 replaced 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
- 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 34d below.

d. Long Term Award (LTA)

The LTA plan replaced the LTI for a limited number of executives from 2019. It was 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.

FOR PERSONAL USE ONLY

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

34. Employee Benefits continued

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 FY17 and FY18 Grants)	• 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 FY19 and FY20 Grants)	• 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 and permanent disability), the Board may exercise discretion and settle the award at the time of termination of employment.
Performance Hurdles	**Financial Years 2017 to 2020** • 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 FY17 to FY20 Grants)

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 FY17 Grant)

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 11 per cent	25 per cent vesting
Greater than 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 FY18 to FY20 Grants)

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

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 grant of 'performance rights' includes the minimum number of securities that will be received following vesting (the LTA minimum). The value of the LTA minimum is fixed at the time of grant but will vary with the security price over the deferral period. • During the year the Board determined that the LTA minimum is better described as a Restricted Securities Award (RSA). • 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 FY19 and FY20 Grants)	• 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	**Financial Years 2019 and 2020** • 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 FY19 and FY20 Grants)

Relative TSR percentile ranking	Percentage of Target LTA plus RSA Vesting	
	Group CEO	Senior Executives
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 FY19 and FY20 Grants)

Average ROE over the performance period	Percentage of Target LTA plus RSA Vesting	
	Group CEO	Senior Executives
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 per cent 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 per cent or above	150 per cent vesting	200 per cent vesting

For personal use only

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

34. Employee Benefits continued

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. Executive Deferred Award

The Executive Deferred Award (ED Award) is an award that was made to a limited number of executives and senior managers in recognition of their role in supporting the Lendlease transformation program.

The ED Award comprises a one off grant of Lendlease deferred securities which vest in three equal tranches, with the final vesting three years after grant. Securities are held in Lendlease employee plan trusts for the deferral period. Refer to Note 28a 'Employee Security Plans' for further details. For employees to receive the deferred components in full, they must generally be employed by the Group at the time of vesting.

g. 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 2020, a $55 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2019: $50 million).

35. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2019

From 1 July 2019, the Group adopted Interpretation 23 *Uncertainty over Income Tax Treatments*. Interpretation 23 did not have a material impact on the Group.

From 1 July 2019, the Group adopted AASB 16 *Leases* and consequential amendments. AASB 16 provides a new model for accounting for leases. AASB 16 is based on the principle that all leases the Group enters as a lessee will be recognised on balance sheet, with a right-of-use asset and lease liability recognised, with depreciation recognised on the right-of-use asset and interest expense on the lease liability. Lease expense (depreciation expense and interest expense) will effectively be front loaded to the start of the lease period, even when cash lease payments are constant throughout the period of the lease.

The Group utilised the modified retrospective cumulative approach to transition to AASB 16, 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 2019 annual consolidated financial report.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the Income Statement. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

The Group presents right-of-use assets that do not meet the definition of investment property in Property, plant and equipment, the same line item in which it presents underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property.

Based on analysis performed, as a lessor, there was no material impact to the Group on adoption. As a lessee, on adoption, the Group has:

- Recorded a right-of-use asset of $437 million, lease liabilities of $(514) million, derecognition of existing lease balances under AASB 117 *Leases* of $18 million and a net deferred tax asset of $17 million in the Statement of Financial Position for its material operating lease commitments. The sum of these adjustments is $(42) million
- The net difference of $(42) million was recorded as a reduction to equity to reflect the cumulative impact on initial adoption of the standard
- The net impact to the Income Statement for the year is a $11 million increase in expense.

On adoption, the Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 30 June 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.8%.

In applying AASB 16 for the first time, the Group has applied the following practical expedients permitted by the standard for leases:

- The ability to not reassess whether a contract is, or contains, a lease at the date of initial application (prior to 1 July 2019)
- The application of a single discount rate to a portfolio of leases
- The use of hindsight in determining the lease term
- The decision to exclude a lease for which the lease term ends within 12 months of initial application.

New disclosures have been included where required. Changes to disclosures include reclassification of prior period balances to better align the presentation of comparative information to the new disclosure requirements.

Changes to accounting policies from 1 July 2019

The Group's accounting policies have been revised to reflect the guidance of the new leasing standard with effect from 1 July 2019. Refer below for further details.

Recognition

As a lessee, the Group assesses whether a contract is or contains a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether:

- The contract involved the use of an identified asset
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For the leases of land and buildings in which it is a lessee, the Group has elected not to separate non lease components and account for the lease and non lease components as a single lease component.

The Group's primary leasing activities are for office space in the regions and cities in which it operates. There are no material future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities, and there are no material restrictions or covenants imposed by the Group's leases.

Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The initial amount of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Initial direct costs
- Restoration cost.

Right-of-Use Assets

Right-of-use assets which meet the definition of property, plant and equipment form part of the property, plant and equipment balance and are measured at cost less accumulated depreciation in accordance with AASB 116 *Property, Plant and Equipment*.

Right-of-use assets which meet the definition of investment property form part of the investment property balance and are measured at fair value in accordance with AASB 140 *Investment Property*.

Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liability comprise the following:

- Fixed payments offset by any lease incentives
- Variable lease payments, for lease liabilities which are tied to a floating index
- Amounts expected to be payable under a residual value guarantee
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised)
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

Lease liabilities are subsequently measured by:

- Increasing the carrying amount to reflect interest on the lease liability
- Reducing the carrying amount to reflect the lease payments made
- Remeasuring the carrying amount upon the occurrence of certain events (such as a change in the lease term or lease payments).

When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset and is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Depreciation and Amortisation

Right-of-use assets are depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Presentation

Items relating to leases are presented as follows:

- Right-of-use assets are recognised in the Statement of Financial Position within the same line item as that within which the corresponding underlying assets would be presented if they were owned by the Group, within either Property, plant and equipment or Investment property
- Lease liabilities are recognised within Trade and other payables in the Statement of Financial Position and split between current and non current liabilities
- Depreciation charge for right-of-uses assets is recognised within Other expenses
- Interest expense on lease liabilities is recognised within Finance costs.

Relevant information on the Group's leasing has been included in the following notes: Note 7 'Other Expenses', Note 8 'Finance Revenue and Finance Costs' and Note 22 'Trade and Other Payables'.

Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

35. Impact of New and Revised Accounting Standards continued

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

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.

36. 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, which 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 the 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
- 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.

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 Consolidated Entity as at 30 June 2020 and of its 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 2020.

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, 17 August 2020

For personal use only

KPMG

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 2020 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 2020;
- 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*** 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) *(including independence Standards)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified for Lendlease Group are:

- Construction Revenue Recognition
- Sale of Development Properties
- 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$9,067m)

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. As a result of COVID-19, disruption was experienced across certain projects, particularly in international cities where mandated shutdowns were implemented. These impacted productivity, expected timing of completion and expected costs to complete. Construction revenue recognition is a key audit matter as judgement is required to assess the timing of recognition determined by the Group. Revenue on construction contracts is earned over time, typically using costs incurred as a proportion of total forecast costs as the measure of progress. Estimating total forecast costs to complete during project life is complex and requires judgement. 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: • Evaluating and testing management's review and approval of revenue and cost forecasting; • Selecting 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 and used up-to-date site photographs, where site visits were not possible, to evidence physical progress; - inquired with key project personnel to assess the project schedule, forecast costs, risks and opportunities, with involvement from KPMG engineering specialists where appropriate; - read relevant contract terms and conditions to evaluate the inclusion of individual characteristics and project risks in the Group's estimates; - tested a sample of incurred costs to supplier invoices or other underlying documentation; - tested forecast costs for labour, subcontractors, equipment, materials, and project overheads by comparing to actual incurred spend and committed future contracts, with specific consideration of the impacts of COVID-19; - tested the variations and claims (including COVID-19 related impacts) recognised within revenue against the criteria for recognition in the

For personal use only

KPMG

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. The assessment of revenue on construction contracts resulting from variations and claims was a focus of our audit due to the audit effort in assessing this across bespoke projects and contracting arrangements.	accounting standards via inspection and assessment of: o correspondence between the Group and the customer; o the Group's legal basis for the variations and claims, including, where necessary, external legal opinions; o the Group's analysis of the amounts they consider meet the recognition requirement of highly probable, using our knowledge of the Group's historical experience in resolving variations and claims, and considering the commercial factors specific to each variation or claim and quality of information underpinning the amounts recognised.

Sale of Development Properties ($1,211m)

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 products (for example residential apartments, and commercial and retail buildings) and residential land communities. It is the Group's policy for development revenue to be recognised when control transfers to the purchaser, based on an assessment of the contractual terms of sale. This was a key audit matter due to the volume of transactions that occur across multiple jurisdictions. In addition, the assessment of cost of sales includes judgement 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. Whilst COVID-19 resulted in some delays in residential settlements and cancellations, these do not impact the Group's revenue recognition policy for residential apartments and residential land communities as revenue is recognised on settlement.	Our procedures included: • Evaluating and testing management's review and approval of development revenue and cost forecasting; • Selecting a sample of settlements, across multiple jurisdictions, during the year. 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; - assessed the Group's cost allocation methodology against the requirements of the accounting standards; - tested the application of the cost allocation methodology by comparing allocated costs to revenue recognised in the year relative to the total project revenue; - assessed total project revenue by comparing expected sales prices to published industry forecasts and comparable sales prices achieved in the year, being alert to the impacts of current challenging market conditions.

KPMG

Recoverability of Development Property Inventory ($4,450m)

Refer to Note 11 'Inventories' to the financial report

The key audit matter	How the matter was addressed in our audit
It is the Group's policy to capitalise 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 products and borrowing costs. It is the Group's policy to carry inventory at the lower of cost and net realisable value. The recoverability therefore of these capitalised development costs is a significant judgement made by the Group, and their assessment is based on forecasts of: • sales prices • 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, the Group considers it to be impaired and it is their policy for an expense to be recognised. This was a key audit matter for us due to many developments being long term which increases the level of forecasting judgement and audit complexity in assessing estimated sales prices and future costs to complete the development. We considered the heightened risk in estimating future sales prices, the timing of sales, and future costs as a result of the impact of COVID-19 to these assumptions.	Our procedures included: • Selecting 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, being alert to the impacts of current challenging market conditions; - tested a sample of 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; - assessed expected sales prices, the volumes of sales expected each period and holding costs in light of current challenging market conditions, using our industry knowledge. • Assessing disclosures included in the financial report highlighting the key factors in determining recoverability of development property inventory, using our understanding obtained from our testing and against the requirements of the accounting standards. This included considerations of the impacts of COVID-19.

For personal use only

KPMG

Asset Valuation	
Refer to Note 12 'Equity accounted investments' (A$3,671m), Note 13 'Other Financial Assets' (A$1,092m) 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. The fair value of the properties held by various investment entities directly impacts the Group's interests in these assets. Valuations of assets are generally performed by the Group 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 the Group 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 Group's valuation assumptions are predominantly the capitalisation of earnings rates, discount rates, future rental income, and leasing incentives. Equity accounted investments include the Group's interest in the retirement living business. The key assumptions used by the Group in determining the value of retirement villages are discount rates, changes in village residents, current units/homes market prices and pricing growth rates. COVID-19 has had a significant impact on real estate valuations across the Group's investments. The assessment of the valuations of these assets is a key audit matter as they: • are inherently judgemental, amplified by the impact of COVID-19. There were fewer market transactions as a result, which are ordinarily strong sources of evidence regarding fair value; • contain certain forward looking assumptions, this year with higher estimation uncertainty from the business disruption due to COVID-19, 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: • Selecting a sample of valuations performed by the Group, based on the significance of the asset to the Group's financial position and performance; • Assessing the scope, competence and objectivity of external valuation experts engaged by the Group for assets valued by external valuation experts; • Assessing the impact of market uncertainty caveats included in valuations performed by the Group's external valuation experts to determine the impact, if any, on our testing of key assumptions; • Evaluating and testing management's review and approval of internal valuations based on the Group's policies for internally valued assets; • Assessing the valuation methodology for consistency with accounting standards and industry practice for the asset's class; • Comparing, with market data published by commercial real estate agents, previous external valuations, our knowledge of the industry, and/or our knowledge of the asset and its historical performance, key assumptions such as: - discount rates - changes in village residents - units/home current market prices - pricing growth rates - capitalisation of earnings rates - future rental income - leasing incentives • Assessing disclosures included in the financial report highlighting the estimates and judgements in determining fair values of the Group's equity accounted investments and other financial assets. We used our understanding obtained from our testing, including considerations of the impacts of COVID-19, against the requirements of the accounting standards.

KPMG

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 opinion.

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 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 of Lendlease Corporation Limited 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.

For personal use only

KPMG

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/ar_2020.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 2020 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 106 to 136 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

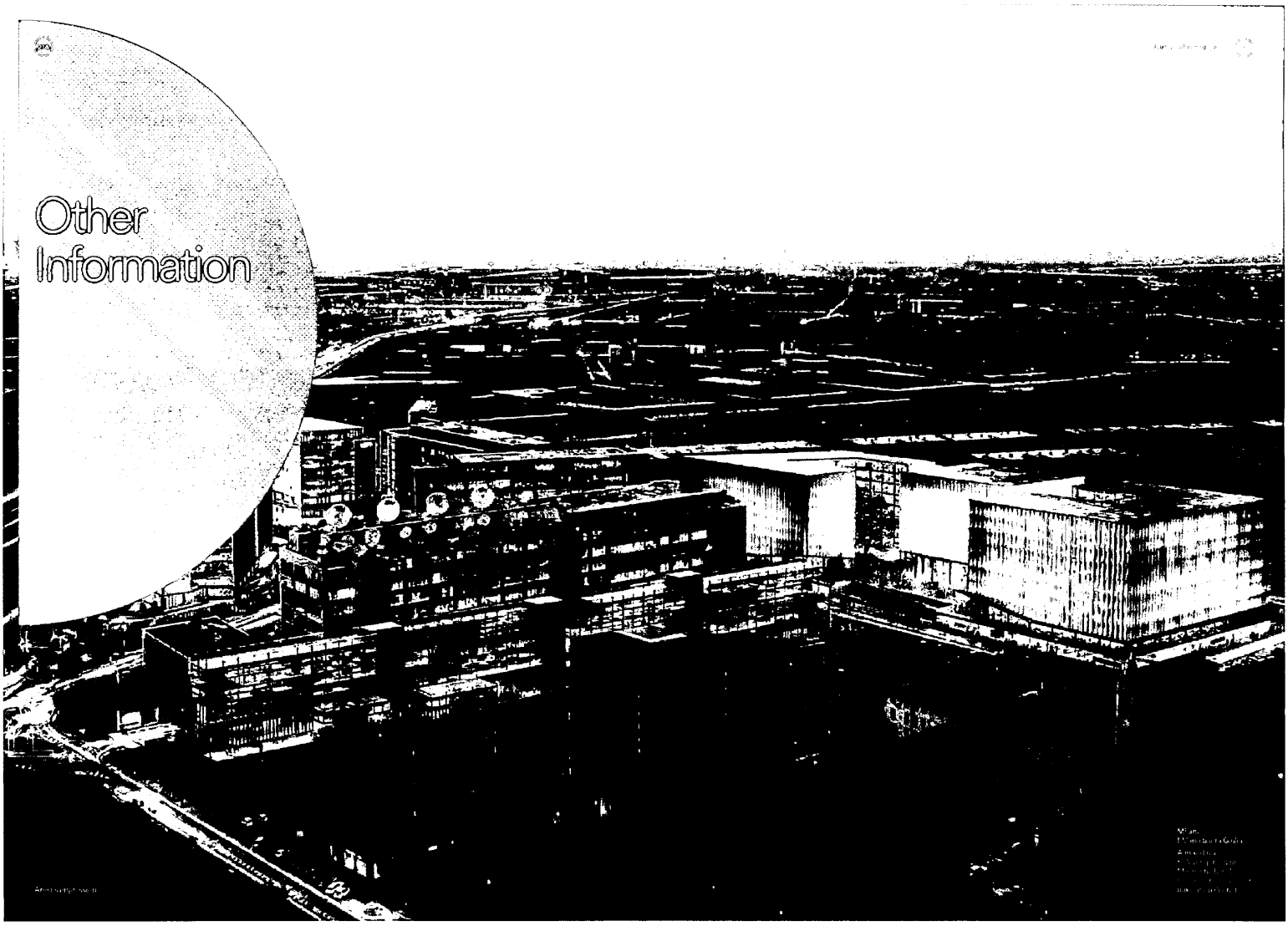
D M McLennan

D M McLennan
Partner

Sydney
17 August 2020

This page is intentionally left blank.

Other Information



Securityholder information

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 220.

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 2020 (comparative 1 August 2019)

	2020	2019
Number of securityholders	66,696	63,121
Units issued	688,267,587	564,131,072
Percentage owned by 20 largest securityholders	75.89%	72.18%
Interim dividend/distribution	30.0 cents per security	12.0 cents per security
Total dividend/distribution	33.3 cents per security	42.0 cents per security
Dividend payout ratio	NA[1]	51%

Spread of securityholdings as at 1 August 2020 (comparative 1 August 2019)

	2020	2019
1 to 1,000 securities	35,448	33,122
1,001 to 5,000	24,515	24,680
5,001 to 10,000	4,414	3,463
10,001 to 100,000	2,231	1,764
100,001 securities and over	88	92
Total number of securityholders	66,696	63,121
Securityholders with less than a marketable parcel	3,396 (representing 60,497 securities)	2,544 (representing 28,947 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	1,971,036	$16.85

1. Dividend payout ratio is nonmeaningful in FY20 due to the Group statutory loss.

Securityholder information

Rank	Name	Units	% of Units
1	HSBC Custody Nominees (Australia) Limited	208,004,440	30.22
2	J P Morgan Nominees Australia Pty Limited	131,088,694	19.05
3	Citicorp Nominees Pty Limited	61,379,423	8.92
4	National Nominees Limited	42,136,610	6.12
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	17,790,146	2.58
6	BNP Paribas Noms Pty Ltd <DRP>	15,549,473	2.26
7	LL Employee Holdings Custodian Pty Limited <Castle Account A/C>	14,075,522	2.05
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	5,557,573	0.81
9	Argo Investments Limited	4,480,092	0.65
10	LL Employee Holdings Custodian Pty Limited <ESAP STI A/C>	4,174,080	0.61
11	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	3,003,387	0.44
12	Custodial Services Limited <Beneficiaries Holding A/C>	2,787,498	0.41
13	Netwealth Investments Limited <Wrap Services A/C>	2,165,644	0.31
14	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	2,002,395	0.29
15	Avanteos Investments Limited <Encircle Ima A/C>	1,738,214	0.25
16	LL Employee Holdings Custodian Pty Limited <ESAP Account>	1,583,948	0.23
17	BNP Paribas Noms (NZ) Ltd <DRP>	1,468,741	0.21
18	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	1,205,107	0.18
19	HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,086,864	0.16
20	Australian Executor Trustees Limited <IPS Super A/C>	1,063,881	0.15
Total Top 20 holders of fully paid ordinary shares		522,341,732	75.89
Total Remaining Holders Balance		165,925,855	24.11

Substantial securityholders as shown in the Company's Register at 1 August 2020

Name	Date of Last Notice Received	No. of Units	% of Issued Capital
BlackRock Group	08/01/2020	34,049,935	6.03
The Vanguard Group	29/4/2019	33,903,122	6.01

For personal use only

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 investment 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

Annual General Meeting 2020

The Annual General Meeting of Charter Hall Retail REIT (Fund) and Charter Hall Retail Corporation Limited (Company) and Charter Hall Retail Trust (Trust) will be held at Ballroom, Level 3, Sydney Theatre, 22 Hickson Road, Walsh Bay, Sydney, NSW 2000 on Friday, 20 November 2020. Due to the unprecedented nature of this COVID-19 pandemic, and in light of the social distancing requirements of the Australian and State governments, the Trustee, the Responsible Entity and the Company will not be able to accommodate shareholders, staff and other attendees, and so we ask that you do not attend the AGM in person. We will provide a webcast of the AGM, which will be available to all Unitholders, Shareholders and other attendees. Details on how to access the webcast will be sent to Unitholders and Shareholders prior to the AGM.

2020 Financial Calendar

Mon 17 Aug	Full Year Results Announced
Fri 21 Aug	Security Price Ex-Dividend
Mon 24 Aug	Final Distribution Record Date
Tue 15 Sep	Final Distribution Payable
Fri 20 Nov	Annual General Meeting

2021 Financial Calendar

Mon 22 Feb	Half Year Results Announced
Fri 26 Feb	Security Price Ex-Dividend
Mon 1 Mar	Interim Distribution Record Date
We 31 Mar	Interim Distribution Payable

Please note that the dates of events are subject to change.
Additional calendar dates are available at www.charterhall.com

Entity Details

Charter Hall Retail Limited
ABN 15 010 401 571
Incorporated in NSW, Australia

Charter Hall Responsible Entity Limited
ABN 31 116 627 467
AFSL Number 308086 as responsible entity for Charter Hall
ABN 69 648 136 702
ARSN 122 928 551

Registered Office

Level 31, Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

Contact

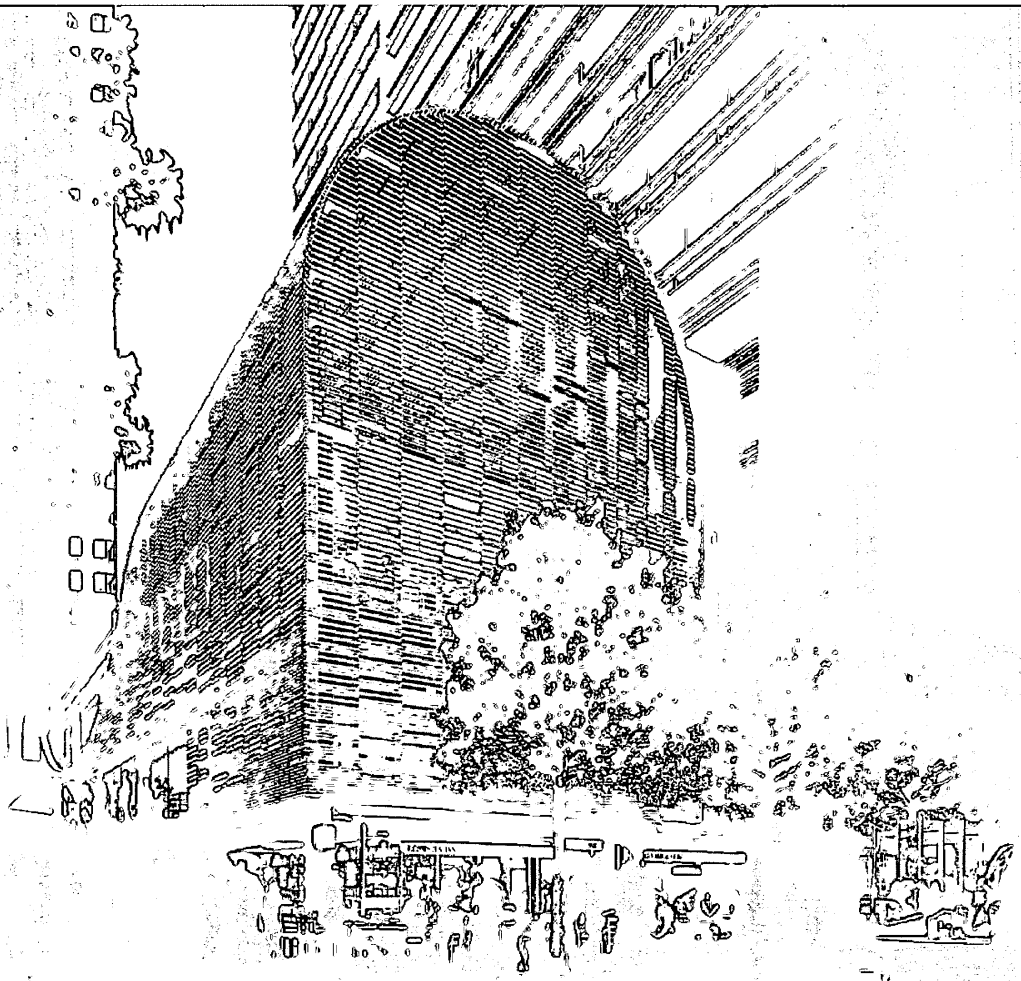
T +61 2 8651 0111
F +61 2 8651 0100
www.charterhall.com

Share Registry Information

Computershare Investor Services Pty Limited
ABN 48 078 279 277
GPO Box 505, Melbourne Victoria 3001 Australia

T 1300 554 474 (within Australia)
T +61 3 9415 4000 (outside Australia)

www.computershare.com.au



Our paper goes
another round
This report is printed
on locally sourced
recycled paper and
contains waste from
Lendlease assets
around Australia
including Melbourne
Quarter and
Barangaroo South,
Sydney.

Level 14, Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

www.lendlease.com

@lendlease
@lendleasegroup
@lendlease