



lendlease

Corporate
Governance Statement

2018

Corporate Governance Statement

Commitment to Governance

This statement sets out the principle features of Lendlease’s corporate governance framework and main governance practices. The Lendlease Board is committed to exceptional corporate governance policies and practices which the Board views fundamental to the long term success and prosperity of Lendlease and its subsidiaries (the Group). The Board regularly reviews its governance practices to address its obligations as a responsible corporate entity.

Unless indicated otherwise, a reference in this Corporate Governance Statement of the Board is a reference to the Boards of Directors of Lendlease Corporation Limited (LLC) and Lendlease Responsible Entity Limited (LLREL) which is the responsible entity of the Lendlease Trust.

Australian Securities Exchange (ASX) Listed Entities are required to report on the extent to which the company followed the ASX Corporate Governance Council Principles and Recommendations (Principles) during the reporting period. Throughout the reporting period, the Board considers that the corporate governance framework complied fully with the third edition of the Principles.

This Corporate Governance Statement reflects the corporate governance and other related policies and practices in place for the Group as at 22 August 2018 and has been approved by the Lendlease Board. Copies of all the governance documents can be found in the corporate governance area of the Lendlease website at www.lendlease.com.

1.0 Board and Management Roles and Responsibilities

- Relevant governance documents
(see www.lendlease.com)
- Board Charter
 - Board Committee Charters

1.1 Board Responsibilities

The Board Charter sets out the role, structure, responsibilities and operation of the Board as well as the function and division of responsibilities between the Board and senior management. The main responsibilities specifically reserved for the Board include the following:

- Approval of business strategy;
- Approval of business plans which includes operating budgets;
- Overseeing risk management, internal control and compliance systems;
- Overseeing the integrity of the Group’s financial accounts and reporting;
- Receiving, considering and approving financial reports;
- Approval and monitoring of major investments, transactions, acquisitions or divestitures;
- Determining capital structure and distribution policy;
- Reviewing the performance of the Group CEO and Global Leadership Team (GLT);
- Succession planning for the Group CEO;
- Non-Executive Director selection;
- Reviewing Board performance;
- Promoting diversity at all levels within the Group including setting measurable objectives and assessing progress towards achievement; and
- Reviewing Group governance related policies.

The Board Charter sets out these responsibilities in further detail and is reviewed on a regular basis to ensure the balance of responsibilities remains appropriate.

1.2 Role of the Group CEO and Senior Management

The Board delegates authority for all other functions and matters necessary for the day-to-day management of the Group to the Group CEO, who delegates to senior management as required.

Limits of Authority are in place which outline the matters specifically reserved for determination by the Board and those matters delegated to Board Committees or Group Executive Management. The Group CEO is accountable to the Board for the authority delegated to all levels of management. The Limits of Authority are reviewed on at least an annual basis in light of specific business, market and economic changes.

The management structure of Lendlease consists of the Group CEO and the GLT.

The GLT comprises the Group Chief Financial Officer, the Group Chief Commercial and Risk Officer, the Chief People Officer, the Group General Counsel, the Group Head of Corporate Affairs and Marketing, Group Head of Engineering and Building, and the CEOs of Americas, Asia, Europe, Building, Engineering and Property Australia. The GLT is responsible for managing the Group’s performance and key business issues in line with the Group’s long term strategy. A written agreement is in place between the Group and each senior executive setting out the terms of their appointment.

The GLT meet on a regular basis and each meeting is chaired by the Group CEO.

Review of CEO and Senior Management

The Board sets goals for the Group CEO which are contained in a scorecard. The Group CEO is responsible for setting goals for the GLT in consultation with the People and Culture Committee. The Board has a rigorous process for the setting of scorecards at the beginning of the year and for the evaluation of scorecards at the end of the year. Since 2017 a simpler approach to goal setting has been used for the Group CEO and GLT, which focuses efforts on fewer, more critical, financial, people and strategic objectives. STI outcomes are based on both individual performance against personal goals and on the performance of the Group, and the respective region for executives with regional responsibility.

The Group CEO and the People and Culture Committee conduct detailed reviews of the performance of the GLT against these goals at regular intervals during the year, culminating in a detailed review at the end of the financial year. In addition each member of the GLT also conducts a performance evaluation of their own performance. A review of the performance of all members of the GLT was conducted in the financial year and was in accordance with the procedure described above.

The reviews by management are reported to and considered by the People and Culture Committee for the purposes of its consideration and ultimate recommendations to the Board on performance against scorecards.

Remuneration

The Board has comprehensively outlined the Executive Reward Strategy and framework in the Remuneration Report. The Remuneration Report explains how performance has been linked to reward outcomes at Lendlease. Further information is set out in the Remuneration Report on page 102 to 135.

1.3 Meetings

The Board meets as often as necessary to fulfil its role and Directors are required to allocate sufficient time to perform their responsibilities effectively, including adequate time to prepare for Board meetings. There are eight scheduled Board meetings each year and additional meetings are held as required. During the year 14 meetings of the Board were held. Four of these meetings were held in Australia, two in the US and two in Asia. In addition, six meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. Three Board subcommittee meetings were also constituted to deal with specific matters.

Further detail on the number of Board and Committee meetings held during the financial year and the attendance of Directors at those meetings can be found in the Directors’ report on page 100.

The Board program is formulated to reflect the geographic spread of the Lendlease businesses with Board meetings scheduled in Australia and the regions where Lendlease operates. These meetings generally run over two or three days. The Group’s senior management is invited to attend and present at Board meetings where appropriate. In addition to the formal meetings, Non-Executive Directors attend business briefings and project site visits in each of the regions where they meet so that a deeper understanding can be gained of the activities and operations within each region. Further details of the Lendlease Board regional program can be found on pages 90 to 91.

The number of Directors required to constitute a quorum is three.

1.4 Independent Decision Making

Any Director may seek external, independent, professional advice relating to their role as a Lendlease Director at the expense of Lendlease with the approval of the Chairman of the Board. The policy of the Board is that external advice will be made available to all Directors unless the Chairman of the Board determines otherwise. To facilitate independent decision making by the Board, the Non-Executive Directors meet at every Board meeting without management present.

2.0 Structure and Composition of the Board

- Relevant governance documents
(see www.lendlease.com)
- Lendlease Corporation Limited Constitution
 - Board Charter
 - Policy on Independence of Directors

2.1 Composition and Membership

The Board consists of 11 directors of which 10 are independent. The Group’s Managing Director and Chief Executive Officer, Stephen McCann, is the only executive on the Board. Membership of the Board and profiles of the Directors including their skills, experience and expertise relevant to their position as well as the period they have held office as a director can be found on pages 94 to 99.

The Directors have a range of local and international experience and expertise, as well as specialised skills to assist with decision making and leading the Group for the benefit of securityholders.

2.2 Independent Directors

The Board’s Policy on the Independence of Directors sets out the criteria and guidelines for assessing the independence of Directors and assists the Board in determining whether a Director is to be regarded as independent.

The predominant test used by the Board is whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. This general test of independence is supplemented by specific criteria and thresholds which encompass the definition of independence set out in the ASX Recommendations.

The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case-by-case basis having regard to the circumstances of each Director. Where the Board is satisfied in the circumstances that the Director meets the general test of independence the Board may, in its absolute discretion, determine that a Director is independent even though not all of the criteria under the Policy are satisfied. Appropriate disclosures will be made to the market where the Board considers that an independent Director has ceased to be independent.

An assessment of the independence of each Director is conducted each year and on disclosure by a Director of any new interests or relationships. The Board considers that all the Non-Executive Directors are independent and have remained so throughout the year. Executive Director, Stephen McCann Group CEO and Managing Director is not considered to be an independent Director due to his integral involvement in the day-to-day management of the Group’s businesses.

2.3 Chairman of the Board

The Chairman of the Board is elected by the Directors and serves as the primary link between the Board and management. The Board Charter prohibits the current or any former CEO of the Group from becoming Chairman and the roles of Chairman and Managing Director are separate.

The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities. The Chairman expects each Director to participate fully in Board activities and works with the Company Secretary to set and guide the Board agenda, so that Board meetings are held regularly throughout the year.

David Crawford has been Chairman of the Board since May 2003 and will retire from the Board at the conclusion of the Lendlease Annual General Meeting on 16 November 2018. The Board has selected current Non Executive Director Michael Ullmer to succeed David Crawford as Chairman.

2.4 Company Secretary

Appointed by the Board, the Company Secretary works with the Chairman of the Board to monitor and enhance corporate governance processes and that Board policies and procedures are followed. The Company Secretary is accountable directly to the Board through the Chair on all matters to do with the proper functioning of the Board. Details of the experience and qualifications of the Company Secretary are set out in the Directors’ Report on page 99 of the Annual Report.

2.5 Retirement and Re-election of Directors

In accordance with the Constitution of LLC, at each Annual General Meeting one-third of the Directors and any other Director who will have been in office for three or more Annual General Meetings since he or she was last elected (excluding the Managing Director) must retire from office and may submit themselves for re-election. Prior to standing, each director undergoes a performance evaluation which is considered by the Board in making a recommendation in respect to re-election. Securityholders are also provided with all material information relevant to a decision whether or not to elect or re-elect a new Director.

New Directors must stand for election at the Annual General Meeting (AGM) immediately following their appointment.

2.6 Selection and Appointment of New Directors

The Nomination Committee is responsible for the recommendations to the Board in respect to the appointment of new Directors. The aim is to have a Board comprised of Directors with an appropriate mix and balance of skills, expertise, experience, diversity and independence. Both individually and collectively, the Board considers that the Directors have an appropriate mix and balance of these attributes. The Board skills matrix can be found on page x of the Annual Report.

The process of selecting a new Director involves reviewing the experience of current Directors, identifying any gaps in the Board skill-sets and experience and commissioning an international recruitment firm to identify and present appropriate candidates following a comprehensive briefing as to the Board’s requirements. The Board has regard to a number of factors when reviewing candidates including technical skills and expertise, experience across relevant industries and geographic locations and diversity of background. The candidates undergo a thorough process which involves formal interviews with the Directors as well as reference checks.

New Directors must stand for election at the AGM immediately following their appointment.

Board succession is reviewed throughout the year. During the reporting period, there were changes in the composition of the Board. David Ryan retired at the conclusion of the 2017 AGM. Elizabeth Proust was appointed to the Board in February 2018. David Crawford and Phillip Colebatch will also be retiring from the Board at the conclusion of the 2018 AGM.

2.7 Induction and Briefing Programs

New Directors are provided with a letter of appointment which sets out their rights, duties and responsibilities as a Director of Lendlease. As part of their induction, new Directors also receive a comprehensive information pack and attend briefings with management to enable them to gain an understanding of the Group’s businesses, strategy, key issues and operations. Visits to Lendlease sites are also an integral part of the induction program.

All Directors have access to Group information, senior management and employees as required to enable them to fulfil their responsibilities. Management briefings are provided at each scheduled Board meeting and Directors are regularly briefed on key business and industry developments and matters material to their role. Presentations by external speakers are organised as part of the Board program to give Directors an overview and understanding of macro-issues affecting the Group. Directors are also encouraged to attend externally administered training seminars and programmes.

2.8 Board Performance Assessment

Each year, the Board conducts a review of its performance, the Chairman and individual Directors retiring and seeking re-election at the AGM. The review process comprises a mixture of internal and external interviews. An external review is conducted every two years and an internal review is conducted each alternate year.

External Review

The review process typically includes interviews with Directors and senior management as well as key stakeholders, and generates recommendations so that the Board can continue to operate effectively with the requisite mix of skills and experience, and appropriate procedures. The Miles Group was engaged to undertake an external review of the Board in 2018. The main areas of focus were:

- Role of the Board and Committees;
- Size, composition, diversity and experience of the Board;
- Interface with Management;
- Board dynamics and culture;
- Chairman, CEO and individual Director effectiveness; and
- Engagement in strategic dialogue.

The findings of the external review were considered by the Board and action plans were put in place to address the recommendations contained in the review. Directors were also given feedback on their individual performance and provided with their strengths and areas for development.

Internal Review and Assessment

The Chair of the Nomination Committee, acting in consultation with other Board members, is responsible for conducting an annual evaluation of Board members standing for re-election at the AGM.

The process of conducting reviews includes an assessment by each of the directors and may cover matters such as Board contribution and performance, interaction between management and between Board members, consideration of relevant skills and structure and conduct during Board meetings. The review process generates recommendations so that the Board continues to operate effectively with the requisite mix of skills and experience, and appropriate procedures.

Committee succession planning and renewal was a key activity during the year. Changes made to Committee composition following this review were:

- Philip Coffey, David Craig and Phillip Colebatch were appointed to the People and Culture Committee;
- Philip Coffey and Jane Hemstritch was appointed to the Risk Management & Audit Committee; and
- Elizabeth Proust was appointed to the Sustainability Committee.

2.9 Directors’ Remuneration

Details of the Group’s Remuneration Policy and the remuneration of Directors is contained in the Remuneration Report at page 128. The structure of Non-Executive Director remuneration is clearly distinguished from that of other senior executives. One of the key distinctions is that performance-based components do not form part of Non-Executive Directors’ remuneration so that independence can be maintained.

Retirement Benefits Plan

In recognition of feedback from securityholders the Directors resolved in 2010 to discontinue further awards of retirement securities. Any accrued securities have been preserved and will be paid to the Director on retirement. Non-Executive Directors appointed since January 2010 are not entitled to receive any retirement benefits, other than superannuation.

3.0 Board Committees

Relevant governance documents (see www.lendlease.com)

- Audit and Risk Committee Charter
- People and Culture Committee Charter
- Sustainability Committee Charter
- Nomination Committee Charter

3.1 Overview of Standing Board Committees

The Board recognises the essential role of Committees in guiding the Company on specific issues. Four standing Board Committees have been established to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility. Each of the Committees consist entirely of independent, Non-Executive Directors. The Chair of each Committee is not a Chair of other Committees, or Chair of the Board. The performance of the Committees, its membership and the Charters are periodically reviewed.

Each Committee is governed by a formal Charter setting out its objectives, roles and responsibilities, composition, structure, membership requirements and operation. The Committees are required to meet quarterly or more often as required. Directors who are not members of the Committees have a standing invitation to attend meetings of the Committees. From time to time special subcommittees are formed to give the Board better guidance and provide oversight concerning specific matters.

The four permanent Committees of the Board are:

Risk Management and Audit Committee

The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group’s risk management and internal control systems, accounting policies and practices, internal and external audit functions and corporate reporting.

People and Culture Committee

The Committee’s agenda reflects the importance of human capital to the Group’s strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. Full details of the Committee’s work on behalf of the Board are set out in the Remuneration Report.

Sustainability Committee

The Committee assists the Board in monitoring the decisions and actions of management in achieving Lendlease’s aspiration to be a sustainable organisation.

Nomination Committee

The Committee assists the Board by considering nominations to the Board to ensure that there is an appropriate mix of expertise, skills, experience and diversity on the Board.

The number of meetings held by each Committee during the reporting period is set out in the Directors’ Report on page 101. In addition to the specific authorities delegated to each of the Committees, areas of focus during the reporting period are set out on pages 92 and 93.

Membership and composition of the Committees is set out in the accompanying table. A review of the main responsibilities of each Committee was conducted in conjunction with a review of the responsibilities outlined in the Charters.

Corporate Governance Statement *continued*

	Nomination	People and Culture	Risk Management and Audit	Sustainability
MEMBERS	Colin Carter (Chair) Philip Coffey David Craig David Crawford Phillip Colebatch Steve Dobbs Jane Hemstritch Elizabeth Proust Michael Ullmer Nicola Wakefield Evans	Jane Hemstritch (Chair) Colin Carter Philip Coffey Phillip Colebatch David Craig	David Craig (Chair) Philip Coffey Phillip Colebatch Steve Dobbs Jane Hemstritch Michael Ullmer Nicola Wakefield Evans	Michael Ullmer (Chair) Colin Carter Steve Dobbs Elizabeth Proust Nicola Wakefield Evans
CHANGES SINCE LAST REPORT	David Ryan ceased to be a member of the Committee on his retirement in November 2017. Elizabeth Proust was appointed as a member of the Committee in February 2018.	Philip Coffey, Phillip Colebatch and David Craig were appointed as members of the Committee in January 2018.	Philip Coffey and Jane Hemstritch were appointed as members of the Committee in January 2018.	David Ryan ceased to be a member of the Committee on his retirement in November 2017. Elizabeth Proust was appointed as a member of the Committee in February 2018.
COMPOSITION	• Minimum of three, non executive Directors • Chair must be an independent director and not the Chair of the Board • All requirements were met in the reporting period	• Minimum of three Directors • Majority of the Committee to be independent • Chair must be an independent director • All requirements were met in the reporting period	• Minimum of three, non executive Directors • All members must be independent • Chair must not be Chair of the Board • All members must be financially literate and at least one member has accounting or relevant financial expertise • All requirements were met in the reporting period	• Minimum of three Directors • Majority of the Committee to be independent • Chair must be an independent director • All requirements were met in the reporting period
MAIN AREAS OF RESPONSIBILITY	• Reviews size and composition of the Board • Identifies and evaluates Board candidates • Assists in the evaluation of the performance of the Board and the performance of any directors standing for re-election at an AGM • Establishes processes for the review of Board succession planning • Identifies skills and experience gaps in the Board and reviews the Board skills matrix • Reviews continuing education and development plan for NonExecutive Directors	• Reviews and makes recommendations to the Board on contractual arrangements for the Group CEO and GLT • Reviews and makes recommendations to the Board on remuneration programs and performance targets for the Group CEO and GLT and assessment of performance against these targets • Monitors and advises the Board on succession planning for the Group CEO and members of the GLT • Reviews and approves the strategies and practices for people management • Reviews and makes recommendations to the Board on the remuneration framework for Non Executive Directors • Reviews and makes recommendations to the Board on remuneration and required disclosures • Reviews the effectiveness of Group policies on workplace diversity and equal opportunity	• Make recommendations to the Board as to whether financial statements should be approved • Oversees quality and effectiveness of audits • Reviews performance of the Internal Audit function • Reviews the effectiveness of the Group's Enterprise Risk Management system and seeks assurances that material risks are identified and appropriate risk management processes are in place • Reviews significant corporate reporting issues and assess the appropriateness of accounting policies and methods chosen by management • Makes recommendations to the Board on external auditor appointment and rotation of audit partner • Monitors the effectiveness of Group policies and practices that relate to compliance with laws, regulations and accounting standards	• Oversees the Group's Environment, Health & Safety function • Reviews the effectiveness of Group policies on corporate social responsibility • Monitors the activities and programs of the Lendlease Foundation • Assists the Board in its oversight of the Group's compliance with applicable regulatory requirements in relation to environmental matters, socially responsibility initiatives and health and safety issues • Reviews and monitors the way the Group and Regions pursue developments and opportunities through their commitment to sustainable solutions. • Reviews the effectiveness of Group policies and initiatives designed to ensure the well-being of employees in the workplace • Makes recommendations to the Board on the Sustainability Strategy
INTERACTION WITH MANAGEMENT	• The Committee has unrestricted access to senior management of the Group. The Committee reviews and recommends, in cooperation with management, a process for the induction and education of new Directors and a continuing education and development plan for all Non-Executive Directors	• The Chairman of the Committee liaises regularly with the Chief People Officer and Group Head of Human Resources on matters related to the Committee, to ensure that the Committee is appropriately briefed on matters relating to employees	• The Group CFO, Group Chief Commercial and Risk Officer and the Group Head of Internal Audit report to the Committee. Meetings with these function heads are held on at least a quarterly basis or as required. • The Committee meets with the external auditor without management present every half year.	• The Chair liaises with the Group Head of Sustainability and Group Head of Environment, Health and Safety on at least a quarterly basis.

4.0 Risk Management, Internal Control and Integrity in Financial Reporting

Relevant governance documents (see www.lendlease.com)

- Risk and Audit Committee Charter
- Risk Management Policy

4.1 Enterprise Risk Management

Risk Management is a critical oversight responsibility of the Board. Lendlease has a multi layered approach to the identification, management and mitigation of external, corporate and operational risk. The Lendlease risk management approach recognises the nature and level of risk that the company is willing to accept

to achieve its strategic goals and key performance targets to create securityholder value. Risk awareness, improvement and governance are key elements of the Lendlease approach, which has evolved with the business and external market. Accountability and responsibility for risk governance and management is held at various levels across the business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Operations and Specialist Functions such as corporate risk and insurance, operational assurance and internal audit.

Our Risk Management Approach is supported by:

Structure	
Board Risk Management and Audit Committee	Reviews the effectiveness of the Group's enterprise risk management system and seeks assurances that material risks are identified and appropriate risk management processes are in place.
Group risk function	Liaises with regional chief executive officers and risk specialists on both business specific and enterprise wide risks in order to assist the Group's businesses to further develop their risk management processes.
Internal audit	Formal processes provide supplementary assurance to operational businesses.
External audit	Formal independent regular reviews.
Policy and Procedure	
Board approval process	The Board has matters that are reserved for its determination under the risk appetite of Lendlease, and further, under the limits of authority. The Board approval process is set up so decisions and commitments of a predetermined magnitude require express Board approval, thereby supporting sound governance and continued alignment with strategy.
Investment Committees	Investment committees are in place at regional and Group levels in order to assess and approve potential projects/commitments.
Limits of Authority	Limits of Authority are in place to outline matters that are specifically reserved for determination by the Board and those matters that are delegated to management.
Risk Tools	
Risk management platform	Lendlease uses a risk management platform throughout all our regions to allow consistent risk identification and assessment.

4.2 Risk Management Reporting

The Group Corporate Assurance Function is responsible for keeping the Board's Risk Management and Audit Committee informed on a regular basis of material business risks. In the reporting period, the Committee has received regular reports on material risks facing Lendlease businesses worldwide and management has reported to the Board as to the effectiveness of Lendlease's management of its known material business risks. Lendlease has identified and described its key risks and their mitigants on pages 68 and 69 of the Annual Report.

The risk matrix defines the risk tolerance of Lendlease by setting thresholds for impact and likelihood and defining the material business risks required to be reported to the Board. The Board reviews the Company's risk management framework on a regular basis to satisfy itself that it continues to be sound and a review was conducted in the reporting period.

Further information on the Group's approach to Risk Management can be found in the Annual Report on pages 64 to 68.

4.3 Key Risk Management Practices

Operational businesses are responsible for risk management outcomes and implementing self-assurance programs to assess the effectiveness of risk management procedures. Formal internal and external audit procedures are utilised to provide supplementary assurance. The Group uses sensitivity analysis and risk modelling to identify the most important assumptions affecting the delivery of the Group's business plans. Project Control Groups are set up as required to focus attention on particular risks.

The Group's approach to risk management is guided by the International Standard on Risk Management, ISO 31000 on Risk Management.

4.4 Environmental and Social Sustainability Risks

There are a number of risks, both specific to Lendlease and more generally to the sectors and regions the Group operates in that could have an adverse effect on achieving our objectives. The following outline provides an overview of environmental, social and sustainability governance risks and how the Group currently seeks to mitigate or manage them.

Strategic Approach

Lendlease has committed to implementing the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) as a key strategy to mitigate sustainability risks and optimise opportunities through cross-functional involvement in robust people and place resilience scenario planning. This work will also contribute to establishing new sustainability metrics and targets that go beyond the current near term focus associated with the Group's 2020 performance targets for energy, water and waste. The new targets will address sustainability related elements beyond energy, water and waste, including social and sustainability governance issues.

In addition to the Group's commitment to TCFD, work has been undertaken over the past 12 months to review and reposition our sustainability framework, to align strongly with business purpose and be focused on the management of risks and optimisation of opportunities associated with sustainability issues material to our business.

Our approach to TCFD will be aligned and integrated with the sustainability strategy to strengthen the Group's overall approach to core business strategic planning and risk management activities.

Environment

The built environment is estimated to account for 30 per cent of greenhouse gas emissions (up to 80% in our cities), 30-40% of energy use and consume around a third of the world's raw materials. Lendlease has the opportunity to contribute to a sustainable property industry that actively protects and improves the environment. Designing, building and operating places with lighter environmental footprints, investing in renewable energy and materials, using less water, producing less waste and promoting environmental efficiency and awareness for our offices, projects, developments and assets under management is a key part of the sustainability framework.

Social

The concepts of social licence, good corporate citizenship and inclusive growth are a strong focus for investors. To manage the risk associated with not attaining these, we have integrated them into the heart of our sustainability strategy. Group support a range of strategic initiatives to position Lendlease well, to be able to leverage the value intrinsically linked to these concepts. Key areas of focus remain skilling, training and education, and health and wellbeing.

The skills and experience of our people, as well as our supply chain, influence our ability to deliver complex projects, as well as the Group's strategy. One factor that influences our exposure to this risk is our approach to training, skills and employment. This is a material element of our approach to business. Lendlease has a number of leading examples of skilling and education programs, which create access to skilled trades and labour, as well as leadership and development programs for our people, all of which contributes to the economic inclusion of the places we create and the communities in which we operate.

Investing in education, skills, training and employment so that the Group can attract great people drives a competitive advantage both in securing new work, as well as progressing against our strategy.

We have also recognised the importance of investing in the health and wellbeing of our people and creating places that support the health and wellbeing of the community. Supporting the wellbeing of our people helps to attract and retain the best people, in addition to improving productivity and morale. We now also apply these concepts to the design and delivery of the places we create, to contribute to positive community outcome and legacy.

Governance

As the Group continues to grow and evolve, we are aligning our approach to environmental and social risks across the governance of our supply chain to achieve our aspirations and targets.

We work closely with suppliers so that they are able to demonstrate compliance with environmental, social and human rights considerations. Suppliers are expected to have policies and records consistent with the requirements of Lendlease's Environment and Health and Safety Policies. We also expect our suppliers to have an Environmental Management System that ensures compliance with our global standards of operation and minimal impact on the environment. The environmental performance of any supplier and the sustainability of products and services is considered in the Group's selection process.

Further information on sustainability risks and opportunities and how risks are managed by the Group, can be found at www.lendlease.com in the sustainability section and in the Annual Report on pages 50 to 59.

Corporate Governance Statement *continued*

4.5 Key Policies

In addition to Board delegated Limits of Authority, a number of key global and business unit specific policies govern the way Lendlease conducts its business and manages material business risks. These policies (including the Risk Management Policy) are available at the corporate governance area of the Lendlease website at www.lendlease.com.

4.6 Integrity in Corporate Reporting

When the Board considers the statutory half year and full year financial reports for the Group, written certifications regarding the integrity of those financial statements and the Group's risk management and internal control systems are provided by the Group CEO and Group CFO.

For the year ended 30 June 2018, the Group CEO and Group CFO have declared in writing to the Board that in their opinion:

- the financial records of the consolidated entity have been properly maintained;
- that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity; and
- that this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Since 30 June 2018, nothing has come to the attention of the Group CEO or the Group CFO that would indicate any material change to any of the statements made above.

The Group's senior management has also reported to the Board on the effectiveness of the management of material business risks for the year ended 30 June 2018 and this has been reviewed by the Board.

4.7 Internal Audit Function

The Group has an Internal Audit function to provide the Board and senior management with assurance around internal controls through the conduct of advisory audits and business integrity reviews. The function is independent of the external auditor and is structured to manage reviews from a regional and global perspective. The function is led by the Group Head of Internal Audit who reports to the Group CFO and also has a direct reporting line to the Risk Management and Audit Committee. The role of Internal Audit is to provide objective assurance to the Risk Management and Audit Committee and senior management that operations and functions are efficient and effective, and that processes are operating in a robust control environment. The Group Head of Internal Audit attends and reports at each Risk Management and Audit Committee meeting on audits and reviews conducted during each quarter. The Group Head of Internal Audit meets with the Chair of the Risk Management and Audit Committee on at least a quarterly basis.

4.8 External Auditor

KPMG is the external auditor of Lendlease and its controlled entities. In 2013, the Board commenced a tender process for the role of external auditor for the Group. A thorough process was undertaken, including the appointment of former ASIC Chairman Alan Cameron, AO as Probity Officer to oversee its robustness and independence. At the conclusion of the audit tender process, it was announced that KPMG would continue as the Group's external auditor.

In considering retaining KPMG as the existing auditor, an appropriate balance was required between ensuring audit independence and maximising audit quality. The Group is a large listed company, operating in a complex environment with complex business structures and operating models. KPMG has invested significant time and effort to understand the Group's operations and the cumulative knowledge of Lendlease obtained by KPMG over many years cannot be underestimated.

Performance Management

The Risk Management and Audit Committee has the responsibility to oversee and appraise the quality and effectiveness of the audits conducted by the external auditor. The external auditor attends each meeting of the Committee and twice a year, time is set aside so that the committee can meet with the external auditor without management present. The Committee Chairman meets with the external auditor at least quarterly, also in the absence of management.

Selection, Appointment and Rotation

The Risk Management and Audit Committee is responsible for making recommendations to the Board as to the selection, re-appointment or replacement of the auditor and the rotation of the lead audit partner. The lead partner is rotated every five years. Duncan McLennan was appointed by KPMG as the lead audit partner with effect from 1 July 2016.

Provision of Non Audit and Other Services

Lendlease has a comprehensive policy to ensure that services provided by the external auditor do not impact or have the potential to impact upon their independence. All non audit services need to be approved by both the Chairman of the Risk Management and Audit Committee and the KPMG lead partner so that the proposed arrangement does not, or will not be viewed as compromising KPMG's independence.

Under the terms of the policy the auditor should be appointed for other service engagements only where it is best suited to undertake the work. The policy further provides that the auditor should not provide services having the potential to impair the independence of its role. Generally these include the following services:

- Bookkeeping, preparation of, and other services in relation to, accounting records and financial statements;
- Design and implementation of financial information systems or financial controls;
- Valuation services, appraisals or fairness opinions, where the results are material to the financial statements or where the external auditor would be required to audit those statements or opinions;
- Outsourced internal audit services;
- Secondments;
- Recruitment and other human resources services, including international assignee services;
- Actuarial services;
- Management functions;
- Legal services;
- Taxation advice of a strategic or tax planning nature;
- Broker-dealer, investment advisor or investment banking services;
- Work that is remunerated through a "success fee" structure;
- Expert services unrelated to the audit; and
- Work that involves the auditor acting in an advocacy role for the Group.

The Group Chief Financial Officer and the auditor are each required to provide a statement that the non audit assignment will not impair the auditor's independence. During the year, KPMG, the Company's auditor, performed certain other assurance services in addition to its statutory duties.

The Board has considered the other assurance services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those assurance 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 assurance services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The other assurance 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.
- Apart from conducting the external audit of the Group and undertaking other assurance services, KPMG were not retained to undertake any other assignments of any kind for the Group.

Auditor's Independence

The external auditor is required to provide to Lendlease a written declaration that, to the best of the auditor's knowledge and belief, there have been no contraventions of the auditor independence requirements set out in the Corporations Act or any applicable code of professional conduct in relation to the conduct of the audit.

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act has been included in the Directors' Report at page 136 of the Annual Report.

Fees

Fees paid to the auditor during the financial year are detailed in the Financial Statements.

Attendance at Annual General Meeting

The external auditor is required to attend the AGM and will be available to answer any questions on the conduct of any audits and the preparation and content of the auditor's report. Duncan McLennan will be in attendance at the 2018 AGM.

5.0 Governance Policies

Relevant governance documents (see www.lendlease.com)

- External Communications and Continuous Disclosure Policy
- Securities Trading Policy
- Code of Conduct
- Political Donations Policy

5.1 Securityholder Communications and Continuous Disclosure

The Group has an External Communications and Continuous Disclosure Policy so that Lendlease complies with the continuous disclosure obligations set out in the ASX Listing Rules.

The Policy explains the continuous disclosure obligations of Lendlease, the procedure to be followed when information needs to be disclosed to the market, contains guidance on how to identify information which may fall within the disclosure requirements and the consequences of breaching the Policy. The Policy sets out the protocols applicable to Directors, executive officers and employees so that Lendlease complies with these continuous disclosure obligations.

The Policy also sets out management accountabilities so that the market is fully informed as well as procedures governing analyst briefings and public comment by Group spokespersons.

The Corporate Disclosure Manager is responsible for employee education on continuous disclosure obligations, external communications, monitoring of market information in relation to Lendlease, maintaining records of information released to the market and that information on the Lendlease website is up to date.

Communications with Securityholders

Lendlease also recognises that whilst there is a legal obligation of disclosure there is also an ethical obligation to securityholders to maintain investor confidence through full and timely communication and disclosure to securityholders and the market.

The External Communications and Continuous Disclosure Policy is designed to facilitate this objective, and promotes effective communication with securityholders by stating that information that may otherwise be important to a securityholder, such as information about the Group's activities, is available to investors in a timely and readily accessible manner.

Any announcements made on the ASX are posted on the Lendlease website as soon as practicable following confirmation of receipt by the ASX.

The Lendlease website is the key information dissemination point to the broader market and includes all announcements made to the market, copies of current and past annual and half year reports and other presentations or market briefings made to analysts or institutional investors. In 2017, the Investor Relations team enhanced its approach to facilitate more effective communication with investors by:

- Introducing a webcast only format briefings for full and half year results;
- Scheduling formal site visits with investors as required; and
- Introducing market briefing sessions with regional CEOs.

Lendlease also released its third Integrated Annual Report to more clearly communicate how we create value for our securityholders.

Throughout the year, Investor Relations engages in domestic and international roadshows to meet with existing and potential securityholders. The investor communication program has been put in place to facilitate and encourage effective two-way communication with investors. In addition, securityholders are provided with the option to receive communications from, and send communications to, the Investor Relations team and the share registry electronically. Contact details are available on the Group's website and all communications sent to securityholders from the share registry.

Annual General Meeting

The Annual General Meeting (AGM) is the primary opportunity for securityholders to meet face-to-face with the Board and senior executives. The meeting provides an update to securityholders on the Group's performance and offers an opportunity for securityholders to ask questions and vote on important matters affecting the business. Lendlease encourages participation at the AGM and securityholders are invited to submit questions ahead of the AGM by completing the relevant form accompanying the Notice of Meeting or submitting questions electronically through the share registry. Directors also make themselves available after the formal part of the AGM to meet with securityholders. Senior Executives of the Group attend the meeting and are available to answer questions that securityholders may have.

For securityholders who are unable to attend in person the proceedings of the AGM are webcast live on the Lendlease website and later archived for three months. Presentations made at the AGM are also available on the website for access by interested stakeholders. Copies of the speeches delivered by the Chairman and the Group CEO and the outcome of voting on the items of business are released on the ASX. In addition, representatives of the media are invited to attend the AGM to enable a report of the proceedings to reach as wide an audience as possible.

Corporate Governance Statement *continued*

5.2 Lendlease Core Values and Code of Conduct

Code of Conduct

The Core Values of Lendlease underpin how the Group does business, how it interacts with stakeholders, and how its people operate in the workplace. The Core Values are promoted across all of the Group's businesses and can be found in the Annual Report on page 10.

Code of Conduct

The Lendlease Code of Conduct which is endorsed by the Board, sets out the standards of conduct expected of our businesses and people, regardless of location. It applies to all Directors and employees of Lendlease and operates in conjunction with our Core Values and the Employee Conduct Guide. A copy of the Code of Conduct can be found on the Lendlease website.

Employees are encouraged to apply the following "Lendlease Test" when in doubt as to whether any action might breach the Code of Conduct:

"Would I be willing to see what I'm doing or about to do described in detail on the front page of a national newspaper to be read by family and friends?"

Employees must not undertake any action that fails the "Lendlease Test" even if it is not expressly prohibited by the Code of Conduct.

The Code is supported by various global, regional and local business unit policies and procedures. The Employee Conduct Guide summarises what is expected of employees in relation to the Core Values and Code of Conduct, as well as our Group policies and procedures. Completion of the Employee Conduct Guide e-learning training program, is mandatory for all employees.

Employees of the Group are required to recertify their Employee Conduct Guide training on an annual basis.

Guiding Principles

Health and Safety, Sustainability, Diversity and Inclusion and Customer Focus are the four principles that guide our thinking, actions processes and benchmarks. These principles differentiate Lendlease and are non-negotiable across the business.

Code of Conduct Breach Reporting

The Code of Conduct Breach Reporting Policy supports the Code of Conduct and provides a mechanism for employees to raise concerns about unethical or illegal business conduct, including behaviour which seems to depart from the Core Values or Code of Conduct. This policy applies to all officers, employees and contractors of the Lendlease Group in all jurisdictions where the Group operates.

The action taken to investigate disclosures under this Policy depends on the particular circumstances.

The Policy also offers protection to anyone who reports concerns in good faith. If an individual's identity is disclosed during the investigation process, the individual will not be disadvantaged in their employment by any Group company.

5.3 Conflicts of Interest

Lendlease has systems and protocols in place to identify a conflict of interest and a framework for managing conflicts. A variety of measures have been adopted to manage conflicts of interest including Group policies, systems, lists and appropriate disclosures. Directors are required upon their appointment to disclose to Lendlease any interests or directorships which they have with other organisations and update this information if it changes during the course of the directorship. Directors and senior executives are also required to identify any conflicts of interest they may have in dealing with the Group's affairs and refrain from participating in any discussion or voting on these matters. Directors are required to raise with the Company Secretary any matters that may give rise to a conflict of interest. Directors who have a conflict will not receive the relevant Board paper and are not

present for the part of the Board meeting where the matter is considered.

General guidelines in relation to managing conflicts of interest can be found in the Code of Conduct, and a range of procedures designed to ensure compliance have been implemented at a Group and business level.

5.4 Trading in Lendlease Securities

The Lendlease Securities Trading Policy sets out the circumstances in which Directors and employees may deal in Lendlease securities. The policy complies with the requirements of the ASX Listing Rules in relation to Securities Trading Policies.

The Policy restricts all employees from dealing in Lendlease securities between the close of the financial year, or half year, and the next business day after the announcement of Lendlease's results.

The policy includes additional requirements for Directors and Designated Executives who must not deal in Lendlease securities in any period other than:

- the six week period commencing on the business day following the announcement of the annual results;
- the six week period commencing on the business day following the announcement of the half year results;
- the six week period commencing on the business day following the Annual General Meeting;
- a period during which Lendlease has a current prospectus or other form of disclosure document on issue under which persons may subscribe for Lendlease securities; or
- any other period determined by the Board, in advance, to be an open window period.

The policy requires Directors to seek the Chairman's approval prior to any dealings in Lendlease securities. Directors must also promptly provide details of any trade to the Company Secretary for disclosure to the ASX. Designated Executives must notify the Group General Counsel or Company Secretary prior to any dealings.

The policy reinforces the insider trading provisions of the Corporations Act. Trading in securities when in the possession of inside information that is not generally available to the public is prohibited at all times. The policy explicitly states that dealing in securities or procuring or communicating with others in relation to securities at any time is prohibited if it would be in breach of the insider trading rules.

Directors and Designated Executives must obtain the consent of the Chairman (or in his or her absence the Chair of the Risk Management and Audit Committee) and the Group General Counsel prior to entering into transactions or arrangements that operate to limit the economic risk of vested entitlements to Lendlease securities, including margin loan arrangements. Transactions or arrangements must not be entered into other than during the prescribed trading periods.

5.5 Political Donations

The Lendlease Group Political Donations Policy sets a firm and consistent standard across the Group with the aim of maintaining public confidence in the Group and its relationships with governments and community leaders.

Lendlease does not make party or campaign donations, whether in cash or kind, to political parties or individuals holding, or standing for, elective office. In 2018, the Political Donations Policy was updated to allow authorised senior employees and representatives to:

- attend a limited number of political fundraisers and events on a non-partisan basis, operating within a strict governance and approval framework; and
- engage with pre-approved political party aligned policy institutions and think-tanks on an as required basis to work on policy areas of mutual interest.

Breaches of the Political Donations Policy are regarded as serious misconduct. The full policy is available on the Lendlease website.

5.6 Employee Transactions Policy

The Lendlease Group Employee Transactions Policy was approved by the Board in November 2016 and has been developed to permit directors and employees of Lendlease to purchase product developed and sold by Lendlease, whilst endeavouring to maintain a framework that allows objectively fair access to Lendlease product as between Lendlease customers and employees. There is one policy across the whole Group covering transactions whereby a Lendlease Employee acquires Lendlease Product anywhere in the world. The policy sets out a formal process applying to Employee Transactions, in order to ensure conflicts are appropriately and objectively managed.

The key tenets of the Policy are as follows:

- No priority of release of product to employees before the public
- Favourable provisions for employees which are reversed if they cease to be an employee:
 - Up to 50 per cent of the standard deposit rate
 - Up to an extra one month settlement time
 - A discount up to the amount of any agent's deposit otherwise payable, on the basis it is tax neutral to Lendlease
- Employee purchases within a particular category of product and within each stage release to be limited to 20% by number
- No more than two purchases by an individual employee in any one calendar year
- Employee to hold any property purchased from Lendlease for 24 months post completion of acquisition

Importantly, the policy sets out a formal process applying to Employee Transactions, in order to ensure conflicts are appropriately and objectively managed.

6.0 Diversity and Inclusion Governance

Relevant governance documents (see www.lendlease.com)

- Diversity and Inclusion Policy
- Sustainability Committee Charter
- Personnel and Organisation Charter
- Nomination Committee Charter

6.1 Diversity at Lendlease

Lendlease is committed to providing an inclusive workplace, where all employees can be their true and best self at work. We encourage and embrace diversity and inclusion in thought and experience, building stronger teams and better outcomes. Our global inclusion strategy is focused on gender equity, flexibility at work and inclusive leadership.

Lendlease has measurable objectives for gender diversity, shown below:

- Three out of eleven Board Directors are women;
- At a senior management level, three women are on the Global Leadership Team; and
- For the year ended 30 June 2018, 31 per cent of our employees are women and 22.1 per cent of Senior Executive positions are held by women.

We define Senior Executive to be an employee who holds 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.

The Group most recent 'Gender Equality Indicators' as defined in and published under the Workforce Gender Equality Act can be viewed at www.wgea.gov.au

The Board assesses on at least an annual basis, the measurable objectives and the progress in achieving them. To encourage greater representation of women at senior levels, Lendlease continues to develop initiatives targeting an improvement in gender diversity including refinement in recruitment processes, expansion in career and leadership development and mentoring. These are regularly reported on and monitored by the Lendlease Board.

6.2 Diversity and Inclusion Policy

The Board fully supports diversity and inclusion and has a Diversity and Inclusion Policy which is available on the Lendlease website. The People and Culture Committee is responsible for overseeing the Group's diversity strategy and its progress towards achieving the Group's measurable objectives.

The Board plays an active role in Lendlease's diversity and talent agenda and hosts regular networking forums with groups of high potential and diverse employees. The forums may involve presentations and Q&A sessions from high potential and diverse employees, roundtable sessions and formal networking dinners.

6.3 Diversity Governance

Diversity and Inclusion Councils are comprised of executives from across the Group. Diversity councils facilitate a diverse, collaborative and inclusive culture. They provide the opportunity for discussion on ways to increase diversity and achieve best practice in terms of diversity policies. The diversity councils also oversee the activities of regionally based Employee Resource Groups. These groups have been set up to represent a diverse range of employees such as age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

Further information on diversity and inclusion at Lendlease can be found in the Annual Report on page 48.