Renewal

Lendlease
Annual Report
2022

Front cover:
London
Elephant Park

This page:
Milan
Milan Innovation District (MIND)

Artist's impression

Contents

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

About this report

The 2022 Lendlease Annual Report 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 in the following ways:

- Project Control Groups (PCGs), which include key internal stakeholders and represent the governance structure for overseeing the completion of the Annual Report
- Capturing feedback from key external stakeholders including securityholders, analysts and other relevant groups
- Engagement with the Board
- Confirming the strategy is consistent and relevant

The outcome of these processes are the material issues noted on pages 32 and 33 in Managing and Measuring Value and in Our Business on pages 12 to 17.

Directors' Report and Operating and Financial Review (OFR)

The required elements of the Directors' Report, including the OFR, are featured on pages 4 to 106 of this Report and include the sections: Year in Review; Our Business; Renewal; Our Focus Areas; Risk and Climate-related resilience; Performance and Outlook; and Governance.

The OFR is covered specifically on pages 4 to 63. All non-financial metrics included in the Directors' Report on pages 4 to 55 have been verified through Lendlease's internal verification process.

The Remuneration Report on pages 78 to 103 and the Financial Statements on pages 107 to 174 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**
  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, detailed segment information, investment portfolio, major urban projects and pipeline
- **www.lendlease.com**
  Additional information on sustainability reporting, corporate governance, tax compliance and historical financial information.

Five focus areas underpin our ability to create safe, resilient, economic and sustainable outcomes. Our success is measured by the value we create in these areas. Icons are used throughout this Report linking our activities to this value creation.

Focus areas

Health and Safety

Everyone has the right to go home safely. We remain committed to the health and safety of our people, and all 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 purpose: Creating places where communities thrive.

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.

Shoreline yarn, on Quandamooka Country and Danggan Balun Country

Acknowledgement of Country

We acknowledge the Traditional Custodians of the land and pay our respect to them and their Elders past and present.

As a business that works across many locations, we have a responsibility to listen, learn and walk alongside First Nations peoples so that our activities support their ongoing connection to their lands, waters, cultures, languages and traditions.

We value their custodianship of 65,000 years.

Lendlease's global headquarters are in Australia where our Reconciliation Action Plan (RAP) commits us to Acknowledging Country. The RAP is one way we demonstrate our operational performance on human rights, and specifically the rights of First Nations peoples.

London
Elephant Park

Year in Review

The past year has seen a significant resetting of the organisation with both our talent and financial capital increasingly directed towards leveraging the Group's core capabilities.

We have simplified our operating structure, reduced our cost base, exited non core businesses, and enhanced our market disclosures. All while continuing to be challenged by ongoing COVID disruption. Importantly, our teams have embraced our new operating model and the greater ownership and accountability it provides.

We remained disciplined and true to our strategy, securing and converting projects in global gateway cities. We also established new investment partnerships that are expected to contribute to the acceleration in development activity and grow our funds under management.

Chairman's Report

As an international real estate group operating in targeted gateway cities globally, Lendlease is well positioned to understand and respond to the changing nature of cities. Cities have always evolved, but will remain the engine of economic, social and cultural life.

Throughout the period our gateway cities remained resilient despite emerging geopolitical issues, the lingering community health and social instability of the pandemic, and the continuing impacts of climate change.

Our operations have been impacted by these challenges, but the organisation has been able to anticipate, mitigate and adapt to reset our business for future growth.

First term as Chairman

Now that I am in my second term as Chairman, I have reflected on the progress we have made over the last three years.

On becoming Chair, my immediate priority was to lead the Board in a strategic review of the business, which resulted in the Engineering and Services businesses being deemed non core. Plans were enacted to separate them from the Group, with both businesses now divested.

Simultaneously, a comprehensive review of the Board's governance practices identified opportunities to enhance the effectiveness of Board processes. Changes were implemented to increase the focus of the Board on strategy, reputation, customer and our people.

Two new directors, Robert Welanetz and Nicholas Collishaw, strengthened the Board's experience in real estate investment and development. Nick, along with David Craig and Nicola Wakefield Evans, are seeking re-election at the 2022 Annual General Meeting. The Board remains committed to appointing directors with deep experience in our core sectors and expects to appoint an additional Non executive Director in FY23.

Tony Lombardo was appointed Global Chief Executive Officer in June 2021 and oversaw executive leadership changes and the refresh of the Group's strategy and organisational structure. The strategy to leverage our competitive advantage in the urban renewal of large-scale, mixed-use projects and to grow the investments platform remains at the centre of our five year roadmap. A streamlined operating structure supports the execution of the strategy, with increased transparency in our reporting.

We acknowledge it has been a difficult period for our securityholders. On behalf of the Board, I recognise we have more to do in rebuilding confidence. However, the decisions we have made in the last few years have made a difference. The Group is well on the way to meeting its medium term investment and development targets, while maintaining delivery excellence in construction. I am confident this will lead to future cash generation, which should deliver sustainable growth in securityholder value over time.

Health and Safety

The health and safety of our people, our subcontractors and the communities in which we operate remains our number one priority. We are deeply saddened by the fatality of a subcontractor on one of our construction sites in New York, in an area under subcontractor management. Our sincerest condolences are extended to the family and colleagues of the young man who lost his life. It is a sombre reminder of the importance of our focus on safety for all people who interact with our places. It is also why Lendlease goes well beyond industry practice for reporting fatalities.

Our safety culture, which instils pride among our employees, is exemplified by the implementation of innovative solutions. For example, the improvements we have made to the perimeter screens on steel framed buildings has set the industry standard in reducing the risk of falls from height for workers and materials. Further details on health and safety are provided on page 34 of this Report.

Financial result

Lendlease reported a Statutory Loss after Tax of $99m. This comprised a Core operating profit of $276m, a loss for Non operating items of $333m and a Non core loss of $42m. While disappointing, the outcome reflects the challenging global operating environment and the decisions we flagged to the market in August 2021 that we would be taking to reset the Group for future growth and the refocus of our digital activities.

Core operating profit of $276m was down from $377m in the prior year with lower Development segment earnings, in part due to a revised approach to joint venture arrangements, more than offsetting a strong recovery in the Investments segment. While the financial performance was subdued, a recovery in operating momentum is expected to result in improved financial performance over coming years. Full year distributions of 16 cents per security reflects a payout ratio of 40 per cent on Core operating earnings per security.

Our refreshed executive leadership team has simplified the business, created a leaner organisation and improved expected returns as a result of a reduction in annualised overhead costs of approximately $170m and redirecting capital. Restructuring costs associated with these changes were $342m after tax and include allowances for employee redundancies and tenancy exit costs and development impairments on a small number of underperforming projects. The impairment of intangibles relating to our Digital investments was $55m after tax.

The Non core loss primarily reflects costs associated with the exit of the Services business. We have maintained provisions we consider to be appropriate to complete our share of the retained Melbourne Metro project and for potential warranties associated with the now exited Engineering and Services businesses.

The Group entered FY23 in a strong financial position with a healthy pipeline of work, cash and cash equivalents of $1.3b and gearing of 7.3 per cent. The strength of our balance sheet positions the Group to increase development activity and grow the investments platform.

Sustainability

Businesses must have a clear purpose aligned to a long term strategy for shared value creation to achieve sustainable success. This is reflected in our purpose statement, *creating places where communities thrive.* Living our purpose means we help to create the best places for customers and the communities we serve, inspire our people, preserve our

Strategic actions to refocus the Group, along with a recovery in operating momentum, are expected to drive an improved financial performance.

culture, and deliver sustainable growth for our securityholders.

We are proud of our leadership position on environmental sustainability. Our goal is not only to eliminate the use of fossil fuels across our business but also help transform the real estate sector. Decarbonisation mandates have been implemented as we work towards our Net Zero scope 1 and 2 emissions targets by 2025. Initiatives include the use of renewable diesel, the design of all electric buildings, and the switch to 100 per cent renewable electricity for operating assets in Europe. We have also made progress on scope 3 emissions through various supply chain partnerships. Further details on sustainability are provided on page 42 of this Report.

From a social sustainability perspective, we have created more than $100m of social value since launching our target of $250m by 2025 two years ago. Our 'shared value' partnerships focus on creating measurable social value by addressing the needs of communities. These include: our partnership with the Australian Red Cross in supporting the delivery of cultural programs, health and wellbeing initiatives and disaster preparedness in remote Australian communities; and Programma 2121 which offers training and paid internships for offenders in the Italian prison system. In addition to our shared value partnerships, we continued to embed commitments to First Nations engagement through our Elevate Reconciliation Action Plan.

Board program

The Board program, in addition to its regular cadence of meetings this year, expanded to reflect the broader range of both operational and strategic issues which required oversight.

While some engagement activities were restricted by the pandemic, the Board was able to assess our Asian operations in person while other parts of the program were maintained virtually. This enabled the Board to engage in programs in all four operating regions – including site tours (physical and virtual), project reviews, interactive employee roundtables, leadership discussions and engagement with external stakeholders. The Board firmly believes these activities, in addition to our formal meetings, are critical for corporate governance. More detail on aspects of the Board's engagement is provided on page 72.

Looking to the future

Following a year focused on resetting the organisation and rebuilding momentum, the Group has a clear pathway to meet its financial and operational targets by FY24. We expect FY23 to be a recovery year with further operating momentum and improved financial performance.

The recovery of global gateway cities is increasingly evident and is reflected in the operating momentum across the Group. Our investment partners share this conviction with a record amount of development Work in Progress, supported by our construction delivery capability.

The external environment will remain challenging, notably geopolitics and monetary policy settings. The Board will closely monitor these, including the potential impacts on our supply chain, broader inflation and implications for our products and services.

I would like to thank my Board colleagues and the entire Lendlease team for their continued dedication in navigating the challenges of a global pandemic and the resetting of the organisation. We are now well positioned to create long term value for securityholders.

M J Ullmer, AO
Chairman

Global Chief Executive Officer's Report

My thanks to our securityholders, customers, partners, people and the community for your continued support.

During the past year our operating environment remained challenging. COVID continued to impact our regions and geopolitical uncertainty generated widespread volatility in global markets.

Despite these headwinds, we made significant progress in resetting our company for future growth. We entered the new financial year with a renewed sense of optimism, reflected in solid operating momentum across the Group.

Business renewal

Delivering the very best real estate products and services drives our purpose. Just as the cities in which we operate undergo constant renewal, so must Lendlease.

In 2021, I announced our five-year roadmap: *Reset; Create; Thrive* to enhance the way we operate to deliver sustained performance.

This year, we implemented the first phase, *Reset*. A new streamlined company structure generated more than $160m in ongoing cost savings and the refreshed management team and simplified operating model has enabled more nimble decision making and increased accountability.

Several portfolio divestments supported the focus on our core business and strengthened the Group's balance sheet. More than $1b of capital was recycled including the exit of the Services business, the reduction of our investment in Retirement Living and the introduction of a partner into our Military Housing portfolio.

We also committed to enhancing our financial and non financial disclosure, and providing greater visibility on our contribution to economic, environmental, and social value creation. All three are critical to restoring securityholder confidence and value.

Responding to real estate trends with a focused business model

The COVID pandemic has had a profound impact on all facets of life. Following its onset, we remained steadfast in our conviction that cities would endure and continue to be the centrepiece of modern society for generations to come. The past couple of years have taught us that the value of human connection, and a sense of belonging, is immeasurable.

We move to the *Create* phase of our roadmap in better shape to deliver places and precincts that draw people in while also addressing urban challenges.

We aim to be an investment led company that responds to continued strong institutional investor demand for real estate. We are scaling up our investment and asset management teams to further grow our product offering, enhance the value of the assets we manage and provide investors with recurring income streams.

Our teams will pursue resilient and sustainable development schemes that leverage our capabilities in placemaking and enhance urban connectivity. The workplace of the future needs to adapt to both employee expectations and employers needs for talent retention, collaboration and fostering corporate culture.

Central city residential markets have begun to recover strongly with residents looking for improved amenity and additional spaces to connect.

In the construction sector, our goal remains to be a market leader, maintaining the right capability to support operational excellence. We will be more selective by targeting customers whose values align to ours.

Financial and operating performance

As foreshadowed at the beginning of this financial year, addressing legacy issues, and combating the ongoing impacts of a global pandemic suppressed our financial performance. This was reflected in a substantial statutory loss and a modest core profit. However, financial performance rebounded in the second half, providing momentum into FY23.

The Investments segment performed above target, underpinned by capital recycling. Funds under management grew to $44b and $11b of investment partnerships were established during the year. This includes our pivot to acquiring existing secondary assets on market that utilise our asset management capabilities.

Development segment returns were below target due to ongoing COVID challenges, severe weather impacts on Communities settlements and our revised joint venture structuring approach which means profit recognition should more closely align earnings with development milestones and cash going forward. Projects available to start total $42b following planning progress. Commencements exceeded completions, taking Work in Progress to a record $18.4b.

Construction segment profit was at the lower end of the target range. Ongoing COVID and global supply chain disruptions, along with challenging weather events all impacted our productivity during the year. The construction workbook remains healthy at $10.5b.

Refer to the Performance and Outlook on page 56 for a detailed analysis of our financial and operating performance.

Our principles drive an ambition to make a difference

A culture of care

Making sure people arrive home safely each day continues to be our highest priority. Tragically, a sub contractor on one of our projects in New York lost his life in September 2021. We once again extend our deepest condolences to the man's family, friends and colleagues and everyone impacted by this event.

We continue to strive to eliminate incident and injury wherever we operate using our refreshed Global Minimum Requirements, or GMRs, as the cornerstone of our global approach to health and safety.

We are extending our culture of care to encompass psychological safety to further support employees.

We made significant progress in resetting our company for future growth and entered the new financial year with a renewed sense of optimism.

Creating a sustainable future
The world is warming at an unsustainable rate. Only through collective global action will we avoid a climate catastrophe. Our carbon reduction targets are among the most ambitious for the real estate sector globally. Industry leadership in sustainability is becoming increasingly valued by our customers and reflected in the rapid increase in demand for sustainable assets.

We're now well advanced on our Mission Zero Roadmaps to eliminate carbon emissions and we're creating significant social value. Our progress against these targets is highlighted from page 42. In addition, Green, Social and Sustainability (GSS) financing now accounts for more than 60 per cent of our total facilities.

Our people are the heart and soul of our company
Without doubt, our people are the driving force of our business and have been resilient in adapting to how they perform their work. We have overhauled our approach to leadership, recognising culture is set from the top. Greater emphasis has been placed on career development, knowledge sharing and alignment with securityholders' interests.

The implementation of a range of new programs, including leadership development, accelerating diverse talent and technical training underpin our investment in people. A commitment to a diverse and inclusive working environment reflects our belief that to thrive as an organisation everyone needs a place where they feel included and valued.

Service and partnering ethos
We have a diverse range of customers – from first homeowners to governments with a civic refresh agenda – who trust us to deliver great outcomes for and with them. It is a privilege to serve and partner with our customers. To remain focused, each year we undertake a broad range of customer listening and insights research to improve our customer experience and outcomes.

Outlook

We have entered the new financial year as a company that is leaner, more agile in responding to customer needs and less distracted by our legacy issues. As the world adapts to COVID, we're witnessing a resurgence in city life that underpins our strategy.

There is now significant operating momentum across the Group, providing confidence in the *Create* phase of our five year roadmap. While more factors are within our control going forward, we will be influenced by the external environment of higher inflation and interest rates.

The Group remains on track to meet our targets of more than $8b in development completions per annum by FY24 and funds under management of $70b by FY26. We will also maintain delivery capability to support both our integrated projects and construction clients. I believe this will create lasting securityholder returns while delivering on our commitment of leadership in health, safety, and sustainability.

Importantly, we have the capacity to fund our share of this significant growth potential while maintaining our financial leverage within target range.

My thanks to our Board, my management team and the people of Lendlease for your unwavering commitment.

Finally, to our securityholders I restate our commitment to restore securityholder returns.

Tony Lombardo
Global Chief Executive Officer

FY22 Snapshot

Singapore
Comcentre
Artist's impression

($99m)
Statutory loss after tax

$276m
Core operating profit after tax

Strong
financial position, gearing 7.3%

$44b
Funds Under Management (up 12%[1])

$18b
record level of development Work in Progress

$10.5b
Construction backlog revenue

31.8%
Leadership positions held by women

Four funds
ranked in the GRESB[2] Global Top 10

>163m
customer interactions

Exceptional
outcomes against safety metrics. Sadly one fatality

>$1b
strategic divestments

1. Comparative period the year ended 30 June 2021.
2. Global Real Estate Sustainability Benchmark 2021.

Sydney
Daramu House,
Barangaroo South

Our Business

Lendlease is a globally integrated real estate group with core expertise in shaping cities and creating strong and connected communities.

For more than 60 years, we have created thriving places. We work with purpose to design, build and curate places people care about and want to be.

We manage funds and assets for some of the world's largest real estate investors. Our experience spans decades and multiple sectors across both listed and unlisted markets.

In partnership with stakeholders, we aim to create social, environmental, and economic value for cities and their communities. We have a proud legacy of creating award winning urban precincts as well as being entrusted with delivering essential civic and social infrastructure.

Guiding our behaviours and underpinning our Code of Conduct are our core values:

- **Respect**
- **Integrity**
- **Innovation**
- **Collaboration**
- **Excellence**
- **Trust**

Vision, purpose and strategy

We create places where communities thrive.

Our vision for the future of the urban landscape is tied to our purpose as an organisation. This purpose centres on forming vibrant and enduring communities that contribute to a more liveable and sustainable future.

We are committed to creating value for all those who interact with us and to making a positive contribution, beyond just the places we create.

The actions we take are driven by an understanding that every decision we make has an impact and must be made in collaboration. Working in partnership with a myriad of stakeholders, we are helping to solve some of the biggest challenges confronting people, cities and the planet.

Strategy

The cornerstone of our strategy is to create the best urban precincts in targeted global gateway cities. Our point of difference is our proven expertise in placemaking and delivering major urban projects through our integrated business model, backed by our financial strength.

Our strategy is underpinned by an ethos that long term value creation is maximised by achieving social, environmental and economic outcomes. This involves collaborating with customers, investment partners, governments and the communities within which we operate.

A key differentiator from other industry players is our end-to-end capability across all aspects of real estate: from concept and planning to design and delivery, through to funding and investment management. This is the essence of our integrated model.

A proven track record of creating large scale mixed use urban precincts has enabled the Group to deepen its expertise and sophistication to become, in our view, the partner of choice for urban regeneration.

'Place' is about peoples' connection to a physical environment and the experiences that trigger both an emotional attachment and a sense of belonging. The unique places we create are carefully designed and curated to meet the needs and aspirations of the people who live, learn, work and play there.

Roadmap to success

This year we announced a five year roadmap: *Reset; Create; Thrive,* designed to extract the most from our strategy. The past year has seen a significant resetting of the organisation as our people and our financial capital has been directed towards leveraging the Group's core capabilities, particularly across urban projects and our investments platform. We have also simplified our structure, exited non-core businesses and reduced our capital in Retirement Living.

Our partnership approach has driven significant growth in our investments platform. Future growth will be underpinned by the investment grade product we expect to create from the development pipeline. In addition, we have the appetite and global capability to launch new products alongside our investment partners.

We are targeting invested capital to increase to $6b in each of the Investments and Development segments by FY26.

We enter the *Create* phase of our roadmap with confidence in our strategic direction. The achievement of two key medium term operational targets; development completions of more than $8b per annum from FY24 and funds under management (FUM) of $70b by FY26, remain on track.

The size of our development pipeline, investment in capability to execute at scale and the resilience of the global cities in which we have a presence, provides us with confidence in achieving our development target.

Investor appetite for the geographically diverse and sustainable product in our development pipeline, as well as deep relationships with global investment partners, underpin our conviction in reaching our FUM target.

Our global operating model provides a framework for implementing best practice consistently, while empowering our teams to lead and innovate. To support our strategic objectives, we are investing in key capabilities with the longer term in mind.

Resilience

We understand cities will need to become more affordable, inclusive and sustainable with a greater focus on transport links, security and workplace flexibility. Our placemaking skills are already adapting to these challenges and the associated changes in consumer, corporate and government behaviour.

Our strategy has been designed to be resilient. The business model, supported by land management structures across most projects, has the agility to ride out market cycles.

Strategic priorities

- Scale investments
- Accelerate development
- Best practice construction delivery
- Leverage competitive edge
- Leadership in sustainability

Employ our placemaking expertise and integrated business model in global gateway cities to deliver urban projects and investments that generate social, environmental and economic value.

Major Urban Projects

We have a global portfolio of 21 major urban projects, each with an estimated end value of more than $1b. For more information on these projects, visit our website.

Americas

- Lakeshore East, Chicago
- 30 Van Ness, San Francisco
- Southbank, Chicago
- 1 Java Street, New York
- San Francisco Bay Area project

Europe

- Euston Station, London
- Silvertown, London
- Milano Santa Giulia
- Milan Innovation District
- Elephant Park, London
- High Road West, London
- Smithfield, Birmingham
- Thamesmead Waterfront, London
- International Quarter London

Asia

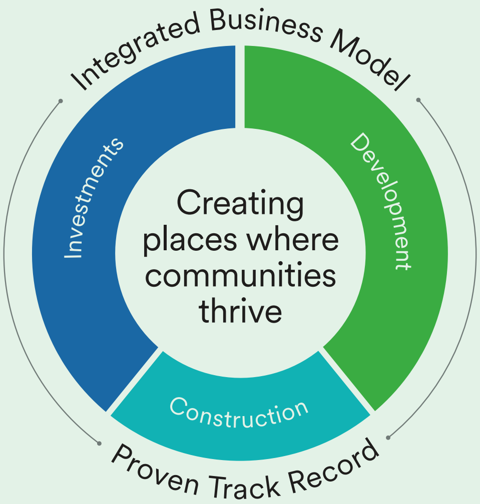
- The Exchange TRX, Kuala Lumpur
- Comcentre Redevelopment, Singapore

Australia

- Victoria Cross over station development, Sydney
- Barangaroo South, Sydney
- Melbourne Quarter
- Sydney Place
- Victoria Harbour, Melbourne

Left to right: all artist's impressions: **Chicago:** Lakeshore East; **London:** Silvertown; **Kuala Lumpur:** The Exchange TRX; **Sydney:** Victoria Cross over station development.

Operating segments



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

Investments

The segment comprises leading investment and asset management platforms and the Group's real estate investment portfolio.

Capability

For decades we have managed funds and assets for some of the world's largest real estate investors.

Our expertise spans unlisted and listed property funds and mandates. We offer a research led investment capability supported by active asset management and leadership in sustainability. Our competitive edge lies in the opportunities we provide to investment partners in accessing the diverse, high quality product created through our integrated model.

Our development pipeline will provide a key source of growth for the Investments segment. This will be supplemented by pursuing other market opportunities with our investment partners.

Platform

- $44b funds under management
- $30b assets under management
- $3.5b investment portfolio

Development

The segment is predominantly focused on the creation of mixed use precincts that comprise apartments, workplaces and associated leisure and entertainment amenities. The Group also develops outer suburban masterplanned communities.

Capability

We manage the entire development process – from securing land, creating masterplans and consulting with communities and authorities through to project management, sales and leasing.

Placemaking is core to our strategy and competitive position. We create places that resonate with people and contribute to the quality and liveability of our cities by working in partnership with governments, institutions, landowners, investors and the community.

Platform

- $117b development pipeline
- 21 major urban projects in nine global gateway cities
- 16 communities projects in Australia

Construction

The segment provides project management, design and construction services, predominantly in the commercial, residential, mixed use, defence and social infrastructure sectors.

Capability

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

Ongoing investment in innovation and technology aims to improve our safety, sustainability and efficiency.

Our Construction segment typically designs and delivers the built form for our urban projects.

Platform

- $10.5b construction backlog revenue
- Key sectors: defence; commercial; social infrastructure; residential
- 61 per cent of backlog revenue for government clients

Investments

$11b
Investment partnerships

$64b
Investment grade pipeline

GRESB
Four funds ranked in the Global Top 10

Development

$18.4b
Work in Progress

$5.9b
Commencements

$4.1b
added to the pipeline, including a new project in Singapore

Construction

$5.3b
New work secured

New projects
Frankston Hospital Redevelopment; Powerhouse Parramatta; 90 Long Acre

100%
Renewable electricity across all Australian building projects

New York
1 Java Street,
existing site

Renewal

The theme of this year's report is renewal, reflecting both the revitalisation of our company under new leadership and the recovery of our gateway cities from the worst pandemic in more than a century.

We've simplified and streamlined; identified clear pathways to improved profitability; renewed our focus on core capabilities; and strengthened our commitment to creating value for our customers and securityholders.

We believe cities will continue to be the lifeblood of human civilisation. Those we target as part of our gateway cities strategy are already rebounding from the social dislocation of COVID.

We have placed renewed focus on the growth of our investments platform. In addition to our extensive development pipeline that will create ongoing investment opportunities in new generation assets, we have launched new products that utilise our property expertise and drive outperformance.

The conversion of our pipeline of urban renewal projects is on track to achieve our development completion targets. Our placemaking skills are well positioned to add significant value for our stakeholders.

Our construction capability is an integral part of our integrated offering, providing certainty and flexibility of delivery. We will continue to focus on delivery excellence for all our customers and investors.

The power of the city

The benefits of urban life, disrupted by COVID, are being restored. Human interaction drives communities, culture and commerce.

In last year's Annual Report, we highlighted the importance of cities. The past year has only reaffirmed our conviction. The value to society of ‘in person’ interaction underpins the dominant role that cities play in the global economy. This should come as no surprise given the thousands of years of evolution that rewarded human connection and collaboration.

The pre-eminence of cities has not been undermined by successive waves of technology. In fact, technological change has enhanced knowledge that is best dispersed through close and personal interaction.

History is marked with significant periodic plagues and pandemics, of which COVID is the most recent. Despite these and other challenges, including natural disasters and economic cycles, cities continue to rebound.

Benefits of agglomeration

The benefits of agglomeration remain as compelling today as they have ever been.

The extensive social infrastructure and amenity that cities offer make them people magnets. Population density provides the scale to support the best educational institutions and healthcare facilities as well as cultural attractions and mass transit. The strong desire for social interaction and experience spurs vibrancy across the retail, tourism and hospitality sectors.

Our gateway cities strategy is founded on the premise that the most desirable cities will continue to be the driving force of economic, social and cultural life.

Resilient cities adapt

COVID, declared a pandemic in early March 2020, has been the greatest global threat this century. The ensuing lockdowns and isolation threw the primary purpose of cities, that is interaction and collaboration, into disarray. This had significant ramifications for the way societies live, work and play.

Top: **Sydney:** Artist's impression, Victoria Cross over station development.
Opposite: **Boston:** Clippership Wharf.

Nearly three years since the onset of the pandemic, cities are springing back to life. There is mounting evidence of a return to normality, or what may be described as the new normal, given an acceleration in some societal trends that were already well underway.

How we live: Central city residential markets witnessed the fastest recovery of all sectors in terms of occupancy and rents. Approximately one per cent of residential properties are vacant across New York City, a record low. There are similar trends in inner parts of London with asking rents up 25 per cent from their low point. Inner city vacancy rates across the East Coast cities of Australia are at or below pre-COVID levels.

How we play: The rebound in leisure and hospitality has been strong. Visitations across retail centres in our global gateway cities are trending towards 2019 levels and restaurant reservations are approximately 10 per cent above pre-COVID levels. Cultural and sporting events have returned with theatres playing to full houses and major sports taking place in front of capacity crowds. The recovery underway in international tourism is expected to further benefit gateway cities.

How we work: The return to office lags most other aspects of global cities’ recovery from COVID. While mobility data is much improved, it remains markedly lower than prior to the pandemic. CBD workplace attendance is 10-30 per cent below pre-COVID levels across our gateway cities. We expect a gradual recovery to continue. For insight into shaping workplaces of the future, refer to page 25.

88%

of the population in high income countries is expected to be residing in urban areas by 2050[1].

1. Executive Outlook on Cities and Strategy 2030: Mykhnenko et al, University of Oxford, 2021.

An eye to the future

As an integrated real estate group with projects that often span several property cycles, we take a long term view. In 2009 we committed that Barangaroo South would be a carbon neutral precinct. That vision was realised in 2020, with Barangaroo South recognised as the first carbon neutral precinct in Australia.

A recent Oxford University-Protiviti[1] survey revealed that business leaders share a very positive view on the increasing importance of cities given their concentrated pools of labour, skills, new talent and knowledge. Almost two thirds believe that by 2030 the role of cities will be more important for their businesses, compared with just six per cent who believe they will be less important.

The survey results indicate that first tier, larger and specialised urban economies will benefit most and will increase in importance for business operations. This aligns with our strategy to have a presence in gateway cities that demonstrate the most favourable prospects for long term outperformance.

The upside of urban renewal

A holistic approach to urban renewal is critical for cities to adapt and become more productive, liveable, affordable and sustainable. Higher urban density is linked to improved:

- Economic performance through higher wages, more innovation and lower costs of public service provision
- Wellbeing via social connection, as evidenced by growing mental health challenges experienced through the pandemic isolation
- Environmental outcomes via lower pollution and energy consumption.

Transport infrastructure typically determines the urban form of cities and shapes their evolution – think of the two hubs of New York City with Downtown evolving around the port and Midtown shaped by the rail terminals.

Sydney is currently in the throes of a rail infrastructure boom with the network set to grow to 338 stations. This provides for a more rapid evolution of the urban environment to create a more liveable, productive and sustainable city.

A recent Committee of Sydney study[2] indicated that station precinct development could provide almost half of the new dwellings required to meet Sydney's expected population growth over the next two decades.

It is these types of opportunities across our targeted gateway cities that play to our strengths. Collaboration among government, the private sector and local communities is a must to achieve desired outcomes.

Our global reach, placemaking capabilities, integrated business model and partnering approach all combine to provide a unique skill set.

1. Executive Outlook on Cities and Strategy 2030: Mykhnenko et al, University of Oxford, 2021.
2. Rethinking Station Precincts - How to create great precincts around rail stations and why this matters for Sydney: Committee for Sydney, April 2022.

Growing our investments platform

Our long term strategy is to significantly grow our investments portfolio and over time, we expect more than half of Lendlease's invested capital will be allocated to the Investments segment.

A Lendlease fund has been the world's most sustainable office fund for seven of the last eight years.

For decades we have been trusted with managing funds and assets for some of the world's largest real estate investors.

We are targeting funds under management (FUM) of greater than $70b by FY26, up from $44b. This is expected to require approximately $6b of invested capital, and entails investing alongside partners in our existing funds, in addition to the launch of new investment products.

A strong foundation

Our investments platform provides a strong foundation to build global scale. We have decades of experience managing real estate assets with trusted fiduciary and governance structures, and our expertise spans multiple sectors in both the listed and unlisted markets. We currently manage 38 funds and mandates.

In addition to the high quality and sustainable product created from our development pipeline, we have expertise in generating value through asset management.

Top: **Sydney:** International House (Sustainable office)

Building a scale platform

Our development pipeline is anticipated to provide approximately two thirds of the growth towards our FUM target. This includes:

- **Sustainable office:** we have a strong track record of creating some of the most sustainable Premium and A grade office buildings and manage more than $23b in FUM.
- **Apartments for rent:** we have completed residential for rent product in the US and UK and now have almost $3b in FUM.
- **Life sciences:** global healthcare is rapidly innovating to meet changing needs. We are pivoting from a construction led capability to fully utilising our integrated model, targeting life sciences projects globally.
- **Data centres:** we have started our first data centre in Tokyo which is 100 per cent let and due to complete in FY25.

We formed a $1b partnership to develop state-of-the-art labs, offices and manufacturing spaces in high growth life science clusters across the US. We also launched a $1b innovation fund which focuses on properties linked to both innovation and life sciences such as laboratories, medical science facilities and manufacturing spaces. We believe there is significant opportunity for FUM growth in this sector across our target cities.

We also have the appetite and capability to launch new products underpinned by our end-to-end capability, and both on and off market growth opportunities alongside investment partners. A recent example is the launch of Real Estate Partners 4, a value-add fund.

Strong demand for global real estate

The top 100 global investors control approximately $1.5t in real estate assets. We have relationships with a large number of them.

We expect capital flows to remain strong, with real estate allocations controlled by the world's largest investors likely to rise. They are looking for managers with the ability to generate long term value.

We offer investment partners high quality investment portfolios and access to our significant global development pipeline. Our focus on safety and creating innovative and sustainable product is also a key differentiator. Our deep relationships strengthen our capacity to tailor new products to meet their appetite.

There is a significant opportunity to attract US and European investors, which are currently underrepresented across our platform.

Sustainability credentials a differentiator

In the most recent Global Real Estate Sustainability Benchmark (2021) our Barangaroo office fund, Lendlease International Towers Sydney Trust, was the #1 ranked fund globally out of 1,520 funds. We also had four funds ranked in the global top ten.

Optimising our portfolio

Our investment portfolio is currently valued at $3.5b and includes our co-investment positions in Lendlease's managed funds and our equity interests in our Retirement Living and Military Housing businesses.

We continually assess optimisation and redeployment opportunities, demonstrated this year by two key initiatives.

Top left: **Chicago:** The Cooper (Apartments for rent)
Top right: **Greater Tokyo:** Artist's impression, seed asset for Lendlease Innovation Partnership.

Key initiatives

Redeploying capital – Retirement Living

We reduced our investment in the Retirement Living Trust from 50 per cent to 25.1 per cent. The sale for approximately $500m, to an existing investment partner, allows us to redeploy this capital.

Crystallising value – Military Housing

For more than 20 years, we've been providing asset management services to military housing and lodging communities across the US.

Through an existing relationship, an equity partner acquired a 28 per cent interest in the asset management income stream on a multiple of approximately 26 times net profit after tax.

Development, at scale

We are on track to achieve our more than $8b completion target from FY24, almost double our historical average.

Our confidence is supported by:

- $117b development pipeline
- Planning milestones well progressed
- Capability to deliver at scale
- Market depth to absorb product
- Investment partners and capability to support funding

$117b pipeline underpins target

The origins of achieving development at scale emanated a little more than a decade ago with a very focused strategy of expanding our integrated business model to targeted international gateway cities. Since formulating this strategy, our urban pipeline has grown almost tenfold, from $11b in June 2009 to more than $100b in June 2022. Our Communities pipeline in Australia, which is broadly stable over the same period, currently stands at $15.4b.

Gateway cities often have large sites ripe for regeneration and infill sites that stitch well-considered density into the city fabric. Large multi-stage sites that provide the opportunity to craft mixed use precincts is where the breadth of our skills are applied to greatest effect.

Our partnership approach with a demonstrated value proposition has been recognised by being awarded and completing many extraordinary projects. A global platform with locally based real estate expertise has few direct competitors and is difficult to replicate. Our current portfolio of 21 major urban projects spans nine gateway cities.

Placemaking a key differentiator

Through the places we design, build and curate, we aim to create destinations where people want to be. Improved liveability, environmental sustainability, inclusion, affordability, connectedness, wellbeing and a sense of community are important elements we incorporate to create 'place'.

Placemaking presents a unique opportunity to generate lasting and positive value for a city and its communities through the way people connect, learn and live. Great places are the product of both physical and experiential attributes which are shaped, delivered and maintained through ongoing curation.

Our completed projects, along with the current pipeline, provide a suite of proof points of our placemaking credentials and our contribution to urban renewal:

Waterfront development

- Barangaroo South, Sydney
- Lakeshore East, Chicago
- Clippership Wharf, Boston
- 1 Java Street, New York

Transport orientated districts

- Paya Lebar Quarter, Singapore
- International Quarter London
- Victoria Cross Over Station Development, Sydney
- Euston Station, London

Innovation districts

- Melbourne Connect
- Milan Innovation District

>$8b

harvesting the immense potential of our secured pipeline provides ample opportunity to sustain annual completions

Top: **Boston:** Clippership Wharf
Opposite: **Singapore:** Paya Lebar Quarter; **Melbourne:** Melbourne Connect

Converting the pipeline

Converting the already secured pipeline is key to achieving our annual completion target. We'll continue to pursue opportunities with an emphasis on replenishing our pipeline in Asian and Australian cities.

Our pipeline is categorised by three phases: In conversion; Masterplanned; and Work in Progress. These phases provide an indication of the likely timing of project commencements given the timeline required to take a project from origination through to completion.

In Conversion
Approximately half of the pipeline, or $57b, is 'In Conversion'. That is, it has been secured but is yet to receive masterplanning approval from the relevant authorities. As a result, it is not in the potential pool for commencement. The timeframe to achieve masterplanning is typically two to three years from the date the project was secured. On smaller projects, the conversion period may be far shorter.

Masterplanned
Approximately $42b of the pipeline has masterplan approvals. The focus for this stage is: obtaining individual building consents; launching products to secure income via pre-sales and pre-leasing; and working with our partners on investment opportunities that fit their mandates.

Work in Progress
The pipeline moves into 'Work in Progress' once delivery of an asset commences. We currently have $18b of Work in Progress which puts us on track to meet our more than $8b completion target in FY24. Maintaining this level of completions is likely to require Work in Progress of more than $20b.

Resilient product and places

Gateway cities are our future, and our portfolio of projects has improved resilience and liveability in mind. We believe well located and high quality product within amenity rich environments will endure. While most of the development pipeline is comprised of mixed use precincts, the key product categories are:

- Apartments for sale c.$38b: affordable to luxury
- Apartments for rent c.$28b: offering customers the opportunity to live where they want and rent like they own
- Commercial c.$35b: CBD offices, transport hubs, innovation districts, life sciences and data centres
- Communities c.$16b: key population growth corridors in Australia

The evolving workplace

The most significant COVID induced change across our real estate platform has been the evolution of the workplace. The working experience since the start of 2020 has demonstrated the capability, and in many cases, preference to partly work from home.

The employee value proposition, heightened by a tight labour market, is becoming more important for employers to attract and retain the best talent. Employees increasingly prioritise a workplace that is well connected, human-centric, socially aware, environmentally proactive, and amenity rich with a focus on health and wellbeing.

We believe that highly sustainable and digitally enabled workplaces in well connected locations, will remain in demand. Our focus is to create workplaces that facilitate relationships, collaboration and enhance organisational culture. Occupiers and investors are likely to pay a premium for this product.

Funding the pipeline

We aim to work our capital harder as development activity accelerates towards, and beyond, our target of more than $8b of annual completions. More investment partnerships are planned, facilitating greater capital efficiency to fund our share of the incremental Work in Progress.

The proportions of recent commencements funded by investment partners are:

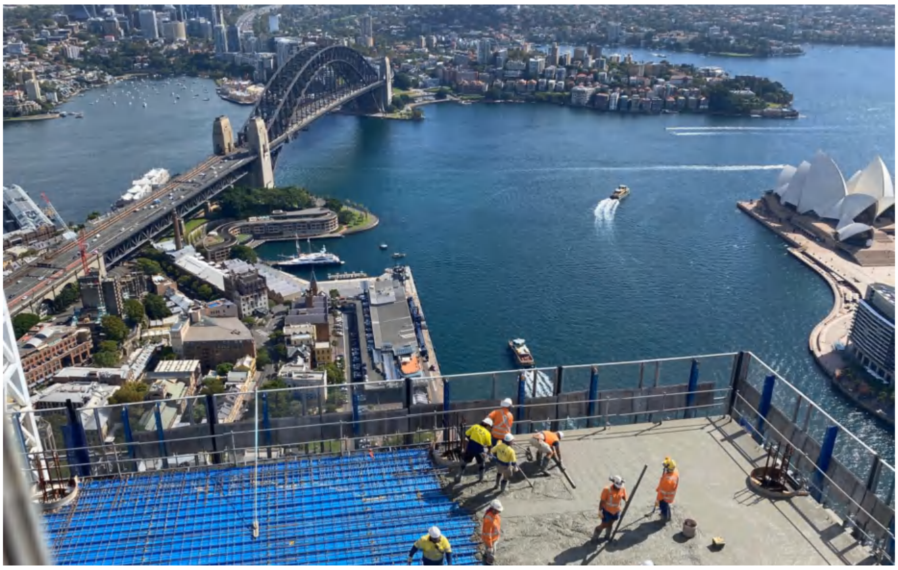
- 1 Java Street, New York: 80%
- Data Centre, Tokyo: 80%
- 60 Guest Street, Boston: 75%
- Certis Cisco Centre, Singapore: 51%

Our expectation is that approximately $6b of invested capital is required to consistently fund our share of completions, compared with a current invested capital balance of $5.4b.

These investment partner funding strategies complement an already capital efficient business model. Approximately 90 per cent of our development pipeline has been secured on capital efficient terms. It protects downside risks for both ourselves and our investment partners, while providing the flexibility to adjust production as market conditions vary. This unique feature of our development platform enables $2.8b of capital in land and infrastructure to control our $117b development pipeline.

Execution excellence

We have a rich heritage of project management, design and construction excellence across a range of sectors with leading risk, safety and sustainability credentials.



The Construction segment provides the delivery capability for our integrated model as well as design, project management and construction services to our customers. This combination enables us to attract the best talent while providing the scale and depth of expertise to maintain industry best practice.

Our strategy is to provide delivery excellence for the integrated model and hold a leadership position in target sectors.

A key component of the integrated model

Our project management skills permeate through our end-to-end real estate offering and are the enabler for the delivery of our urban projects.

We expect the future of urbanisation will be increasingly tied to precincts and districts. Our experience strengthens our credentials as a partner of choice.

Large integrated projects such as Barangaroo South and Darling Harbour in Sydney and Paya Lebar Quarter in Singapore stand as testament to our delivery capability.

Looking forward, we'll apply this capability to our pipeline of projects including Euston Station in London and our San Francisco Bay Area project.

Construction has played a lead role in the origination of some integrated projects. This includes the Darling Harbour precinct where the project commenced as a Public Private Partnership. Confidence in delivery capability and certainty is often the key to securing such projects.

Demonstrating delivery certainty at Sydney Place

The progress on Salesforce Tower, the centrepiece of the Sydney Place project, highlights our superior delivery expertise and the certainty we provide to investment partners.

Our team has navigated a difficult operating environment including COVID and weather disruptions.

Innovative design and construction solutions have enhanced value and mitigated risk. The project team used a number of market leading construction methodologies, including the use of a steel structure as well as modular components and pre-fabrication to minimise site works, improve safety, reduce waste and enhance the harbour views from this premium workplace.

Salesforce Tower

Platinum WELL[1]
6 Star Green Star[1]
5.5 Star NABERS[1]

Leading project management, design and construction capability

We combine the benefits of our global scale and the rich heritage of corporate knowledge with a localised capability and network to deliver high quality projects. Specialist design and project management teams combine deep sector knowledge with strong customer relationships to create places that are innovative, sustainable, and commercially successful.

We have delivered construction projects around the world for more than six decades, creating hundreds of buildings and precincts. Our construction capability is showcased in workplaces for some of the world's largest organisations, vibrant retail centres and residential apartments including affordable housing options, state-of-the-art hospitals and other buildings of civic and social importance.

More than just building delivery

For us, it is more than just the construction of buildings. 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.

Our focus is client satisfaction. A significant proportion of repeat business is testament to being a trusted and strategic partner. We believe our approach to securing, creating and delivering projects to exceed client and investor expectations is key.

1. Targeted.

Risk Management Framework

Four key elements

Limits of authority | Contract risk limits | Risk appetite framework | Global Minimum Requirements

Five contract types

Construction management	Managing contractor	Design and construct (two stage)	Design and construct (one stage)	Design and construct (PPP)

Governance structure

Investment Committee	Pre-construction review	Project Control Group	Project review	Functional reviews	Completion & commissioning plan

Rigorous risk management

Our risk management processes have evolved from decades of experience. It starts with disciplined origination that incorporates thorough market assessments and aligns our value proposition with potential opportunities. Diversity by client, contract type and sector forms part of this origination strategy.

Substantial de-risking takes place prior to commencement of construction. Formulating detailed project briefs, which is our key project management skill, involves selecting a team with the optimal skill set for the project. Depending on contract type, we then go into product design and cost planning.

The delivery phase is about construction management, production and program controls, functional reviews and reporting. Post construction, we apply a rigorous commissioning process for a smooth transition to the client.

We remain disciplined with our approach to winning work and strive to maintain an industry leading approach to risk management.

Our construction capability plays a critical role in the delivery of our urban projects.

Partnership approach with supply chain

Working collaboratively with our partners is essential to mitigating supply chain risk and achieving our sustainability targets. The significant disruption caused by COVID and geopolitical uncertainty has emphasised the importance of the supply chain in the successful delivery of our projects.

We have implemented a range of initiatives to counteract supply chain disruption. By working directly with global steel manufacturers, the material experiencing the greatest price pressure, we have improved certainty and cost of supply. Global agreements have been advanced with a number of strategic partners for glass and aluminium. In addition, we reduced the risk of disruption through a relationship with a large global logistics providers.

Key focus areas include:

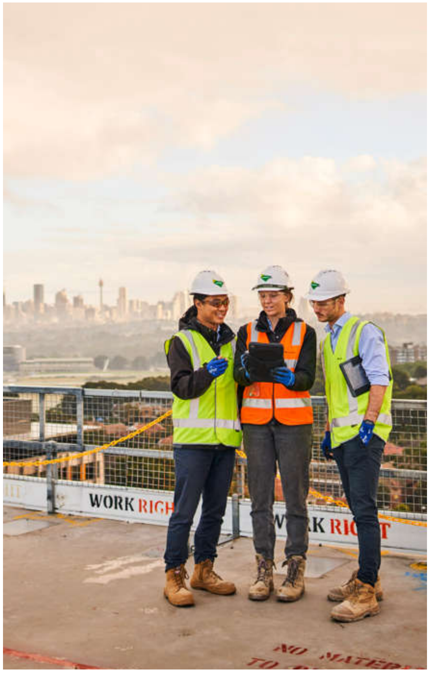
- Knowing our suppliers and their suppliers in order to proactively manage risk
- Developing broader and more advanced strategies for key high risk trades and critical supplies
- Establishing the right trading partnerships to introduce low embodied carbon materials
- Building a more connected supply chain via the use of digital technologies.

Opening the door to business opportunities

Not only has the Construction segment contributed to the origination of integrated projects, it has also introduced new business opportunities to the Group.

Almost two decades ago, when the US Department of Defense was privatising its military housing portfolio, our US construction business, through its delivery capability, facilitated our entry into the housing privatisation program.

Similarly, our construction business in Asia has a strong history delivering data centres and life sciences buildings. This provided the entry point for expanding the integrated model into these two growing real estate sectors.



Opposite: **Sydney:** Sydney Place
This page: **Sydney:** Randwick Campus Redevelopment

1 Java Street, New York

Inclusivity, connection and resilience underpin the vision for 1 Java Street.

> Beyond our role in developing and constructing the precinct, we will play an integral part in its ongoing curation.

During the height of the COVID pandemic in 2020, an opportunity arose to acquire a land parcel located on the East River at Greenpoint in Brooklyn, New York to create a new residential community.

Our conviction in our gateway cities strategy, founded on the premise that the most desirable cities will continue to be the driving force of economic, social and cultural life, saw us look beyond the pandemic induced uncertainty to pursue the opportunity.

Drawing on our integrated capability, strong track record and intimate local knowledge, a project team was mobilised to unlock the potential of the 2.6-acre site, and 1 Java Street was born.

Lendlease's global reach and capabilities offer unique insights into the evolution of the built environment. 1 Java Street provides an opportunity for reinvention and renewal.

Partnership approach

Consistent with our partnership approach and our deep relationships with strategically aligned global investment partners, we teamed up with Aware Super, one of Australia's largest superannuation funds.

They also saw the project's potential, taking an 80 per cent interest. This extends the $2b investment partnership formed in 2018.

Beyond our role in developing and constructing the precinct, we will play an integral part in its ongoing curation through our asset management capabilities while also managing Aware Super's investment.

Solving for the future

In line with Lendlease's ambitious sustainability agenda, the project team has designed 1 Java Street to be a highly sustainable precinct, creating an environment that we believe will benefit the Greenpoint community for generations to come.

All-electric, geothermal

To minimise carbon emissions, we intend to implement a geothermal system in lieu of traditional gas boiler heating and cooling. The system will use the stabilising temperatures of the land below to provide heat and cooling. In addition, the geothermal system is also expected to reduce ongoing operational costs.

When complete, 1 Java Street is anticipated to be one of the largest residential buildings in New York State to use all-electric and geothermal energy.

Climate resilient

Cities built around water are particularly vulnerable to the impacts of climate change. The project team undertook a climate related risk assessment to address the project's resilience to such impacts. The findings were incorporated into the design, including raising the building to account for future potential flood risk.

Strong social value

1 Java Street will incorporate a diverse range of apartment styles to appeal to a variety of residents. This includes addressing the challenge of affordability, with approximately 30 per cent of the units allocated to affordable housing.

Forming partnerships with local not-for-profit organisations is also a priority. Lendlease has partnered with the Billion Oyster Project which aims to restore oyster reefs to New York Harbor through public education initiatives. billionoysterproject.org

1 Java Street is expected to transform a full city block into a dynamic mixed-use residential for rent (multi-family) community.

The project will include a public waterfront esplanade with improved connection to the India Street Pier and New York City Water Ferry. Approximately 850 apartments for rent will be delivered, along with street retail and more than 6,300 square metres of outdoor space accessible to residents and the wider community.

The revitalised India Street Pier will include a ferry stop allowing residents and ferry users to commute to Manhattan's business district. The waterfront esplanade is designed to encourage users to engage with the site's natural habitat and provides direct access to the East River.

The Project

Details

- $1.2b total estimated development end value
- Delivered with Aware Super through the Lendlease Americas Residential Partnership
- Secured 2021[1]; commenced 2022[1]; expected completion 2026[1]

Targeted sustainability features

- Geothermal, all-electric mechanical design
- Sustainable building materials (low carbon concrete)
- Energy efficient design and appliances
- Abundant outdoor space and ecological shoreline
- Transit oriented: adjacent to ferry; two blocks from the subway
- Electric vehicle charging stations

Targeted sustainability ratings

- LEED Gold
- Fitwel Certification
- Waterfront Edge Design Guidelines Certification
- ENERGY STAR Certification

1. Financial year, subject to change in the delivery program

Top and opposite: **New York:** Artist's impression of 1 Java Street.

Kuala Lumpur
The Exchange TRX
Artist's impression

Our Focus Areas

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

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

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

Our five focus areas are

- **Health and Safety**
- **Financial**
- **Our Customers**
- **Our People**
- **Sustainability**

Managing and measuring value

Area of focus	Material issues	How do we deliver 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 apply a consistent standard across all operations. These GMRs extend to physical safety and people's mental health and wellbeing.
	Financial Delivering securityholder returns. Maintaining a strong financial position 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.
	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.
	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 inclusive leaders and capabilities to drive our success.
	Sustainability Designing, delivering and operating buildings and precincts that respond to the immediate challenge of reducing carbon emissions while creating social value. Meeting the increasing expectations of key stakeholders for climate resilient assets that support human health and value natural capital.	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.

Value created	How we measure value
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.
Margins, fees and equity returns across Investments, Development and Construction. Our Portfolio Management Framework sets target guidelines for how we manage our portfolio.	Core Operating Return on Equity: the annual Core Operating Profit after Tax attributable to average securityholders' equity throughout the year. Core Operating Earnings per Security: Core Operating Profit after Tax attributable to securityholders divided by the average number of securities on issue during the year.
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 and the Board. Action plans are developed to drive continuous improvement in the customer experience, supporting the delivery and growth of funds under management, our development pipeline and construction backlog.
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 supports 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. Employee engagement: provides the organisation with insights to help provide the right environment for our employees to perform at their best.
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 tangible examples of the way we are addressing our sustainability imperatives. Carbon Target: we are a 1.5°C aligned company: • Net Zero Carbon by 2025 (scope 1 and 2) • Absolute Zero Carbon by 2040 (scopes 1, 2 and 3, no offsets) Social Target: create $250m of social value by 2025

Health and Safety

The health, safety and wellbeing of our people is our highest priority.

Safety performance

We have achieved exceptional outcomes against some of our key safety metrics. Our Critical Incident Frequency Rate (CIFR), Lost Time Injury Frequency Rate (LTIFR) and percentage of operations without a critical incident are at their best ever rates of performance.

Notwithstanding these positive outcomes, it is with much sadness we report a fatal incident at one of our operations.

A subcontractor working in an area under subcontractor management on the 4 Hudson Yards project in New York was fatally injured following a fall from height while performing works on the site. Our thoughts continue to be with the family of this worker and those impacted by this event.

Opposite: **Sydney:** Salesforce Tower

Safety culture

We undertook an organisation-wide survey which assessed employee perspectives regarding our safety culture. This enabled comparison with the original safety culture survey conducted in FY19.

The survey results reinforced the outstanding safety culture evident across the organisation. Several key safety and culture climate statements elicited high employee agreement rates including key statements about safety culture above 85 per cent.

Our employees demonstrate great pride in our approach and prioritisation of safety across everything we do. The survey results identified areas for continuous improvement. This included support for greater investment in supply chain capability, and further focus on psychological safety, in step with our approach to physical safety.

Percentage of operations without a critical incident[1]

1. An event that caused or had the potential to cause death or permanent disability. This is an indicator unique to Lendlease.

Critical Incident Frequency Rate[1]

1. Calculated to provide a rate of instances per 1,000,000 hours worked.

Lost Time Injury Frequency Rate[1]

1. Calculated to provide a rate of instances per 1,000,000 hours worked.

Employee safety culture survey

91%	Agree Lendlease operates its business with safety as the number one priority
90%	Agree Lendlease creates a culture of working safely
89%	Agree safety is a key priority in their team
87%	Agree their manager makes safety the number one priority

Safety innovations

Our people identified priorities to help improve knowledge management, reduce administrative burden and make use of technology to support effective safety management.

S@I Bot

Our S@I chat bot provides our people with access to safety requirements and learning materials using artificial intelligence through a query and response system that makes it easier to source a vast knowledge library. The S@I Bot can be accessed from remote locations via mobile devices. In its first 12 months more than 12,000 queries flowed through.

Permit to Work

Leveraging our existing Environment, Health and Safety (EHS) reporting platform, we have successfully piloted and implemented a digital Permit to Work application.

The introduction of this digital approach has reduced administrative burden and improved visibility into the requirements and status for many of the high risk activities undertaken across our operations.

External Learning Platform

To support the capability requirements of our external partners to deliver work safely, we launched the Lendlease Partner Portal. The portal is designed to address the learning and knowledge management requirements of our supply chain partners.

The platform provides non Lendlease employees access via their mobile device to Lendlease Global Minimum Requirements (GMRs) and our EHS expectations. The platform also supports the implementation of other digital tools such as the Permit to Work module.

Excellence in innovation

Our goal is to keep people safe, and we do this by challenging how we work and continuously looking at ways to improve.

Senior Project Engineer, David White, is doing just that through the innovative application of full perimeter screens (over seven floors on a steel frame commercial building) safety solution.

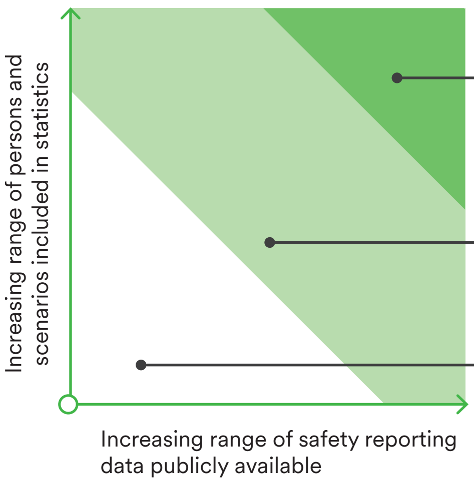
David created the solution for the safe and efficient delivery of Salesforce Tower at Sydney Place, a 55 storey premium grade office tower featuring a unique hybrid structure of concrete and steel.

Applying existing perimeter protection screen applications would not have met Lendlease's GMRs, or the construction program, so David created a new system engaging Lendlease's high rise building experts around the world, as well as numerous suppliers. The solution demonstrated our capability to provide perimeter screens, common in concrete frame building construction, to a steel frame building.

The simplicity of David's design has enabled a reduction in the risks of people or materials falling. It has reduced trip hazards and significantly reduced manual handling of components during installation.

The solution is a market leading improvement with flow on benefits for all Lendlease hybrid structure projects around the world. The screen supplier has also made it available to the wider market.

Benchmarking industry reporting



Transparent reporting
Consistent performance data
Includes all business scenarios

Basic/standard reporting
Inclusion of industry metrics
Unclear which persons or scenarios included

No safety reporting
70 ASX200 companies*

* Australian Council of Superannuation Investors (ACSI). Safety in Numbers: Safety Reporting by ASX200 Companies (September 2020).

Included in Lendlease safety reporting data, including fatalities	
Employees	Yes
Consultants	Yes
Contractors	Yes
Subcontractors (incl. labour hire)	Yes
Visitors	Yes
Members of the public	Yes
All businesses in all operating geographies	Yes
All operations regardless of contractual or statutory health and safety responsibilities	Yes

Financial

The Portfolio Management Framework provides structure and financial discipline across the operating segments of Investments, Development and Construction.

Financial strategy

The Portfolio Management Framework (the Framework) is the core of our financial strategy, setting target guidelines 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 sustain capacity to both absorb and respond to market volatility.

This year, the Group announced a five year plan to deliver long term sustainable performance.

The initial cost of implementing this plan included a restructuring charge and a development impairment. For more detailed information, refer to Performance and Outlook on page 56.

Sustainable financing

Lendlease is one of the leaders in sustainable financing in Australia. Of the Group's total facilities, 60 per cent, or $3.1b are green or sustainability linked.

This includes four sustainability linked loans and three green bonds to help realise our global pipeline of sustainable projects. This highlights a continuing shift in our funding of the thriving places we create.

These financings have allowed us to extend the weighted average maturity of our funding and enter into facilities in the regions in which we operate, providing us with a natural hedge and access to finance in these regions.

Accessing green and sustainability linked borrowings has allowed us to facilitate the following outcomes:

- Lengthen the maturity profile
- Diversify funding
- Support the execution of the Group's sustainability strategy
- Improve lender engagement
- Provide good access to markets whilst achieving competitive funding costs.

Measuring financial performance

When measuring financial performance, we focus on Return on Equity and Earnings per Security on our core operations to measure the returns we generate for securityholders.

The Framework outlines target returns at a segment level. These returns, combined with an allowance for corporate costs, interest expense and tax, are used to derive a Group Core Operating Return on Equity target within the 8-11 per cent range. Core Operating Earnings per Security forms the basis for securityholder distributions within the payout ratio of 40-60 per cent.

The elements of the Framework are based on the Group's measure of Core operating profit with both the target EBITDA mix and the target distribution payout ratio assessed accordingly.

See Note 1 'Segment Reporting' in the Financial Statements for more details on Operating profit.

Portfolio Management Framework

1. Invested capital mix	
Investments	40-60% (<50%)[1]
Development	40-60% (>50%)[1]
Australia	40-60%
International regions[2]	10-25%
2. Core business EBITDA mix[3]	
Investments	35-45%
Development	40-50%
Construction	10-20%
3. Target returns	
Core Operating ROE	8-11%
Investments ROIC[4]	6-9%
Development ROIC[4]	10-13%
Construction EBITDA margin	2-3%
4. Capital structure	
Gearing[5]	10-20%
Investment grade credit rating	
5. Distribution policy[3]	
Distribution payout ratio	40-60%

1. Reflects strategic direction.
2. Per region.
3. Core operating profit based measure.
4. Through cycle target based on rolling three to five year timelines.
5. Net debt to total tangible assets, less cash.

Detailed financial performance and outlook

For detailed information on our FY22 financial performance, as measured under the Portfolio Management Framework, refer to the Performance and Outlook section and the Financial Statements.

Opposite: **Chicago:** Lakeshore East

Our Customers

From the housing needs of US service personnel to people working in more sustainable office buildings in Singapore; shoppers in Australia to investment partners around the world. Our customers are as diverse as our business operations globally.

c.26,000

Customers surveyed in FY22

61%

of major construction backlog is public sector projects

38

Funds and Mandates

In the past 12 months, we had more than 163 million interactions with our customers across Australia, Asia, Europe and the Americas. To track our customer performance, we annually measure customer satisfaction (CSAT) as well as the willingness of our customers to advocate on our behalf (NPS). This is conducted across all our lines of business and regions. In aggregate, our CSAT score lifted slightly while NPS increased by more than 25 per cent.

Consumer

This subset of our customers, which includes residents and visitors to our retail centres, is by far our largest. To further enhance the level of service we provide to this important group, a range of programs and initiatives were advanced during the past year including:

Continued investment to support US military families

We have more than $1.5b of development work underway in our military housing portfolio. More than 120,000 service members and families call our communities home across approximately 40,000 dwellings.

Our privatised Army lodging portfolio, comprising more than 12,000 hotel rooms, has invested more than $1b in renovation work and new construction, to date.

This year, 100 Lendlease military housing neighbourhoods across the US were recognised as SatisFacts Community Award winners for their high resident satisfaction scores.

Enhanced online experience for Australian shoppers

- Overhaul of retail web experience across 13 retail assets
- Provide shoppers best-in-class mapping, in-depth tenant profiles and integrated wayfinding optimised for mobile
- Ongoing research to assess the type of retail experience our shoppers are seeking.

Launch of Lendlease Living

- Launch of new global positioning to reinforce Lendlease's residential offering, in addition to urban redevelopment
- Progressively rolled out across communities, apartments for rent and sale and retirement living offerings
- Build awareness of brand among current and prospective residents.

Business

Our business relationships span partnerships with other companies, institutional investors across funds, mandates and managed assets, not-for-profits and approximately 15,000 suppliers.

A number of major transactions with global investment partners were signed including:

- A new life sciences joint venture with **Ivanhoé Cambridge** to deliver state-of-the-art laboratories, offices and manufacturing spaces in high-growth life science clusters across the US.
- The acquisition of a further 24.9 per cent of our Retirement Living business by **Aware Super**. The super fund upped its total investment to 49.9 per cent.
- A 50:50 joint venture with **CPP Investments** for the development of Phase 1 of the West Gate area of the MIND project in Milan.
- An agreement with Dutch pension fund manager **PGGM** to establish the S$1b Lendlease Innovation Limited Partnership, which will invest in real estate assets in the innovation space, focusing on Australia, Japan and Singapore.

We announced a global partnership with one of the world's leading suppliers of sustainable timber, Stora Enso, to help increase the use of more sustainable construction products in our gateway cities.

Opposite: **Victoria:** Harpley sales and information centre.

Government

Around the world, we're a partner of choice for governments. From state-of-the-art medical facilities, cultural institutions, transport-oriented developments, sports stadia or installations key to national security, we work shoulder-to-shoulder with our government partners to deliver some of their most important projects.

As the world continues its shift to a new COVID normal, we're supporting administrations as they ramp up investment to stimulate economies.

At Victoria Cross Over Station Development, Sydney; Euston Station, London; and Smithfield, Birmingham, we continue to support the development of mixed use integrated station developments. This elevates these sites from train stations to hubs for living, dining and enjoyment.

Our ever-growing global expertise in life sciences and health has seen significant contracts secured for Australian projects including the Liverpool Health and Academic Precinct, Frankston Hospital and Adelaide Women and Children's Hospital.

In addition to our work across the US Military Housing Portfolio, we also continue to play a role in supporting Australia's national security, through support to the Department of Defence at sites across the country.

At Garden Island in Sydney, we completed four years of work, which included a significant joint venture with a First Nations partner: 35 Indigenous contractors engaged; $10m spent on Indigenous suppliers; and winner of the Supply Nation 2019 Supplier Diversity Partnership of the Year Award.

>163 million

Interactions with customers across Australia, Asia, Europe and the Americas.

Our People

Our people bring Lendlease, our purpose and our culture to life. Creating places where communities thrive.

Lendlease has been certified as a Global Healthy Workplace.[1]

Our refreshed people strategy continues to bring our purpose-led business strategy and culture to life.

We are reinvesting in learning and careers, especially for our talent in the Investments, Development and Construction segments as well as our leaders. We have also updated our Short Term Incentive (STI) approach to further align outcomes with performance.

We remain committed to growing and retaining our diverse talent and developing inclusive leaders while creating a caring and trusting culture where people feel valued, belong and have an opportunity to thrive.

Our refreshed focus areas are:

- Learning
- Careers
- Leadership
- Culture

The principles we will never compromise on continue to be:

- A physically safe workplace
- A psychologically safe workplace
- Prioritising the wellbeing of our people and their families.

Leadership

To deliver our business strategy we need to continue to attract, develop, retain and invest in people.

With the internal appointment of a new CEO, we have reset our executive leadership team. Our bench strength enabled us to do this by reaching into our succession pools with 57 per cent filled by internal talent. We are now focusing on replenishing these talent pools. This will be driven by a combination of targeted, bespoke development of top talent and the relaunch of our global flagship leadership programs in partnership with INSEAD. Many of our marquee training programs were paused during COVID and are being reinstated in response to feedback from our people.

We continue to increase the representation of positions filled by women among our leadership cohort, with women now filling 31.8 per cent of leadership positions.

Leadership positions held by women

Careers

We have mapped the career paths of existing employees and, coupled with development actions, have created career paths for future employees to emulate.

Retention of key talent remains challenging in the current operating environment. While we achieved a retention rate of 87 per cent, this was below our target of 90 per cent or higher. We have identified talent retention as a key risk given the market remains extremely competitive.

Early career talent is a critical component of our talent pipeline. We refreshed the learning component of our global graduate program to keep it appealing, contemporary and focused on capabilities to support the delivery of our strategy. The refresh has been well received, with a 19 per cent increase in program participants reporting a positive experience over the six month period. Our globally consistent program builds early career talent across each region, enhances future career mobility and provides future capability throughout the enterprise.

1. Global Centre for Healthy Workplaces 2022.

Learning

Our people make all the difference. To support them, we are developing new global leadership programs in partnership with INSEAD. These programs are focused on building modern and inclusive leaders at all levels of the organisation, across all regions.

We have developed and launched global programs to drive sponsorship of diverse talent by senior leaders while removing barriers to accelerate under-represented talent. Our Ignite program which focusses on female talent launched in February 2022 with 56 participants. We have engaged Korn Ferry and together, co-designed Mosaic, a Racial Equity and Sponsorship program. A cohort of 72 will be invited to participate in the 2022 program. These programs enhance and align to regional initiatives to drive representation and inclusion throughout our organisation.

Culture

We continue to be proud of our culture and our values.

They drive the way we interact that creates a sense of belonging and an environment for our people to thrive as part of a team; grow with the organisation; and to deliver for our customers and communities.

People want to work on our projects because of their impact on communities and our culture of care. This is reinforced by our Foundation work and initiatives that continue to offer leading wellbeing programs to our people and their families.

We continue to invest in listening to our employees, formally through our employee engagement survey as well as informally.

Initiatives

Mental Health First Aid

- Provides mental health awareness skills and knowledge
- c.800 employees became Mental Health First Aiders
- c.400 Leaders completed Mental Health First Aid for Leaders training

Global Roadmap to Wellbeing program

- Helps navigate conversations and connections in a changing world, deal with stress, build resilience and unlock potential through exercise, sleep and nutrition
- c.750 employees completed the Roadmap to Wellbeing Learning

You Can't Ask That

- Raising awareness of mental health as part of World Suicide Prevention Day and R U OK? Day
- c.1100 employees attended

Our Global Engagement Score is 58 per cent which is below the industry average and well below our expectations. We have developed action plans to improve the experience of our people. This will be a key area of focus in FY23.

Pleasingly, our guiding principles of Safety, Sustainability, and Customer focus continue to resonate with our people and remain among our top performing areas. Safety and Sustainability in particular measure 81 per cent and 86 per cent favourable respectively. Our Executive engagement has improved by 10 points to 78 per cent. Based on the feedback from the survey, we remain focused on building leadership capability, providing career growth and developing our people.

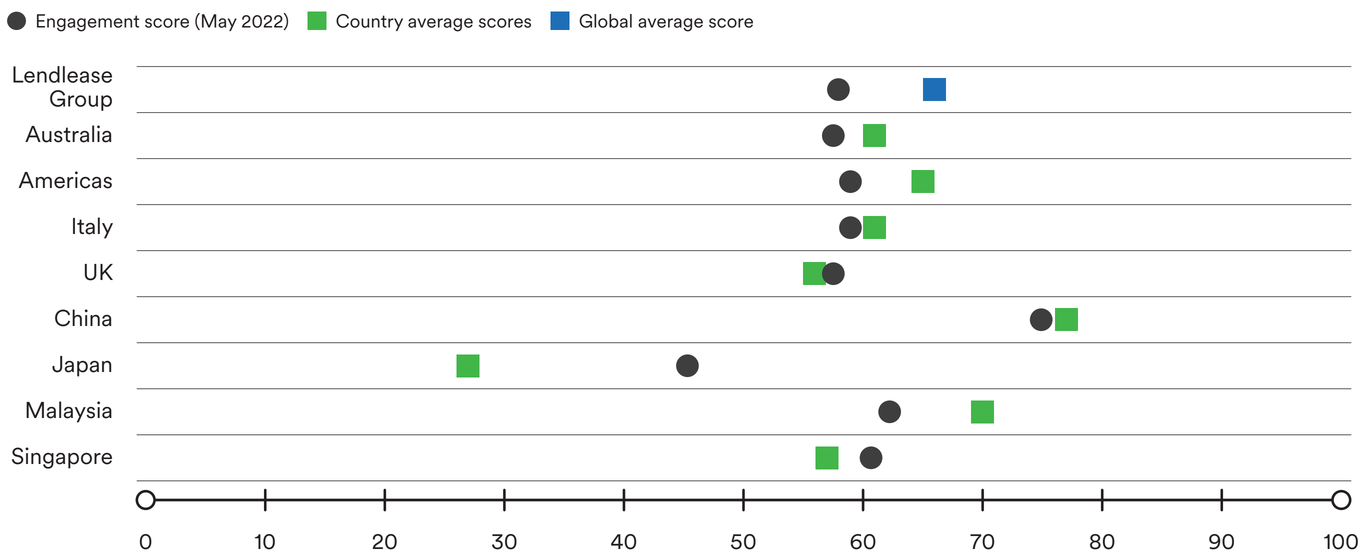
The Group has a diverse global workforce reflecting our geographical footprint. We are committed to creating a workplace that unites diverse people and minds where respect and equity are the norm.

Employee wellbeing

Further investment in the support for employee wellbeing emphasises the importance we place on psychological safety.

Our industry leading position has been recognised externally and we won the 'Best Mental Health in the Workplace Strategy: Large Company' category at the This Can Happen Global 2022 awards.

Engagement scores compared with benchmarks



Sustainability

Our bold targets are more than just headlines. We have clear decarbonisation plans in place and we continue to measure the positive impact we are making in communities around the world.

42%

of electricity use from renewable sources[1] in FY22 (Targeting 100% renewables by 2030)

98 ktCO2-eq

scope 1 and 2 emissions[2] in FY22

MISSION ZERO • NET ZERO CARBON BY 2025 •

MISSION ZERO • ABSOLUTE ZERO BY 2040 •

More information

For more information about our sustainability journey, please visit our website.

1.5 degree aligned

Our progress

Our FY22 scope 1 and 2 gross emissions continue to track below our 1.5 degree aligned target and we are making important inroads into tackling our scope 3 emissions.

Our progress is underpinned by the implementation of global decarbonisation mandates which set out carbon reduction expectations across our Investments, Development and Construction segments over the next five years. The sale of our Engineering and Services businesses and the ongoing disruptions from COVID have also impacted our emissions. For more information on our environmental performance, refer to page 45.

1. Including renewable energy certificates, power purchase agreements, green power and inherent grid renewable electricity.
2. Scope 2 emissions have been calculated using the market based method, which includes the use of renewable energy certificates, power purchase agreements, green power and inherent grid renewables.

Key actions

Operationalising our targets
Expanding on our 5-step decarbonisation pathway, we launched Regional Mission Zero Roadmaps, embedding decarbonisation into our business strategy for each operating segment.

Developed through extensive engagement with our senior leaders, the roadmaps outline initiatives to reduce scope 1, 2 and 3 carbon emissions in line with our targets. Each roadmap has been tailored to account for regional variances in availability of alternative fuel options, renewable energy markets, technology solutions, supply chain maturity and government policies.

Carbon offset guidance and procurement
We updated our global Carbon Offset Guidance and Criteria in response to price volatility and supply issues in the voluntary carbon offset market. We are now developing a Carbon Offset Procurement Strategy to support our Net Zero by 2025 target.

Renewable electricity procurement
We also developed global Renewable Electricity Guidance in response to the varied frameworks, purchasing options and recognised certification schemes across our regions of operation. This will help us maintain the highest level of quality and transparency associated with the purchase of renewable electricity as we target 100 per cent renewable electricity use by 2030.

Measurement and reporting for scope 3
We commenced the drafting of our House View and Position Statement on scope 3 emissions to clearly define our reporting boundaries and planned approach for measurement, tracking and reporting.

Expanded disclosure and ongoing engagement
In November 2021 we delivered our third annual Sustainability Investor Briefing and released our inaugural ESG Databook. We are working to evolve the ESG Databook to help improve the accessibility of our ESG data set.

We have been actively monitoring the evolution of ESG reporting standards, including participating in industry submissions on the International Sustainability Standards Board's (ISSB) exposure draft standards. The establishment of ISSB is expected to lead to globally consistent ESG disclosure standards and we will look to align our reporting to these standards.

We also launched Mission Zero Ready, a global carbon literacy e-learning module to help our people understand the importance of our Mission Zero journey.

Building collaboration and alignment
To generate momentum for decarbonising the real estate sector, we participated in industry working groups, joined cross-sector initiatives and shared thought-leadership. Some examples include:

- Participated at several events at COP26 in Glasgow.
- Established a strategic partnership with Stora Enso, one of the world's leading suppliers of sustainable timber.
- Joined Built by Nature and continued to be active participants in MECLA and the SteelZero initiative.
- Partnered with the Green Building Council of Australia to recognise leadership in the transition to fossil fuel free construction sites with a new challenge initiative.

Mission Zero Roadmap Progress

We are making progress on our Mission Zero Roadmap initiatives to reduce scope 1, 2 and 3 emissions.

SCOPE 1
Fuels we burn

We are working towards our goal of zero fossil fuels in construction activities by using alternative fuels, increasing the use of electric construction plant and equipment and trialling battery storage and charging infrastructure.

Proof point:

- Implemented an Alternative Fuels Policy to help reduce fossil fuels usage from our UK construction sites. At the end of Q3, renewable diesel accounted for 98 per cent of fuels used in the UK, including sustainably sourced low carbon alternatives such as hydrotreated vegetable oil (HVO).

We are increasing the number of new all-electric developments and have begun the process of identifying legacy gas infrastructure to guide future capex aligned electrification upgrades for assets under management. This includes reducing fossil fuels used in asset maintenance and operation.

Proof point:

- New all-electric projects include 1 Java Street, New York, La Cienega, Los Angeles, and all new homes at the Fort Hood residential community.

Above: **London:** The Pavilion, IQL.
Opposite: **London:** Park & Sayer, Elephant Park.
Left: **Americas:** Investigating mushroom remediation to create clean fill from roofing shingles.

SCOPE 2
Power we consume

We continue to focus on improving operational energy efficiency while increasing the generation and purchase of renewable electricity. We are also trialling battery storage technologies.

Proof points:

- Achieved Energy Star (ES) certification at The Cooper, Chicago, the first in our plan to target ES ratings across the multifamily portfolio.
- Switched to 100 per cent renewable electricity, with guarantees of origin, across our European operations.

SCOPE 3
Indirect activities

We continue to collaborate with our suppliers to progressively source and procure low embodied carbon materials and our supply chain team is establishing a cohort of Mission Zero aligned supplier partnerships.

Some examples of key initiatives across our operations have been included below.

Steel
We are working closely with steel producers to identify and procure low carbon steel alternatives.

- At Claremont Hall, New York, we procured steel rebar with 97 per cent post-consumer recycled content, resulting in an estimated 27 per cent[1] reduction in embodied carbon.

Concrete
We have developed a tender evaluation tool to assess embodied carbon in proposed concrete mixes. We are specifying lower carbon concrete and trialling emerging technologies.

- Targeting an average 40 per cent Portland cement replacement across all three residential towers at One Sydney Harbour is estimated to reduce overall embodied carbon emissions by up to 10 per cent[2].

Aluminium and glass
We have developed an embodied carbon tool in our façade designs. We are collaborating with suppliers to reduce the embodied carbon of materials by increasing the amount of recycled content in the aluminium and glass we buy.

- At Park & Sayer, Elephant Park, London, the façade being installed includes 75 per cent recycled aluminium. The use of renewable energy saved approximately 2,100 tCO2e compared with primary aluminium manufactured using fossil fuels.

Timber
As we look to a low and zero carbon future, we continue to explore the application of alternative materials such as mass engineered timber.

- Achieved a BREEAM Outstanding rating on The Pavilion at International Quarter London (IQL). The building's timber superstructure delivered a 56 per cent reduction in embodied carbon compared with an efficient concrete alternative, surpassing industry best practice[3].

Green Leasing
To reduce downstream scope 3 emissions, we continue to engage with tenants and residents on the purchase of renewable electricity and energy efficiency initiatives.

- Enhanced our UK commercial green leases to require all new office tenants to procure 100 per cent renewable electricity. Office tenants at IQL in Stratford should be the first to use the updated lease.

Decarbonisation challenges and insights

To achieve Absolute Zero Carbon by 2040 we will be reliant on sector transformation at scale and pace, however, we recognise there are challenges ahead and that key to finding solutions is sharing insights we have gained.

Fossil Fuel Free Construction
We collaborated with the University of Queensland to research the range of technologies that could drive the transition to fossil fuel free and ultimately zero emission construction sites.

The research findings showed that although electrification of construction equipment and machinery is underway, the pace will need to accelerate to achieve zero emissions construction by 2040. Hence, we will continue to shift our business towards the use of renewable diesel and alternative fuels where viable, while also advocating for acceleration in the electrification of construction equipment.

Existing gas infrastructure
The major urban regeneration schemes in the UK provide an insight into some of the challenges in eliminating fossil fuels from development projects and assets. Connecting to the local energy infrastructure network is mandated for several of these projects, some of which rely on the combustion of gas. We are working with local authorities and energy providers in developing and executing their decarbonisation strategies for these networks which align with our Absolute Zero Carbon target.

Main: **Chicago:** Roof Crop at The Cooper.

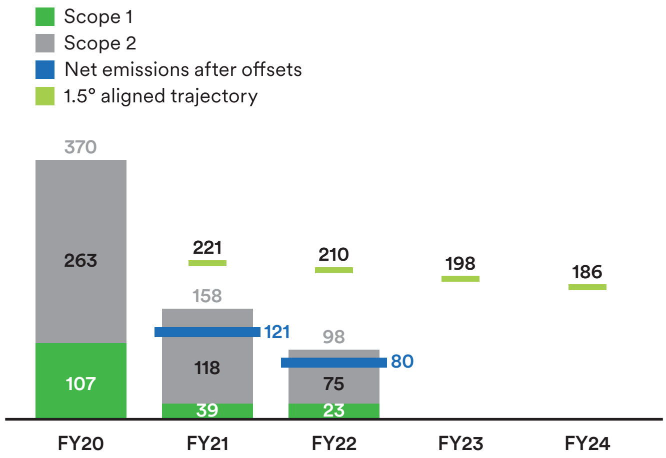
1. Compared with the US Concrete Reinforcing Steel Institute industry average.
2. Against standard construction practice.
3. LETI 2020 A1-A5 embodied carbon benchmark for commercial office, excluding sequestration.

Environmental performance[1]

Our environmental performance data disclosure is in line with our financial reporting program and provides 12 months of data to 30 June 2022, which includes actual data for Q1-Q3 and partially estimated Q4 data. Our full year environmental performance data will be available on the Lendlease website in the ESG Databook once Q4 data has been gathered and the limited assurance engagement completed.

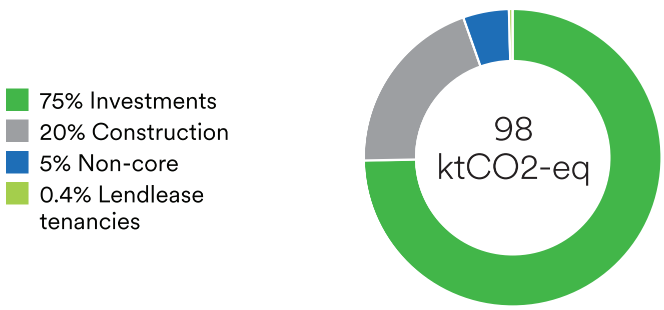
Our environmental performance has seen both energy use and emissions affected by the gradual economic recovery due to the ongoing impacts of COVID and the sale of our Engineering and Services businesses. We have also made significant progress in reducing carbon emissions through the implementation of our global decarbonisation mandates, business commitments to renewable electricity and the use of renewable diesel where available. We continued our purchase of carbon offsets for unavoidable emissions. In FY22, we offset 18 per cent of our remaining scope 1 and 2 emissions, taking our net position to 80 ktCO2-eq.

Scope 1 and 2 carbon target performance ktCO2-eq



Scope 2 emissions have been calculated using the market-based method, which includes the use of renewable energy certificates, power purchase agreements, green power and inherent grid renewables.

Scope 1 and 2 emissions by segment



Electricity used by the Investment Management business is the largest contributor to our combined scope 1 and 2 emissions. Our plans to increase the purchase of renewable electricity to achieve our target of 100 per cent renewable electricity by 2030 should significantly reduce the scope 2 carbon emissions associated with this line of business.

FY22 energy use by segment (GWh)

	FY20	FY21	FY22
Investments	320	195	181
Construction	122	124	101
Non-core	406	58	19
Lendlease tenancies	8	7	6
Total	**856**	**384**	**306**
% of electricity use from renewable sources including grid renewable electricity		**33%**	**42%**

Total energy consumption in FY22 has reduced by 20 per cent compared with FY21. This includes the impact of the sale of the Services business, the further sell down of our equity share of the Retirement Living Trust, and the ongoing impacts of COVID.

FY22 waste diverted and disposed (kTonnes)

	FY20	FY21	FY22
Waste disposed	338	61	30
Waste diverted	409	181	204
% waste diverted from landfill	**55%**	**75%**	**87%**

In FY22 the Construction business saw an increase in waste diverted and a corresponding decrease in the amount of waste disposed. Waste disposed and diverted remained relatively static across our other lines of business.

FY22 water consumption by segment (MLitres)

	FY20	FY21	FY22
Investments	4,956	4,289	4,425
Construction	470	332	356
Non-core	711	27	6
Lendlease tenancies	47	46	28
Total	**6,185**	**4,694**	**4,816**

FY22 saw an increase of water use across our operations. This was largely due to expanding our reporting boundary for the Australian Retirement Living business to implement a globally consistent methodology for water reporting to include resident potable water use in addition to common areas.

1. Some charts and tables may not sum due to rounding.

Creating social value

On track to reach our target

Since launching our social value target in 2020, we have created $107.3m of social value through the work of our shared value partnerships, supported by Lendlease Foundation. We are well on track to achieve our target of $250m by 2025, with 42.9 per cent achieved to date.

Shared value partnerships

Our shared value partnerships are assessed using a methodology that combines the principles of Social Return on Investment (SROI) with a cost benefit analysis. This places an economic value on the improvement of wellbeing across a series of social outcomes. For every dollar invested we aim for an average return on social value of five dollars.

More than 30 partnerships have now been assessed. A sample of assessment outcomes of our partnerships for the period 1 July 2019 to 30 June 2022 are shown.

This year we launched #alittlehelptothrive, a social media campaign to celebrate the work of our shared value partnerships. The campaign stories can be found on our website.

Social value on projects and assets

Our social value target and reporting does not capture activities performed across our projects and assets. We are working on initiatives to support the tracking of social value across our sites with a key focus on:

- Skilling and training
- Employment
- Volunteering.

Social impact achievements

- BeOnsite won the Queen's Award for Enterprise for outstanding achievement in promoting opportunity through social mobility.
- FutureSteps celebrated the opening of yourtown's Louise Place, a transitional home that received grant funding to provide housing and support services to survivors of family violence.
- Long-standing Australian Community Grants Program expanded to the United Kingdom, Singapore and Malaysia. The total value of the Community Grants Program in FY22 was over $300,000.

Partnership	Social Return on Investment	Social value
Great Barrier Reef Foundation (Global) 10-year partnership supporting the Reef Islands Initiative to protect and restore critical habitats	SROI – 1:14 For every $1 we invested, $14 of social value was created	$28.3m
Minami Sanriku (Japan) Supporting rebuilding the local community after the 2011 Great Eastern Japan earthquake and tsunami	SROI – 1:7.56 For every $1 we invested, $7.56 of social value was created	$3.1m
Programma 2121 (Italy) Training and paid internships for non-violent offenders within the Italian prison system, enabling them to enter the workforce upon release	SROI – 1:4.5 For every $1 we invested, $4.50 of social value was created	$2.3m
Johnson Depression Center, University of Colorado and United Suicide Survivors International (Americas) Mental health and suicide prevention program aimed at reducing suicide in the construction industry	SROI – 1:8.7 For every $1 we invested, $8.70 of social value was created	$747k
Australian Red Cross (Australia) Community initiative in Katherine, Northern Territory, operated by people in the local community with the support of the Red Cross	SROI – 1:15.7 For every $1 we invested, $15.70 of social value was created	$16.7m

Top: **Kuala Lumpur:** Projek Komuniti Kita, featured in #alittlehelptothrive campaign.

Elevate Reconciliation Action Plan (RAP)

During the second year of our Elevate RAP titled Country, Truth and our Shared Story, we have continued to embed commitments within our business practices and engage and collaborate with First Nations communities, employees, RAP partners and businesses.

Lendlease is one of only 12 organisations with an Elevate RAP[1] out of a total of 2,200 Reconciliation Australia endorsed RAPs.

Close to four million people now either work or study in a RAP organisation which is accelerating the progress towards a more equitable and fair Australia and strengthening the relationships between First Nations peoples and non-Indigenous peoples, for the benefit of all Australians[2].

Cairns Central, Djabugay, Yirrganydji, Gimuy-walubarra Yidi Country: Uluru Statement campaign.

FY22 RAP Goals	Actions	Outcome
Providing cultural engagement and learning for all employees	94 per cent of new starters in Australia have completed the compulsory cultural learning in FY22. 88 per cent of the Lendlease Australia workforce have completed at least one cultural learning activity[1].	Understanding that recognition of Country and the story of place is core to our placemaking activity.
Making First Nations businesses foundational in our supply chain	147 Supply Nation businesses engaged (registered and certified First Nations businesses) $80m spent in FY22 with registered and certified First Nations businesses	Our procurement goal aligns with the national Raising the Bar initiative, which sets annual targets to embed First Nations owned businesses in our supply chain. We have exceeded our year 3 Raising the Bar target.
Supporting First Nations voices within Lendlease	1.4 per cent of Lendlease employees in Australia identify as First Nations Australians.	We are bringing First Nations leadership into senior management roles. This will be a key focus as we work towards our commitment of 3 per cent by FY23.

1. Data since FY2012

1. Who has a RAP?: Reconciliation Australia (30 June 2022).
2. 2021 RAP Impact Report: Reconciliation Australia.

Melbourne
Melbourne Quarter

Risk and Climate-related Resilience

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

Risk governance and management

Our approach aims to create a risk intelligent culture that supports strategy by driving value creation through risk based decision making.

The Board is responsible for ensuring the effectiveness of the risk management framework. The risk management process outlines the governance, risk appetite, accountability for risk management and operational resilience program.

Risk framework

Our risk framework, underpinned by a ‘Three Lines of Defence’ model, remains unchanged from a governance perspective. The model provides a structured approach to risk management by defining clear roles and responsibilities across the organisation and the relationship between the different areas.

Three Lines of Defence

Board and Committees

Global Leadership Team

1

Business Operations
Identify, manage and own risks relevant to the project / investment

Regional Leadership Team
Accountable for achieving regional objectives

2

Group Functions
Outline assurance measures to enable appropriate identification and management of risks

3

Internal and External Audit
Provide assurance independently from the first and second lines of defence

Risk Appetite Framework

The Risk Appetite Framework articulates the Board’s appetite for taking on risk as we implement our strategy. It provides clarity on the types of projects we target, while providing a method for identifying projects nearing or outside of acceptable risk tolerances.

The Risk Appetite Framework, with a lens on continuous improvement, is periodically reviewed to ensure it continues to evolve and remains fit-for-purpose. Any changes, including the addition of new statements and tolerances, are reviewed and approved by the Board Risk Committee.

Enterprise risks

Our Enterprise Risk Framework is designed to inform and support business strategy. The framework provides an important backdrop in setting our strategic objectives and monitoring operational risk assessment throughout the organisation.

The framework provides a harmonised approach with five interlinking pillars.

The connectivity between these pillars creates a risk management ecosystem in which their interaction provides clear and measurable linkages. This ecosystem is supported by our underlying risk systems, managing our exposure via insurance, a resilience framework and a risk intelligent culture.

Risk Management Framework

Three Lines of Defence

Board and Committees

Global Leadership Team

1 Business Operations

Regional Leadership Team

2 Group Functions

3 Internal and External Audit

Strategic Direction

Reset → Create → Thrive

Enterprise Risks

Market

- Cyber, Data Governance, Asset Protection
- Disruption
- Geopolitical

Operational

- Business Continuity
- Corporate and Environmental Sustainability
- Health, Safety and Wellbeing
- Non-Scalable Growth
- Performance, Commercial, Execution
- Corporate Culture
- Customer
- Regulatory and Compliance

Supporting Tools & Techniques

Group Policies*

- Acceptable use of IT
- Information Security
- Records Management
- Risk Management
- Business Travel
- Environment, Health & Safety
- External Communications and Continuous Disclosure
- Sustainability
- Tax
- Treasury
- Conduct Breach Reporting
- Customer Complaints
- Employee Code of Conduct
- Privacy
- Political Donations

* Non- exhaustive list

An independently appointed 'Voice of Risk' executive continues to form part of each Regional Leadership Team. This individual continues to play an objective role to challenge both the business and the risk function on strategic and operational risk management.

Our Risk Management Framework is outlined above. Each of the Enterprise Risks has a cascade of granular risks and opportunities which are tactical and operational. These are supported by Group policies and Risk Appetite Tolerances. This facilitates a portfolio lens across our risk profile.

An overview of global market risks across the business:

Geopolitical

Heightened geopolitical tensions are impacting the global economy, creating volatility across the global markets, reflected most notably in higher energy prices and rising inflation. We continue to actively monitor the global political and economic risk landscape, ensuring our resilience framework is up to date to support the business and our Board in understanding our potential exposures and mitigation strategies.

Disruption of supply chain

Global supply chain disruption and dependency is being actively managed across all areas of the business, with mitigation strategies in place across key areas including higher inflation, construction cost volatility and surety of supply.

COVID

Despite an easing of restrictions across our operations, notwithstanding extended lockdowns in China, we are cognisant that the business will continue to be challenged by COVID from both a strategic and operational perspective. Our risk teams work closely with the business, governments and industry to prepare for disruption and support business continuity across the Group.

Our global Supply Chain team play a key role in managing the related exposures flowing from the market risks noted above. The team supports procurement activities across the business by leveraging our global scale through our preferred supply chain partnerships. In addition, the Supply Chain team manages enterprise-wide risk policies and standards, plus systems to provide enhanced insights of supply chain risk. The team is also responsible for co-ordinating Lendlease's modern slavery risk mitigation response.

Climate-related strategic resilience

Lendlease supports the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), having committed to producing annual disclosures that consider these recommendations in 2018.

We have a phased approach to integrating the recommendations of TCFD over time. Our disclosure continues to evolve as we enhance management of climate-related risks and as advancements are made in climate-related financial disclosures.

Building strategic resilience

In FY19 we disclosed our three climate scenarios that we would use to build business strategic resilience. The scenarios were Polarisation (>3 degrees), Paris Alignment (2-3 degrees) and Transformation (well below 2 degrees).

In FY20 the business identified risks and opportunities that might arise over the next 30 years for each of our climate scenarios and which of these were likely should the scenario manifest in the next 10 years.

These risks and opportunities were then synthesised into ten Climate-Related Impacts (CRIs) per scenario and disclosed in our FY20 Annual Report.

In FY21 and FY22 we further enhanced the climate-related strategic resilience of our business by engaging with more than 100 of our senior leaders globally in a series of TCFD Business Impact workshops. The FY21 workshops used the five CRIs identified as most likely to appear in the next 10 years from each scenario (should the scenario manifest) as the basis of review. The remaining five were examined in FY22. Participants were asked to identify their business unit's positive and negative sensitivities, by reference to impact to revenue, for each CRI relative to our baseline strategy.

Participants identified mitigating actions to reduce the sensitivity, if the scenario happened, through building business strategic resilience to either absorb, adapt, or transform to the CRIs. An assessment of the remaining residual sensitivities was subsequently undertaken.

Every effort was taken to engage in a robust scenario analysis process with input from experienced senior leaders in each business around the globe. However, scenario planning is, by its nature, subjective and may be subject to change as key considerations evolve. The following disclosures are subject to these factors. The assessment of our strategic resilience is against a baseline which assumes our Mission Zero strategy.

Top: **Sydney:** Barangaroo Headland.

Our strategic resilience to climate-related impacts

The assessment of the second set of five CRIs indicates a greater financial resilience (higher residual positive sensitivity) in our business strategy to our Paris Aligned scenario, supported by our continued commitment to being a 1.5 degree aligned business. In particular, our Mission Zero business strategy played a significant role in both reducing the risks and increasing opportunities in the analysis associated with our Paris Aligned scenario. As with most companies, we have negative sensitivities to global labour and supply chain disruptions in our Polarisation scenario; however, strategies to mitigate these risks have been well established during COVID disruptions. The dramatic shift under a transformation scenario poses both positive and negative sensitivities, depending on the level of transformation.

The integration of climate risk assessments with investment decision making, combined with continued progress in decarbonising our operations and supply chain, has reduced residual negative sensitivities to climate impacts. To help understand the level of mitigating action considered for each climate impact, we have expanded our CRI disclosure to include the level of action required to achieve the residual sensitivity. The level of action identified for the full set of CRIs will be available in the Climate-related Impacts section of our FY22 ESG Databook.

Polarisation Scenario (>3°C)

This scenario sees a world where climate action is delayed by the polarisation of climate action. This delay results in a world where physical climate changes are the greatest across our three scenarios.

The integration of 'Leadership in Sustainability' as a strategic priority and our Net and Absolute Zero Carbon targets sees low levels of positive sensitivity from an increased market share from the public sector, as well as access and cost of capital.

Having experienced similar impacts to international product and labour availability due to COVID, Lendlease recognises a transformation of global supply chains and labour sourcing is needed to reduce supply risks.

Climate-related Impact	Residual Sensitivity: Investments	Development	Construction
Impact market share from public sector	Adapt	Adapt	Absorb
Access and cost of capital	Transform	Adapt	Absorb
Availability of international products	Transform	Transform	Transform
Availability and cost of labour	Adapt	Adapt	Adapt
Reduced availability of materials and resources	Transform	Transform	Transform

Paris Alignment Scenario (2-3°C)

This scenario sees a market led transition to a lower carbon future through global government commitments to the Paris Agreement. This would result in increased regulation of climate action and a reduction of the physical impacts of climate change compared with our Polarisation scenario.

There are many 'difficult to decarbonise' products and materials in our supply chain, including cement, steel, and aluminium. However, our continued work to achieve this goal would result in a significant positive sensitivity.

Our leadership in sustainability and carbon targets creates positive sensitivities to an increased market share from the public sector. It also provides an advantage whilst leadership in decarbonisation continues to be valued by investors.

Climate-related Impact	Residual Sensitivity: Investments	Development	Construction
Misalignment between legislation/regulation and Lendlease strategy	Adapt	Absorb	Absorb
Demand for negative emissions and geoengineering solutions	Adapt	Adapt	Adapt
Changing preferences away from new build development	Transform	Transform	Transform
Demand for zero-carbon infrastructure	Absorb	Adapt	Absorb
Increase market share from public sector	Adapt	Adapt	Adapt

Transformation Scenario (<2°C)

This scenario sees a rapid decarbonisation pathway, where global emissions are close to zero in 2040, driven by society.

The speed of change required to limit global warming to 1.5 degrees is likely to create negative sensitivities in our supply chain as suppliers try to keep pace with decarbonisation demands and shifting preferences towards localisation. Further, however unlikely, a major shift towards community ownership would disrupt most major corporations.

Our leadership in sustainability and innovation creates positive sensitivities to an expectation of greater research and development in decarbonisation. Further, we see positive sensitivities through an increase in partnerships and collaboration in decarbonisation, such as our founding membership of the Materials and Embodied Carbon Leaders Alliance (MECLA), an industry led coalition to decarbonise Australia's building and construction industry.

Climate-related Impact	Residual Sensitivity: Investments	Development	Construction
Availability of international products	Transform	Adapt	Adapt
Changing preferences away from new build development	Transform	Transform	Transform
Shift towards community 'ownership' of companies	Transform	Transform	Transform
Expectation of R&D investment for decarbonisation	Transform	Adapt	Adapt
Greater need for partnerships and collaboration for decarbonisation	Adapt	Adapt	Adapt

Absorb: Current strategy absorbs the impact of the CRI
Adapt: Changes required to current strategy to respond to the CRI
Transform: New strategy or significantly altered strategy required to respond to the CRI

Higher negative sensitivity — Higher positive sensitivity

Our disclosure progress

The table below provides a summary of our actions to date for each component of the TCFD framework, as well as outlining our continued commitment in FY23.

		Actions	FY19 – FY21	FY22	FY23
Governance	Disclose the organisation's governance around climate-related risks and opportunities	Strengthen Board and Management oversight of climate-related risks through Board Sustainability Committee	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Establish and regularly convene a cross functional TCFD Steering Committee chaired by Chief Risk Officer	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Identify climate-related risks and opportunities for each scenario	Completed		
		Impact of climate-related risks and opportunities on the entity	Commenced and Ongoing	Completed	
		Assess the effect of climate-related risks and opportunities on decisions and plans of the entity	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Resilience to climate-related risks and opportunities	Commenced and Ongoing	Completed	
Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks	Climate-related risk integrated into Risk Committee	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Climate-related risk assessments integrated into and undertaken as part of Investment Committee decision making process	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Integrate climate-related risks into risk management framework and register	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Regular monitoring of scenarios and Climate -related Impacts			Commenced and Ongoing
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 for managing climate-related risks and opportunities.	Commenced and Ongoing	Commenced and Ongoing	Commenced and Ongoing
		Continued disclosure of scope 1 and 2 emissions	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Establish scope 3 emission reporting boundaries and estimation methodologies	Completed		
		Disclose estimated scope 3 emissions	Process Established and Continuing	Process Established and Continuing	Process Established and Continuing
		Establish targets for managing climate-related risks and opportunities.	Commenced and Ongoing	Commenced and Ongoing	Commenced and Ongoing

Completed | Process Established and Continuing | Commenced and Ongoing

More information

For more information about our TCFD disclosures, please refer to our ESG Databook.
For further information about our decarbonisation strategy, please visit Mission Zero.

Emerging Climate-related Impacts

With the full business strategy resilience assessment now complete across the three scenarios, we will continue to monitor the identified climate-related risks and opportunities for signs of the Climate-related Impacts (CRIs) emerging. The value of this strategic resilience planning is evident with a few key CRIs beginning to materialise.

CRI: Industry Leadership in Decarbonisation valued (All scenarios)
Lendlease identified that industry leadership in decarbonisation would be valued under all three scenarios. This has been seen in the rise of sustainable format financing strategies.

We are a leader in sustainable financing in Australia with approximately $3.1b or 60 per cent of the Group's total facilities sourced in sustainable formats.

Accessing the sustainable financing market has supported execution of the Group's strategy, improved lender engagement and is expected to result in lower borrowing costs for the Group.

It is our intention to pursue, where appropriate, sustainable format financings in the future for new facilities and refinancing of maturing facilities.

CRI: Increased Cost of Carbon (Paris Alignment scenario)
Since identifying the cost of carbon as a potential CRI under the Paris Alignment scenario in FY20, there has been a substantial increase in the number of net zero commitments made by corporations and governments globally and a corresponding increase in the demand for quality carbon offsets. This has been reflected in carbon offset markets, with an expectation that pricing will likely increase as the net zero deadlines declared by these entities approach[1]. This is to be expected given some organisations are planning to solely rely on the purchase of carbon offsets to achieve their net zero targets.

Our 2040 Absolute Zero target, which seeks to eliminate emissions from our business altogether without reliance on offsets, helps to mitigate the carbon offset price risk exposure. It is also intrinsic to our near-term Net Zero by 2025 target to reduce our carbon emissions as much as possible and therefore minimise the residual position requiring offset.

To help achieve our ambitious targets, long term decarbonisation plans (Mission Zero Roadmaps) and short-term carbon mandates have been developed for each business and region. The mandates seek to reduce our scope 1 and 2 emissions, which will support not being caught by a rising cost of carbon. The mandate actions include shifting to renewable electricity, utilising Power Purchase Agreements, and shifting to renewable diesel or biodiesel alternatives, where these options are available.

Carbon offsets will be centrally managed and procured to achieve net zero emissions starting in FY25 for any remaining unavoidable emissions. For illustrative purposes only, based on our estimated net scope 1 and 2 emissions in FY22, and the current estimated cost of carbon offsets, the potential cost range to achieve net zero in FY22 would have been between $1.2m and $2.4m[2].

1. Taskforce on Scaling Voluntary Carbon Markets (TSVCM) Final Report, January 2021.
2. Based on our estimated net scope 1 and 2 emissions in FY22 and the current estimated cost of carbon offsets.

Sydney
Barangaroo South

Performance and Outlook

Group performance

Key Financials[1]

	$m	FY21	FY22	Var.
Core Business				
Investments		276	497	80%
Development		469	181	(61%)
Construction		173	131	(24%)
Segment EBITDA		**918**	**809**	**(12%)**
Corporate Costs		(161)	(180)	(12%)
Operating EBITDA		**757**	**629**	**(17%)**
Depreciation & Amortisation		(148)	(146)	1%
Net Finance Costs		(137)	(116)	15%
Operating Profit before Tax		**472**	**367**	**(22%)**
Income tax expense		(95)	(91)	4%
Core Operating Profit after Tax		**377**	**276**	**(27%)**
Reconciliation to Statutory Profit / (Loss) after Tax				
Non Core		(181)	(42)	77%
Non Operating Items[2]		26	(333)	NA
Statutory (Loss)/Profit after Tax		**222**	**(99)**	**NA**
Group				
Core Operating EPS	**cents**	**54.8**	**40.1**	**(27%)**
Distribution per Security	**cents**	**27.0**	**16.0**	**(41%)**
Total Group Statutory EPS	**cents**	**32.3**	**(14.4)**	**NA**
Total Group Statutory ROE[3]	**%**	**3.2%**	**(1.4%)**	**NA**

1. Operating earnings presented reflects Statutory earnings adjusted for non operating items and the Non core segment. Non operating are Investments segment property revaluations, restructuring charges and impairment expenses.
2. Non operating items after tax for the year ending 30 June 2022 includes Investment segment revaluations $70m, offset by restructuring costs $119m, development impairment costs $223m, intangible impairments relating to the Digital business $55m, other intangible impairments $6m. Prior year includes Investment segment revaluations $26m.
3. Return on Equity is calculated using Profit after Tax divided by the arithmetic average of beginning, half and year end securityholders' equity.

Performance

The Group's Statutory Loss after Tax for the year ending 30 June 2022 was $99m, compared with a Statutory Profit after Tax of $222m for the prior year[1]. This included a loss of $333m from Non-operating items driven by restructuring costs, and a loss of $42m from the Non-core segment.

The Group recorded Core Operating Profit after Tax of $276m for the year ending 30 June 2022. Core Operating Earnings per Security of 40.1 cents represents a Return on Equity of 4.0 per cent. Distributions per security totalled 16 cents, representing a payout ratio of 40 per cent of Core Operating Profit.

Good progress has been made in advancing several strategic priorities which provide momentum into FY23 and beyond. These include approximately $11b of investment partnerships and the commencement of $5.9b of developments.

Core segment EBITDA of $809m was down from $918m[1]. Investment earnings were up substantially with both higher fund management fees and a recovery in investment income. Development profitability remained suppressed with limited completions, and Construction earnings continued to reflect COVID impacts, cost pressures and lower new work secured in Europe and Americas.

The Investments segment outperformed with a 9.7 per cent return on invested capital, above our target range of 6-9 per cent, boosted by the part divestment of the asset management income stream of the US Military Housing portfolio, as well as a recovery in portfolio income and higher management fees.

The lower contribution from the Development segment reflects fewer completions and the impact of the change in approach to our joint venture projects, which more closely aligns the timing of profit with cash flow and capital at risk. While the return on invested capital of 2.2 per cent was well below target, albeit within the expected range for FY22, progress continues to be made towards converting the development pipeline with Work in Progress at a record $18.4b.

In the Construction segment, revenue was up driven primarily by the Australian region. The Americas, where new work secured has reduced significantly since the onset of COVID, recorded a decline in revenue. The construction EBITDA margin of two per cent was at the bottom of the 2-3 per cent EBITDA target range.

Corporate costs of $180m were higher due to a combination of one-off provisioning in the current year and several one-off benefits which reduced reported costs in the prior year. Excluding these one-off items, corporate costs would have declined. Net finance costs of $116m were lower with reduced committed facilities and lower average drawn debt. The average cost of debt was largely unchanged despite base rate increases due to the high proportion of fixed rate debt.

The balance sheet remains in a strong position with gearing of 7.3 per cent and total available liquidity of $3.9b.

The Non-core loss primarily reflects costs associated with the exit of the Services business in FY22. We have maintained provisions we consider are appropriate to complete our share of the retained Melbourne Metro project and for potential warranties associated with the now exited Engineering and Services businesses.

At the beginning of the year the Group announced a five-year roadmap to deliver long term sustainable performance, with FY22 a Reset year. The roadmap has simplified the business and created a leaner organisation. Restructuring costs associated with these changes, recorded as Non-operating items, were $342m post tax and include allowances for employee and tenancy costs, and development impairments on a small number of underperforming projects.

Recurring annual savings arising from simplifying the Group's operating model were $172m, which have exceeded our target of more than $160m pre tax on an annualised basis. Additional cost savings are anticipated in FY23.

Restructuring charges of $170m pre tax were incurred to generate these savings. A change in development strategy across a small number of projects incurred an impairment expense of $289m pre tax.

A review of the Group's digital business reaffirmed the importance of the strategy, along with a more focused product offering. A refinement to the existing strategy will enable a more efficient use of the Group's capital. An impairment expense of $55m post tax was recorded in relation to products that have been discontinued.

1. Comparative period the year ended 30 June 2021.

Group performance continued

Portfolio Management Framework

	Target	FY21	FY22
Total Group Metrics			
Core Operating ROE	8-11%	5.4%	4.0%
Distribution payout ratio[1]	40-60%	49%	40%
Gearing	10-20%	5.0%	7.3%
Core Business EBITDA Mix			
Investments	35-45%	30%	61%
Development	40-50%	51%	23%
Construction	10-20%	19%	16%
Core Business Segment Returns			
Investments ROIC[2]	6-9%[3]	5.9%	9.7%
Development ROIC[2]	10-13%[3]	7.2%	2.2%
Construction EBITDA margin	2-3%	2.7%	2.0%
Segment Invested Capital Mix			
Investments	40-60%	45%	40%
Development	40-60%	55%	60%
Regional Invested Capital Mix			
Australia	40-60%	39%	33%
Asia	10-25%	19%	22%
Europe	10-25%	23%	25%
Americas	10-25%	19%	20%

1. Distribution payout ratio has been calculated on Core Operating Earnings.
2. Return on Invested Capital (ROIC) is calculated using the Operating Profit after Tax divided by the arithmetic average of beginning, half and year end invested capital.
3. Through-cycle target based on rolling three to five year timeline.

Outlook

The Group enters the new financial year with significant operating momentum, providing confidence in the *Create* phase of our five-year roadmap. While our integrated model enables a high degree of control regarding executing our strategy, we will be influenced by the external environment of higher inflation and interest rates.

The Return on Invested Capital for the Investments segment is expected to be in the range of 6-7.5 per cent for FY23, the lower half of our target range. While the urban development pipeline is expected to continue to provide the predominant source of future growth for the investments platform, new initiatives will be pursued selectively alongside our investment partners.

The Return on Invested Capital for the Development segment is expected to be in the range of 4-6 per cent for FY23. Higher commencements and a record amount of Work in Progress are driving a recovery in both completions and profit. However, scale benefits will not be achieved and the revised approach to our joint venture projects is anticipated to continue to defer profits on some projects in the near term. As a result, returns in FY23 will remain well below our target of 10-13 per cent.

We remain on track to meet our $8b completion target in FY24, along with the Return on Invested Capital target of 10-13 per cent. Anticipated commencements, along with our assessment of project fundamentals of current Work in Progress, provides confidence in achieving both the completion and return targets.

The EBITDA margin for the Construction segment is expected to be in the range of 1.5-2.5 per cent for FY23, potentially lower than our target range of 2-3 per cent, due to ongoing disruption from the pandemic, cost pressures and supply chain constraints. These risks have been well managed to date but their persistence is likely to impact performance in FY23.

COVID impacts across the Group

Segment	Impacts
Investments Performance was disrupted, although improved relative to FY21.	• Retail asset management fees recovered, but were partly offset by a normalisation of expenses • Income from the Group's investment portfolio recovered, although remains below pre-COVID levels • Extended stabilisation periods were experienced on recently completed assets • While there have been some impacts to income, real estate valuations were resilient with a $74m (pre tax) increase in the book value of the Group's coinvestments.
Development Activity and profitability were affected.	Delays in converting opportunities across the Group's urban pipeline included: • Weaker demand for new apartment product • Population declines across many gateway cities impacting underlying real estate demand • Weaker tenant demand and investment partner appetite in the office sector • Settlement delays on completed apartment product • Deferral in completion dates of projects in delivery e.g The Exchange TRX There were also some positive impacts: • Demand and pricing for luxury apartments • Government stimulus measures have boosted activity for new detached housing.
Construction Impacts to origination and revenue.	• Productivity disruption related to Government mandated shutdowns and social distancing protocols • Projects put on hold in some markets; delays in securing and commencing projects • Cost management measures mitigated the impact on margins • Public sector activity has increased including the securing of several social infrastructure projects.

Investments segment

Key financial and operational metrics

	FY21	FY22
Management EBITDA ($m)[1]	165	141
Ownership EBITDA ($m)[2]	111	356
Operating EBITDA ($m)[2]	276	497
Operating Profit after Tax ($m)	213	361
Invested Capital ($b)[3]	3.6	3.7
Funds Under Management ($b)[4]	39.6	44.4
Assets Under Management ($b)[4]	28.5	30.0
Investment Portfolio ($b)[5]	3.5	3.5

1. Earnings primarily derived from the investment management platform and the management of US residential housing operations.
2. Returns excluding non-cash backed property related revaluation movements of Investment Property, Other Financial Assets, and Equity Accounted Investments in the Investments segment.
3. Securityholder equity plus gross debt less cash on balance sheet.
4. The Group's assessment of market value.
5. The Group's assessment of market value of ownership interests.

Performance

The Investments segment delivered EBITDA of $497m, up substantially from $276m[1]. The recovery in performance was driven by several components of the segment with higher fund management fees, a recovery in underlying investment income and profits on divestments. Return on Invested Capital of 9.7 per cent outperformed both the anticipated range of 7.5-8.5 provided at the HY22 results and the segment target range of 6-9 per cent.

Management EBITDA, derived from funds and asset management activities across the Group's investments platform, was $141m, down from $165m[1].

Funds management EBITDA rose 25 per cent to $94m[1]. Revenue climbed from $145m to $172m, driven by base fees growing in line with funds under management and acquisition fees from investments in Asia. Higher expenses were driven by investment in resourcing to support the $11b in initiatives to underpin our growing platform, including the launch of new products.

Asset management EBITDA of $47m is down from $90m[1]. The prior year includes fees from the $1.3b of redevelopment activity that was secured across the US military housing portfolio. Residential fees across the apartments for rent portfolio continued to rise while commercial asset management fees recovered on fewer abatements.

Investment portfolio EBITDA was $356m, up from $111m[1]. Improved asset level performance supported a recovery in underlying investment income with an investment yield of approximately five per cent across the portfolio, up from approximately three per cent in the prior year. This included a recovery in earnings across our co-investment positions, including an improved operating performance from our Retirement Living investment. Profits from capital recycling initiatives included $167m pre-tax associated with the part divestment of the future asset management income stream from the US Military Housing portfolio.

The Group's investment portfolio is valued at $3.5b. The portfolio was steady against FY21 with the investment into an industrial portfolio joint venture and our participation in the Lendlease Global Commercial REIT capital raising broadly offsetting the Retirement Living divestment. The investment portfolio is well diversified, with exposure across the office, residential, retail, retirement and industrial sectors.

Outlook

The Return on Invested Capital for the Investments segment is expected to be in the range of 6-7.5 per cent for FY23, within our target range. Funds under management, assets under management and the investment portfolio are the key operating metrics that drive future financial performance.

Growth in funds under management of 12 per cent[1] to $44.4b was underpinned by new partnerships and mandates, fund acquisitions and appreciating asset values. Additional funds include Real Estate Partners 4; an office partnership at International Quarter London; our industrial portfolio joint venture and acquisitions across the Australian Funds Management platform. In addition to the current funds under management, there is approximately $5b of potential FUM based on development projects currently in delivery via managed funds or mandates. This forms part of the $11b of investment partnerships that were established during the year.

The Group's urban development pipeline is expected to continue to provide the predominant source of future growth for the investments platform. The existing urban development pipeline includes approximately $64b of institutional investment grade product across commercial and residential for rent assets.

Assets under management rose from $28.5b to $30.0b, primarily driven by foreign exchange rate movements. Fees will be lower in FY23 given our lower interest in the military housing asset management income stream.

The Group's investment portfolio of $3.5b includes approximately $1b in each of office and retail assets, $0.7b in residential and $0.5b in retirement, with the remainder in industrial.

The Group's strategy is to significantly grow its investment portfolio over time. Growth is expected to be derived from retaining a proportion of completed assets from the development pipeline and investing alongside partners through the launch of new products. Key initiatives progressed in FY22 include the launch of a value-add diversified fund; a partnership to develop the office precinct at International Quarter London; a US Life Sciences partnership; and an Asian Innovation partnership.

1. Comparative period the year ended 30 June 2021.

Development segment

Key financial and operational metrics

	FY21	FY22
Operating EBITDA ($m)	469	181
Operating Profit after Tax ($m)	342	111
Invested Capital ($b)[1]	4.4	5.4
Work in Progress ($b)	14.5	18.4
Commencements ($b)[2]	5.6	5.9
Completions($b)[3]	3.8	2.5
Pipeline ($b)[4]	113.6	117.0

1. Securityholder equity plus gross debt less cash on balance sheet.
2. Project end value on product commenced during a financial period (representing 100% of project value). Subject to changes in delivery program.
3. Project end value on product completed during a financial period (representing 100% of project value).
4. Total estimated end value (representing 100% of project value).

Performance

The Development segment delivered EBITDA of $181m, down significantly from $469m.[1] COVID adversely impacted the timing and profitability of projects during the year while weather disruptions suppressed the performance of the Communities business. The prior year profit included contributions from the development joint ventures formed on One Sydney Harbour, Towers One and Two. They generated approximately $325m in EBITDA, including the uplift on our retained interest of 75 per cent. The decision to improve earnings quality by changing our approach to joint venture projects delayed expected profits.

The subdued operating performance was reflected in a deterioration in returns. Return on Invested Capital of 2.2 per cent was at the lower end of the expected range of 2-4 per cent expected for FY22 and below our target range of 10-13 per cent.

The divestment of the remaining 20 per cent interest in our Sydney Place development, along with progress on both leasing and construction delivery milestones, was the largest contributor to the result. Origination fees following financial close on both the North East Link and Frankston Hospital Public Private Partnerships also contributed to EBITDA.

We completed $2.5b of developments, down from $3.8b in the prior year, comprised of $2.0b urban projects and $0.5b Communities. Across our urban portfolio, we completed both apartments for sale and rent buildings at Lakeshore East, Chicago, two office campus style buildings at Milano Santa Giulia and the retirement village in Shanghai.

The Australian Communities business generated EBITDA of $16m, down from $42m[1]. Planning and weather delays contributed to the decline in settlements from 2,228 to 1,478 lots.

Further recovery in commencements, which are running well ahead of completions, provides us with the confidence that operating momentum will translate into improved financial performance. Commencements of $5.9b, including a strong recovery in H2 FY22 of $4.4b, were up from $5.6b[1] providing a clearer pathway for completions to achieve our $8b annual target going forward from FY24.

Our apartments for rent project at 1 Java Street, New York commenced against the backdrop of an improved outlook for the inner-city rental market. We are now underway with the third and final residential tower at One Sydney Harbour, Sydney. The Boston Life Sciences project commenced, along with office developments in Singapore, London and Sydney. In addition, we commenced phase one of the data centre in Tokyo. Lot sales across Australian Communities rebounded from 1,940 to 3,114[1] as we worked through planning and launched new projects.

Invested capital rose from $4.4b to $5.4b[1] as development expenditure accelerated ahead of higher completions. Key projects utilising additional capital include: One Sydney Harbour; The Exchange TRX, Milan Innovation District and the Australian Communities business. The increase in invested capital is net of a $0.2b reduction related to the impairment of a small number of development projects.

Outlook

The Return on Invested Capital for the Development segment is expected to be in the range of 4-6 per cent for FY23. The significant operating momentum we carry into the new financial year, reflected in higher commencements and a record amount of Work in Progress, will drive a recovery in both completions and profit. However, neither will be at a sufficient level to derive the full scale benefits from our development platform. In addition, the change in approach to our joint venture projects has shifted the timing of profit recognition. As a result, returns in FY23 will remain well below our target of 10-13 per cent.

The development pipeline rose from $113.6b to $117b[1] with additional projects and increased scope on existing projects more than offsetting completions and the removal of a few underperforming projects. Our $3b joint venture with Singtel was added to the pipeline. The project comprises two premium grade workplaces totalling approximately 110,000 square metres. Our Kinma Valley community project in South East Queensland received planning approval, adding $0.7b to the pipeline. Master planning and pricing improvements across our existing urban and communities' projects generated an uplift of more than $5b to the pipeline.

The conversion of the already secured pipeline is critical for achieving our annual completion target of more than $8b. While this alleviates the need for significant origination, we will continue to pursue attractive opportunities with emphasis on our Asian and Australian cities.

Work in Progress, the lead indicator for future completions, has risen to a record $18.4b. Approximately $4.5b is expected to complete in FY23, including Sydney Place and our apartments for sale project at 100 Claremont, New York. The Australian Communities business is recovering with more than $1b of presales carried into the new financial year. Consequently, we are targeting the lower end of our 3,000 to 4,000 settlement range for FY23.

We remain on track to meet our more than $8b completion target in FY24. Projects that underpin this level of completions include residential Towers One & Two, One Sydney Harbour, the Melbourne Quarter Tower and TRX in Kuala Lumpur.

Maintaining this completion target will require Work in Progress of more than $20b. This milestone is expected to be reached in FY23, driven by expected commencements of approximately $8b.

1. Comparative period the year ended 30 June 2021.

Construction segment

Key financial and operational metrics

	FY21	FY22
Revenue ($m)[1]	6,398	6,579
Operating EBITDA ($m)	173	131
Operating Profit after Tax ($m)	100	68
New Work Secured ($b)[1]	6.9	5.3
Backlog ($b)[1]	11.3	10.5

1. Construction revenue to be earned in future periods (excludes internal projects).

Performance

The Construction segment delivered EBITDA of $131m, down from $173m in the prior year. The result was adversely impacted by productivity delays relating to COVID, lower new work secured, and increased cost pressures due to inflation and supply chain challenges. Notwithstanding these challenges, our strong client relationships, risk management approach and dedicated teams enabled a resilient performance.

Revenue of $6.6b was modestly up on the prior year. This was driven by an 11 per cent uplift from Australia. Asia and Europe were broadly in line with the prior year. Revenue from the Americas was down seven per cent because of reduced new work secured since the onset of COVID, particularly in the northeast residential market.

Several health related projects drove higher revenue in Australia. This included the Tweed Heads Valley Hospital and Randwick Campus Redevelopment; and the Pathway to 144 Mental Health Beds project which responds to the Royal Commission into Victoria's Mental Health System. Office and residential buildings in New York and Los Angeles contributed to revenue in the Americas.

The EBITDA margin was 2.0 per cent, the bottom end of the target range of 2-3 per cent. Australia's margin was strong at 3.8 per cent, while margin pressure was driven by lower productivity across projects in Europe and the Americas. This compares with an EBITDA margin of 2.7 per cent in FY21, which included COVID induced temporary cost reduction measures as well as project completions that boosted the margin.

New work secured of $5.3b was well down from $6.9b, with gains in the Australian business offset by continued weakness in the Americas and Europe. In Australia, new work secured of $3.6b was underpinned by the Frankston Hospital Redevelopment, Powerhouse Parramatta and two health related social infrastructure projects.

New work secured of $1.1b in the Americas was significantly below historical averages, reflecting ongoing subdued activity in key markets, including delays in projects being brought to market.

The business is preferred for $4.6b in new projects, including several social infrastructure projects in Australia and office projects in Europe.

Extensive sector expertise and geographic diversity has been critical for the business to navigate a difficult operating environment.

Outlook

The EBITDA margin for the Construction segment is expected to be in the range of 1.5-2.5 per cent for FY23, potentially lower than our expected target range of 2-3 per cent, with the Australian region expected to be the main contributor to earnings. The outlook is subdued with ongoing disruption from the pandemic, cost pressures and supply chain constraints. The Group is closely monitoring these risks and has implemented various mitigation strategies.

Backlog revenue remains solid at $10.5b and is diversified by client type and sector. Public sector projects account for two thirds of the backlog, while three sectors: social infrastructure; defence; and commercial account for more than 85 per cent.

Australia has a strong workbook, with $7.0b in backlog revenue. Key projects include the Frankston Hospital Redevelopment, RAAF Tindal Stage 6 and USFPI Airfield Works, Powerhouse Parramatta, Liverpool Health and Academic Precinct and the North and South Towers of the Over Station Development at the Sydney Metro Martin Place Integrated Station Development.

The Americas has backlog revenue of $2.6b. The lagged impact of the pandemic and our decision to remain disciplined in bidding for work has resulted in the Americas backlog declining to significantly below historic levels. We have maintained capability given our confidence that backlog and revenue will recover over time.

Backlog revenue in Europe is $0.7b, and Asia backlog revenue is $0.2b.

The Construction segment will continue to support the integrated model and target leadership positions in key sectors by leveraging its competitive advantage, focusing on key market trends and maintaining execution excellence.

Financial position and cash flow movements

Financial position ($m)

	FY21	FY22	Var.
Investment assets			
Other financial assets	1,070	1,149	7%
Equity accounted investments	2,162	2,128	(2%)
Investment properties	278	216	(22%)
Development assets			
Inventories	3,298	3,110	(6%)
Equity accounted investments	1,595	2,246	41%
Investment properties	189	266	41%
Other assets and liabilities (including financial)			
Cash and cash equivalents	1,662	1,297	(22%)
Borrowing and financing arrangements	(2,357)	(2,357)	-
Other net assets and liabilities	(946)	(1,085)	15%
Net assets	**6,951**	**6,970**	-

Investment Assets
The investment portfolio was steady with the equity contributions to the new Industrial Fund and Lendlease Global Commercial REIT broadly offsetting the Retirement Living divestment in Australia. Investment properties directly held fell due to the disposal of retail assets at Barangaroo.

Development Assets
Total development assets rose 10 per cent as Work in Progress accelerates ahead of higher completions. Inventory decreased by 6 per cent with lower carrying values on underperforming projects following their impairment and the reclassification of International Quarter London to Equity Accounted Investments following the formation of the new investment partnership.

Equity contributions to development projects in delivery, including One Sydney Harbour, The Exchange TRX, and Milan Innovation District also contributed to the 40 per cent increase in Equity Accounted Investment assets. The increase in Investment Properties includes capital expenditure on our Retirement Living asset in Asia.

Other assets and liabilities
The movement in other assets and liabilities predominantly relates to the disposal of the Services business. Cash and cash equivalents of $1.3b are moderately below the prior year levels.

Cash flow and treasury management
The Group commenced the year with cash and cash equivalents of $1.7b. Movements during the year comprised Operating cash outflow of $835m, Investing cash inflow of $552m and Financing cash outflow of $106m. The Group closed the year with cash and cash equivalents of $1.3b.

The Group measures underlying cash flow to enable an assessment of cash conversion.

The measures are derived by adjusting statutory cash flows, with the largest adjustment relating to the impact on cash flows from investments in development.

Underlying core operating cash inflow was $514m, representing a cash conversion ratio of 82 per cent. Investment segment cash flows were the primary driver with softer Construction cash flows, a result of subdued activity in international regions, impacting cash conversion. The change in approach to profit recognition has improved the cash conversion ratio.

Underlying investing cash outflow was $482m. The major contributors included proceeds from the 24.9 per cent divestment of Retirement Living and the remaining 20 per cent interest in our Sydney Place development, offset by equity contributions to the new Industrial Fund and Lendlease Global Commercial REIT, as well as continued investment across key development projects in delivery. Proceeds received from the sale of the Services business partially offset production spend in the year.

Group facilities reduced from $5.6b to $5.0b[1] following the decision to reduce the quantum of available committed facilities. The Group remains in a strong financial position with $3.9b of liquidity comprised of $1.3b of cash and cash equivalents and $2.6b in available undrawn debt. Average debt maturity increased to 6.6 years providing greater flexibility and access to longer term capital.

Gearing of 7.3 per cent is below the target range of 10-20 per cent, reflecting several divestments in the second half of FY22. This is expected to rise to the middle of the target range during FY23.

Treasury management

		FY21	FY22	Var.
Net debt	$m	695	1,060	53%
Gearing[1]	%	5.0	7.3	46%
Interest cover[2]	times	6.4	5.6	(13%)
Average cost of debt	%	3.6	3.6	-
Average drawn debt maturity	years	4.9	6.6	35%
Available liquidity	$m	4,930	3,944	(20%)
Average debt mix fixed:floating	$m	87:13	88:12	

1. Net debt to total tangible assets, less cash.
2. FY22 EBITDA has been adjusted to exclude the Restructure costs incurred. FY21 EBITDA has been adjusted to exclude one off items related to the Engineering business.

Credit ratings[1]	
Moody's	Baa3 stable outlook
Fitch	BBB- stable outlook

1. Credit ratings have been issued by a credit rating agency which holds an Australian Financial Services Licence with an authorisation to issue credit ratings to wholesale clients only and are for the benefit of the Group's debt providers.

1. Comparative period the year ended 30 June 2021.

Singapore
Board visit to
313@Somerset

Governance

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 FY22, the Board continued its longstanding practice of reviewing its corporate governance and reporting practices. The Corporate Governance Statement is available on the Lendlease website.

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 Global 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.

Board of Directors' information and profiles

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) (retired November 2021)

Other Current Appointments

Nil

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

Anthony P Lombardo

Global Chief Executive Officer of the Group
(Executive Director)

Term of Office

Anthony (Tony) was appointed Managing Director on 3 September 2021 and also appointed Global Chief Executive Officer in June 2021.

Skills, Experience and Qualifications

Tony Lombardo has more than 25 years' experience working across real estate development, investment management, finance, mergers and acquisitions (M&A) and strategy in Australia and internationally.

Tony joined Lendlease in 2007 as Group Head of Strategy and M&A where he led a number of initiatives including refocusing the Group's overall business strategy. In 2011, he was appointed Group Chief Financial Officer and played a key role in enhancing the flexibility of the Group's capital structure via a stapled structure as well as significantly broadening its funding and banking relationships. He also implemented a range of people focused initiatives including creation of the Young Indigenous Pathways program, which provides mentoring opportunities for young Indigenous students.

In 2016, Tony was appointed Chief Executive Officer Asia based in Singapore. As part of resetting Lendlease Asia's growth strategy, Tony spearheaded a number of major initiatives to drive future growth. Recent successes include the completion of Singapore's S$3.7 billion Paya Lebar Quarter mixed use development, establishment of a US$1 billion data centres joint venture with a large institutional investor and the successful listing of S$1 billion global LREIT on the Singapore Exchange.

Prior to joining Lendlease, Tony spent almost 10 years at GE with responsibilities across a number of functional disciplines including strategy, M&A and finance for both GE Capital and GE Corporate. Tony commenced his career at KPMG where he worked for more than four years.

Tony holds a degree in Accounting and Finance from RMIT University and is a member of the Institute of Chartered Accountants in Australia.

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 Institute 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)

Other Current Appointments

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

Director Brandenburg Ensemble Ltd

Chair of Accenture Australia Foundation

Board Committee Memberships

Chair of the Nomination Committee

Member of the Audit Committee

Member of the Risk 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 has had a diverse career as one of Australasia's leading corporate finance lawyers and held several senior key management and leadership 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. She has extensive experience in the financial services, resources and energy and infrastructure sectors. She also has extensive international experience working in Australia, New York and Hong Kong.

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. She is a member of Chief Executive Women.

Listed Company Directorships (held within the last three years)

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

Non Executive Director of Viva Energy Group Limited (appointed August 2021)

Other Current Appointments

Chair of 30% Club, Australia

Director of the Clean Energy Finance Corporation

Director of Metlife Insurance Limited

Director of UNSW Foundation Limited

Director of Australian Institute of Company Directors

Director of Chief Executive Women

Director of the Goodes O'Loughlin (GO) Foundation Limited

Member of the Takeovers Panel

Board Committee Memberships

Chair of the Sustainability Committee

Member of the Nomination Committee

Member of the Audit Committee

Member of the Risk 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 40 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.

Listed Company Directorships (held within the last three years)

Nil

Other Current Appointments

President of the Financial Executives Institute of Australia

Deputy Chairman of the Victor Chang Cardiac Research Institute

Director of Sydney Theatre Company

Board Committee Memberships

Chair of the Audit Committee

Member of the Nomination Committee

Member of the People and Culture Committee

Member of the Risk Committee

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 Goodstart Early Learning

Board Committee Memberships

Chair of the Risk Committee

Member of the Sustainability Committee

Member of the Nomination Committee

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. She is a Life Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

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

Listed Company Directorships (held within the last three years)

Lead Independent Director GQG Partners (appointed October 2021)

Other Current Appointments

Chair of Cuscal Limited

Chair of SuperFriend Industry Funds' Mental Health Initiative

Member of the Fujitsu Advisory Board

Board Committee Memberships

Chair of the People and Culture Committee

Member of the Nomination Committee

Member of the Risk Committee

Member of the Sustainability Committee

Robert F 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

Other Current Appointments

Non Executive Director of Qiddiya Coast Saudi Arabia

Non Executive Director of Stone Mountain Industrial Property Company, USA

Board Committee Memberships

Member of the Nomination Committee

Member of the Risk Committee

Member of the People & Culture Committee

Member of the Sustainability Committee

Nicholas R Collishaw

(Independent Non Executive Director)

Term of Office

Nicholas Collishaw was appointed to the Board as an independent Non Executive Director, effective 1 December 2021.

Skills, Experience and Qualifications

Based in Sydney, Mr Collishaw is an experienced property executive and non executive director with more than 40 years' expertise gained across Lendlease's core segments of Development, Construction and Investments. During his career he has overseen the development and delivery of a number of significant and ground-breaking projects across the commercial, industrial and retail sectors. Mr Collishaw currently serves as the joint Chief Executive Officer of Lincoln Place Pty Ltd, a boutique funds management entity focused on affordable retirement accommodation, and is Chairman of hospitality group, Redcape Hotel Group. Until his recent retirement, he was a non-executive director of ASX-listed investment manager, Centuria Capital. Mr Collishaw's executive career comprised a number of high-profile roles including Centuria Capital's Chief Executive Officer of Listed Property. Prior to this role, Mr Collishaw spent eight years at Mirvac Group serving as the Chief Executive Officer and Managing Director between 2008 and 2012. He also held senior leadership positions at James Fielding Group where he was Executive Director and Head of Property, Deutsche Industrial Trust and Paladin Commercial Trust.

Listed Company Directorships (held within the last three years)

Non Executive Director of Centuria Capital Group (appointed May 2013, retired August 2021)

Other Current Appointments

Chair of Redcape Hotel Group (delisted 2021)

Board Committee Memberships

Member of the Audit Committee

Member of the People and Culture Committee

Member of the Risk Committee

Member of the Nomination Committee

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

The Directors have a mix of Australian and international experience and expertise, as well as specialised skills to assist with decision making to effectively govern and direct the organisation for the benefit of securityholders. The skills matrix assists the Board with succession planning and professional development initiatives for Directors.

The target of 40 per cent female Board members aims to improve gender diversity and focus the Board's attention on achieving this objective. Current female Directors represent 33 per cent of the Board.

The table below sets out the skills and experience considered by the Board to be important for its Directors to have collectively. The Board considers that Governance, Strategy, People & Culture, Financial Acumen, Risk Management are core skills which all Directors have self-assessed as being within their core competencies.

Skills/ Experience		Michael Ullmer	Jane Hemstritch	Nicola Wakefield Evans	David Craig	Phil Coffey	Elizabeth Proust	Robert Welanetz	Anthony Lombardo	Nicholas Collishaw	Total
Governance	Commitment to and experience in setting exceptional corporate governance policies, practices and standards.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Industry experience	Possessing industry knowledge, exposure and experience gained in one or more of the core Lendlease operating segments of Investments, Development and/or Construction. This includes acting in advisory roles for these industries.	✓	-	✓	✓	✓	✓	✓	✓	✓	8
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.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
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.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
ESG	Experience in assessment strategy and performance against environmental, social and governance criteria.	✓	-	✓	✓	✓	✓	✓	✓	-	7
Strategy	Developing, setting and executing strategic direction. Experience in driving growth and executing against a clear strategy.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Risk Management	Experience in anticipating and evaluating risks that could impact business. Recognising and managing these risks by developing sound risk governance policies and frameworks.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Legal	Identifying and resolving legal and regulatory issues, and advising 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.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Executive Leadership	Skills gained while performing at a senior executive level for a considerable length of time including delivering superior results, dealing with complex business models, projects, and issues and change management.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Financial Acumen	Understanding of the financial drivers of a business. Experience in financial reporting and corporate financial management.	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Technology	Experience via direct line accountability for managing significant technology functions or major project implementations.	-	✓	✓	✓	✓	-	✓	✓	-	6

Engagement

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

Board regional program FY22

The Board program typically comprises formal meetings and additional business briefings, presentations from internal and external sources, project site visits, employee events and meetings with key stakeholders. These are scheduled in each of the regions where Lendlease operates.

The Board views that these program activities – in addition to the formal, scheduled Board and Committee meetings – are important for Board members to receive a greater understanding of our people and our business and a deep understanding of the activities and operations. The Chair works with the Company Secretary to plan the yearly program. Depending on the time of year, the program runs for a minimum of three days and up to five days where more detailed project reviews are required.

Program for the reporting period between 1 July 2021 and 30 June 2022.

Board program activities undertaken during the reporting period are listed below. The Europe program is not included as this occurred in June 2021 (reported in the FY21 Annual Report) and July 2022 (to be reported in the FY23 Annual Report).

The Board maintained its regular cadence of meetings despite the challenge of COVID, including intermittent lockdowns, experienced across our operating regions The program was maintained through a mixture of virtual and face to face meetings and visits.

Asia (virtual and on-site program)

- Virtual site tour of key projects in each of the Asia countries – Singapore, Japan, China and Malaysia. (December 2021)
- Received a briefing from an external speaker on the geopolitical landscape in Asia including sovereign risk and trade issues. (December 2021)
- Site visit of Paya Lebar Quarter precinct. (April 2022)
- Engagement with Asia Regional Leadership Team – virtually in December 2021 and in person in April 2022.
- Town Hall with Asia regional staff. (April 2022)

Australia (on-site program)

- Engagement with regional business leaders to provide updates and overview of key regional business issues.
- Review of the Melbourne Metro Tunnel Project followed by a site visit. Topics discussed included health and safety, construction and design challenges, innovation, sustainability, community and client engagement, financial metrics, COVID impacts and supply chain. (February 2022)
- Site visit and interaction with the Sydney Place project team. (May 2022)

Americas (virtual program)

- Review of the San Francisco Bay Area project. Interaction with senior project leaders and area site viewing using virtual technology. (August 2021)
- Review of the Military Housing business, virtual site visit, overview of customer relations and interaction with key business leaders. (November 2021)
- Engagement with Americas Regional Leadership team. (November 2021)

Stakeholder engagement

The Board members, led by the Chairman, maintain an active and extensive engagement program to represent the interests of the Group at various industry functions and bodies. The Chairman acts as a spokesperson and regularly meets with customers, investors, governments and media. In February 2022, the Board endorsed a refreshed investor engagement program to encourage two way communications with the investment community. As part of this, a presentation detailing the scope of the Board activities and focus areas for the Board Committees was made available on the Lendlease website in May 2022.

The Annual General Meeting (AGM) has always been an important date in our calendar and provides our securityholders with a valuable opportunity to communicate with the Board. For the last two years, the AGM has been held online, due to the COVID pandemic. In 2022, we are planning to hold a hybrid format AGM with both an 'in-person' and virtual component which will provide greater access to our securityholders to participate and vote on all resolutions.

Board engagement with our people

The Board members have approved a code of conduct which articulates the standards of behaviour expected of all our people. The tone is 'set at the top' and Board members believe that meeting with our people, in addition to information received in formal meetings on the organisation's culture, is an important element of reinforcing the Lendlease values. Board members plan to meet with employees in all the regions and in more focused groups with the Regional Leadership Teams. Wider employee events were reintroduced in the Australia and Asia regions where employee 'town hall' style events were held, providing the opportunity for open discussion on organisational culture. Sessions between Board members and the Regional Leadership teams occurred in person and virtually. Visits to the Europe and Americas regions with scheduled town hall events are planned for FY23.

Board Project Assessments

A key responsibility of the Board is to approve and oversee the implementation of the strategy so that the Group can pursue its integrated business model in targeted global gateway

Since the onset of COVID, the Board has maintained site visits and project reviews in a virtual format. The Board reintroduced its longstanding tradition of visiting the Lendlease regions in person to conduct site visits and reviews of various projects in April 2022.

Site visits allow the Board to speak to project teams about the challenges and opportunities in the delivery of a project, enabling these to be appreciated in a fuller geographic and strategic context.

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

PLQ Development, Singapore

The PLQ project assessment is an example of how the Board reviews and evaluates strategic opportunities, sustains competitive advantage of the integrated model to originate, fund and deliver major urban projects.

Paya Lebar Central was identified by the Singapore Government as a new commercial hub for Singapore. This project was first presented to the Board in 2014, and after careful consideration, an equity commitment for Lendlease's interest in PLQ was approved in 2015. Due to the project's size and significance, the Board has continued to receive updates on the progress of PLQ and visited the project in 2015, prior to commencement of construction and again in 2017, to view progress. In April 2022, the Board visited the now completed project, one of the largest sustainable business and lifestyle precincts in Singapore. The highly activated integrated commercial realm includes offices, retail, residential and public spaces. In visiting the site over a longer time frame, the Board's discussions on the project's risks and opportunities were appreciated in a fuller geographic context.

The Board's interactions with PLQ, before, during and after completion of delivery, including visits, tours, presentations and project team interactions are indicative of the scrutiny and governance undertaken by the Board to oversee the delivery of projects in accordance with the Group's strategy.

Top: **Singapore:** Board visit.

Supporting value creation

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

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

Health and Safety

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

The Board, Risk and Sustainability Committees 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.

Activities and actions:

- In tandem with the People & Culture Committee, led the work on the approach to setting the guiding principles to manage remuneration adjustments following safety incidents.
- Received an independent report on and discussed the measures and actions taken in response to the subcontractor fatality that occurred on our operations in FY22. No employee fatalities were reported in FY22.
- Continued to receive reports from management on the steps taken to reduce incidents through continuous improvement measures, and by advocating for industry change.
- Resumed on-site project visits to observe and test, through speaking with site workers, the addressing of health and safety culture. Received deep-dive reports from management on the ways that safety issues are being managed on these projects.
- Reviewed the way safety performance is reported across Lendlease, noting that Lendlease goes beyond industry requirements by reporting all fatalities including subcontractors and everyone who interacts with our places.
- Received a report on the internal Safety Culture and Climate Survey undertaken in April 2022.
- Received deep dive presentations from various businesses on particular areas of EH&S focus during investment, design and procurement. Received reports from business leaders on the ways they have shared lessons learnt from Level 3 critical incident reports.

Financial

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

The Board, 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.

Activities and actions:

- Oversighted the CEO's wide ranging business review of the assessment of Development project impairments in Australia and the UK, change in capital partnering approach across urban projects, and restructure provisions taken.
- Reviewed relevant accounting issues and considered components of the Group's restructuring following the CEO's business review.
- Supported the 'Reset, Create, Thrive' roadmap following the CEO's business review and communications of this to market.
- Continued to consider project approvals in the context of the Portfolio Management Framework, with the object to maximising long term securityholder value.
- Oversaw the sale of the non-core Services business and reviewed the accounting treatment associated with the sale and adequacy of provisions held.
- Continued the review of existing risk management process to further enhance risk maturity.
- Continued to oversight improvements to internal risk standards and frameworks, including the risk appetite, so that they remained fit-for-purpose within the organisation.
- In accordance with the Group's Audit Committee Charter, the Audit Committee will be conducting an audit tender process during FY23.

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.

Activities and actions:

- Received a presentation on the future of workplace as the world emerges from the pandemic.
- Received reports following endorsement of the Group Customer Complaint Handling & Feedback Policy, which set a minimum standard across the Group. Continued to receive reports on customer engagement, types of complaints and resolution timeframes for every region, under the Group Customer Complaint Handling & Feedback Policy.
- Continued to receive reports on the progress against prescribed metrics for the Australian Government Payment Times Reporting Scheme for small business suppliers.
- Received external reports on the measuring of Board effectiveness as viewed by external investors. Endorsed the engagement program of major Board stakeholders through FY22.
- Received a report from the Asia CEO on key customer relationships relevant to the Senior Living business in Asia during the extended lockdown in Shanghai.

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.

Activities and actions:

- Upon appointment of a new CEO in FY21, reset CEO remuneration downwards and in line with market expectations. During FY22, oversaw the alignment of the structure of executive remuneration at Lendlease with the new CEO's package.
- Endorsed changes to the Global Leadership Team with new external hires commencing in FY22 – Deborah Yates as Chief People Officer, Simon Dixon as Chief Financial Officer, and Penny Ransom as Group Head of Investments.
- Continued the program of Board refreshment by actively reviewing Board composition against the skills matrix. Appointed Nick Collishaw to the Board effective December 2021.
- Continued to oversee the implementation of the human capital strategy, review mission critical capabilities and endorsed refreshed global leadership programs.
- Continued to receive reports on building a more inclusive culture and supported the introduction of a flagship program focused on acceleration of under-represented female and racial minority talent.
- Received a report on the global roadmap to Wellbeing program, supported the "You Can't Ask That" series promoting employee engagement.
- Engaged with regional senior leaders through in-person and virtual meet to gain greater visibility of the emerging pool of potential internal successors to the GLT.
- Introduced simplified and metricated STA KPIs for the Global CEO, GLT and Executives, with threshold, target and maximum values set. Changed the weighting of financial/non financial KPIs from 50% financial / 50% non financial to 65% financial / 35% non financial.
- Approved updates to leaver treatments for the 2022 LTA so that they are aligned with market practice.

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.

Activities and actions:

- Received quarterly reports tracking progress against the Group's two sustainability targets to reflect the Group's commitment to:
  - A 'Net Zero Carbon' for scope 1 and 2 emissions by 2025, and 'Absolute Zero Carbon' by 2040
  - Delivering $250m of measured social value by 2025.
- Received regular reports on ethical supply chain within the Group to ameliorate the risk of material substitution and modern slavery. Encouraged management to adopt the recommendations from ACSI to enhance disclosure for the 2021 Modern Slavery Statement, which was lodged in December 2021.
- Reviewed the Group's strategy in relation to social and affordable housing.
- Conducted a deep dive review of the ESG reporting frameworks and indices to understand in further detail various reporting and rating schemes and the gaps in reporting by the organisation.
- Continued to receive reports at every meeting on the progress against the Task Force on Climate-related Financial Disclosures risk assessment and reporting framework.
- Received reports on the progress of the initiatives outlined in the Group's second Elevate RAP.

Board of Directors' information

Interests in Capital

The interests of each of the Directors in the stapled securities of the Group at 22 August 2022 set out below. The current Non Executive Directors acquired Lendlease securities using their own funds.

Directors	Securities held directly 2022	Securities held beneficially/ indirectly 2022	Total 2022	Securities held directly 2021	Securities held beneficially/ indirectly 2021	Total 2021
M J Ullmer	-	125,000	125,000	-	125,000	125,000
A P Lombardo[1]	9,764	-	9,764	-	-	-
P M Coffey	-	21,216	21,216	-	21,216	21,216
N R Collishaw	-	14,500	14,500	-	-	-
D P Craig	-	73,061	73,061	-	73,061	73,061
J S Hemstritch	-	33,061	33,061	-	33,061	33,061
E M Proust[2]	-	68,061	68,061	-	68,061	68,061
N M Wakefield Evans	-	34,379	34,379	-	34,379	34,379
R F Welanetz	7,000	-	7,000	7,000	-	7,000

1. The Global CEO, Anthony Lombardo is required to accumulate and maintain a minimum holding of 150 per cent of his Total Value Package in Lendlease securities. Awards granted under the Restricted Securities Award and LTA Minimum may count towards this holding requirement. As at 30 June 2022, Anthony Lombardo holds 106,360 Lendlease securities which count towards the mandatory securityholding requirement. Refer to page 100 for further details.
2. E M Proust also holds through her super fund, $500,000 face value of Lendlease Green Bonds.

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 2022, 12 Board meetings were held. Typically, four face to face meetings are held in Australia and one each in the UK, Asia and the Americas to align with the Group's regional operations. In addition, three shorter meetings are scheduled to provide updates to the Board between the longer face to face meeting programs. Given the COVID pandemic, a mixture of face to face and virtual meetings were held during the reporting period. In April 2022, the Board returned to holding meetings in the offshore regions. Matters were also dealt with as required by circular resolution. Special subcommittees were also constituted to deal with specific matters. During the reporting period, 13 such subcommittee meetings were held.

Overview of Board Committees

The Board recognises the essential role of Committees in guiding the Company on specific issues. There are five standing Board Committees to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility. Each Committee consists of independent, Non Executive Directors. The Chair of each Committee is not a Chair of other Committees, or Chair of the Board. Each Committee is governed by a formal Charter setting out its objectives, roles and responsibilities, composition, structure, membership requirements and operation. During the reporting period a review of the accompanying Charters and Workplans for each of the Committees was undertaken.

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 and inclusion, 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 the role of considering, and if approved, recommending to the Board for approval major transactions as referred to the Committee by the Global Investment Committee.

Sustainability Committee

The Sustainability Committee assists the Board in monitoring the decisions and actions of management in achieving Lendlease's aspiration to be a sustainable organisation. The Committee has oversight of health and safety, ESG matters, the Lendlease Foundation, modern slavery and the Group's Elevate RAP.

Nomination Committee

The Nomination Committee has responsibility for Board renewal, composition and Director development and oversees the reviews of Board, Committee and Director performance.

Attendance at Meetings of Directors 1 July 2021 to 30 June 2022

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2022 financial year, are set out in the tables below.

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

Membership	Board (Chair M J Ullmer)		Board Subcommittee[1]		Nomination Committee[2](Chair J S Hemstritch)		Audit Committee (Chair D P Craig)	
	MH[3]	MA	MH	MA	MH	MA	MH	MA
M J Ullmer	12	12	13	13	8	8	4	4
A P Lombardo	12	12	10[4]	10	8[5]	8	4[6]	4
J S Hemstritch	12	12	4	4	8	8	4	4
N M Wakefield Evans	12	11[8]	6	6	8	8	4	4
D P Craig	12	12	5	5	8	8	4	4
P M Coffey	12	12	5	5	8	8	3[7]	3
E M Proust	12	11[8]	10	10	8	8	2[9]	2
R F Welanetz	12	12	11	11	8	8	2[9]	2
N R Collishaw[10]	7	7	-	-	4	4	1[11]	1

1. These subcommittee meetings of the Board or its Committees were convened during the reporting period to address specific issues. Only the subcommittee members attended the relevant meeting.
2. Meetings are generally held in conjunction with a Board meeting.
3. Reflects the number of meetings held during the time the Director held office during the year. 3 out of 12 meetings were out of schedule Board teleconferences constituted to address specific issues.
4. A P Lombardo is not a member of the Subcommittee but as the Global CEO and Managing Director, has a standing invitation to all Committee and Subcommittee meetings, where deemed appropriate.
5. A P Lombardo is not a member of the Nomination Committee but as the Global CEO and Managing Director, has a standing invitation to the Committee.
6. A P Lombardo is not a member of the Audit Committee but as the Global CEO and Managing Director, has a standing invitation to the Committee.
7. Following a review of Committee composition, P M Coffey retired from the Committee from March 2022.
8. E M Proust and N M Wakefield Evans were unable to attend one of the three unscheduled Board teleconferences as these was called at short notice to address a specific issue.
9. E M Proust and R F Welanetz are not members of the Audit Committee but attend the meeting at the half and full year financial statements review.
10. N R Collishaw was appointed to the Board on 1 December 2021. The number of meetings attended reflects the number of meetings since Mr Collishaw's appointment.
11. Following a review of Committee composition, N R Collishaw was appointed to the Committee from March 2022

Membership	Risk Committee (Chair P M Coffey)		Sustainability Committee(Chair N M Wakefield Evans)		People and Culture (Chair E M Proust)	
	MH	MA	MH	MA	MH	MA
M J Ullmer	7	7	4	4	6	6
A P Lombardo	7[1]	7	4[2]	4	6[3]	6
J S Hemstritch	7	7	-	-	5[4]	5
N M Wakefield Evans	7	7	4	4	3[5]	3
D P Craig	7	7	-	-	6	6
P M Coffey	7	7	1[6]	1	5[4]	5
E M Proust	7	7	4	4	6	6
R F Welanetz	7	7	4	4	6	6
N R Collishaw	3	3	-	-	1[7]	1

1. A P Lombardo is not a member of the Risk Committee but as Global CEO and Managing Director, has a standing invitation.
2. A P Lombardo is not a member of the Committee but as the Global CEO and Managing Director, has a standing invitation to the Sustainability Committee.
3. A P Lombardo is not a member of the Committee but as Global CEO and Managing Director, has a standing invitation to the People & Culture Committee except during Non Executive Director sessions of the People & Culture Committee.
4. Following a review of Committee composition, P M Coffey and J S Hemstritch retired from the Committee from March 2022.
5. N M Wakefield Evans is not a member of the People & Culture Committee but attended to consider matters relevant to annual executive performance and remuneration.
6. Following a review of Committee composition, P M Coffey joined the Sustainability Committee in March 2022.
7. Following review of Committee composition, N R Collishaw was appointed to the Committee from March 2022.

Remuneration Report

Message from the Board

While the global operating environment has remained challenging, Lendlease made demonstrable and meaningful progress in resetting the company for long term success by delivering the first phase of our five year *Reset, Create, Thrive* roadmap (see Performance and Outlook on page 56.

As part of Reset, the Board oversaw the decision to increase the transparency of financial and non-financial metrics, including expected return ranges for the core segments: Investments, Development and Construction. In addition, greater visibility has been provided on the Group's contribution to environmental sustainability and social value creation. (see Sustainability on page 42.

Health and safety remain the organisation's highest priority. Our people and contractors have the right to return home safely each day. We were deeply saddened by the fatality of a subcontractor on one of our projects in New York in an area under subcontractor management. We extend our condolences to the young man's family and friends.

Executive Reward Strategy

As outlined in the 2021 Remuneration Report, significant changes were made to the Executive Reward Strategy. We engaged with securityholders on the proposed changes, and subsequently received strong support at the 2021 AGM.

Key changes made to the Executive Reward Strategy:

- Removed the restricted securities plan to increase the remuneration portion subject to performance.
- Rebalanced the remuneration mix to address securityholder concerns over maximum Long Term Award (LTA) quantum.
- Implemented STA deferral to enable greater alignment of STA to securityholder return.
- Simplified and reduced the number of KPIs within the Short Term Award (STA) to focus on the measures that are most critical to business success over the long term.
- Introduced a threshold and maximum performance range, in addition to target for the STA to enable greater pay for performance alignment.
- Increased the financial performance weighting under the STA from 50% to 65% to maintain the weighting to financial performance post the rebalance of the remuneration mix.
- Simplified the communication of LTAs at maximum opportunity to enhance peer comparability on quantum.

As well as embedding these changes, focus areas for the People & Culture Committee in FY22 included:

- Supporting improvements to the broader people agenda.
- Focusing on attracting and fostering exceptional talent, equitably and responsibly rewarding employees, and keeping people decisions central to business strategy.
- Enhancements to governance on remuneration frameworks via modernising the treatment of LTA awards in circumstances where participating executives cease employment.

FY22 outcomes and link to performance

Remuneration outcomes relating to the financial year were determined by business performance during Reset, while having regard to the difficult operating conditions.

The decisive action we took during the year to reset the business strategy, simplifying the organisation structure, recalibrating the cost base, accelerating Development activity, and growing our investments platform has set the Group up for sustainable long term performance. Although financial performance remains below our Portfolio Management Framework targets, it is consistent with expectations set for FY22.

Notwithstanding strong performance against scorecard KPIs and exceeding expectations on roadmap goals, the Board determined that a downward adjustment to STA outcomes should be made given the financial results anticipated in this year of strategic reset.

Accordingly, as a result of the application of Board discretion, the STA outcome for the Group CEO was 48% of maximum, and for the other KMP ranged between 55% and 61% of maximum STA.

There was no vesting of the 2020 LTA given the relative TSR and ROE performance hurdles were not met.

We believe the remuneration outcomes for executives are appropriate, acknowledging the significant progress made on the five year roadmap.

Changes to KMP

Simon Dixon was appointed Group Chief Financial Officer, bringing more than 25 years' relevant international industry experience to the organisation. We thank former executives Johannes Dekker and Kylie Rampa for their contributions to the organisation.

Additionally, we welcomed Nicholas Collishaw to the Board and the People and Culture Committee. Philip Coffey and Jane Hemstritch rotated off the Committee during the year.

Looking ahead

As we move into the *Create* phase of our roadmap, the organisation is well positioned to deliver on targets for development completions and funds under management. We are also well progressed on our sustainability and broader social value targets. The incentive targets for next year will reflect this new stage of our strategic plan.

The Committee is focused on investing in our people in order to deliver for securityholders and customers and support the execution of our strategy.

We invite you to read the Remuneration Report which details the outcomes for KMP during the year.

M J Ullmer, AO

Chairman

Elizabeth Proust, AO

Chairman, People & Culture Committee

FY22 Remuneration Snapshot

FY22 Executive Reward Strategy amended

to balance stakeholder views and continue to support strategic priorities

76%

of Global CEO Total Maximum Remuneration is performance based

Total Maximum Remuneration opportunity reduced (compared to the former CEO)

Removed the RSA

increasing the proportion of performance based reward

LTA continues to reflect the long dated nature of our business

48%

of Maximum STA awarded to Global CEO

(KMP STA outcomes range from 55% to 61% of Maximum STA opportunity)

STA changes

Simplification and reduction of KPIs

Shifted KPI weightings to 65% financial / 35% non financial

50% of STA deferred into equity

Threshold and Maximum performance set in addition to Target

LTA changes

Simplified LTA vesting schedules

(straight line vesting between Threshold and Maximum)

Leaver treatment for LTAs granted in FY23 onwards:

LTA forfeited for any resignation (both competitor and non-competitor)
LTA prorated for time served for 'good leavers'

Nil LTA awards vested

Long Term Performance targets (relative TSR and ROE) failed to meet challenging thresholds

Contents

Abbreviations

AGM	Annual General Meeting	**LTA**	Long Term Award
CAGR	Compound Annual Growth Rate	**LTI**	Long Term Incentive
CIFR	Critical Incident Frequency Rate	**ROE**	Return on Equity
CSAT	Customer Satisfaction	**RSA**	Restricted Securities Award
FUM	Funds Under Management	**RTSR**	Relative Total Shareholder Return
FY21	Financial year ending 30 June 2021	**SBP**	Security Based Payment
FY22	Financial year ending 30 June 2022	**STA**	Short Term Award
GDV	Google Development Ventures	**STI**	Short Term Incentive
GLT	Global Leadership Team	**TPV**	Total Package Value
KMP	Key Management Personnel	**VWAP**	Volume Weighted Average Price

KMPs covered by this report

Current KMP

Name	Position	Term as KMP	People & Culture Committee
Non Executive KMP			
Michael Ullmer	Independent Non Executive Chairman	Full Year	X
Philip Coffey	Independent Non Executive Director	Full Year	
Nicholas Collishaw[1]	Independent Non Executive Director	Part Year	X
David Craig	Independent Non Executive Director	Full Year	X
Jane Hemstritch	Independent Non Executive Director	Full Year	
Elizabeth Proust	Independent Non Executive Director	Full Year	Chair
Nicola Wakefield Evans	Independent Non Executive Director	Full Year	
Robert Welanetz	Independent Non Executive Director	Full Year	X
Executive KMP[2]			
Anthony Lombardo	Global CEO	Full Year	
Dale Connor[3]	CEO, Australia	Full Year	
Simon Dixon[4]	Group Chief Financial Officer	Part Year	
Justin Gabbani	CEO, Asia	Full Year	
Denis Hickey	CEO, Americas and Global Chief Operating Officer	Full Year	
Frank Krile[5]	Group Chief Risk Officer	Full Year	
Neil Martin	CEO, Europe	Full Year	

1. Appointed 1 December 2021.
2. Whilst the Executive KMP are male, 30% of the Lendlease Global Leadership Team are female.
3. Dale Connor also held the position of Acting Managing Director of Investments for Australia in June 2022.
4. Appointed 1 October 2021.
5. Appointed to Group Chief Risk Officer from 1 July 2021. For the period from 1 July 2021 to 30 September 2021 Frank Krile also continued to hold the position of Acting Group Financial Officer.

Note: The term 'Executives' used throughout this Remuneration Report refers to the Executive KMP listed above, unless stated otherwise.

Former KMP

As part of the Lendlease organisational structure, effective from 1 July 2021, the following Executives ceased to be KMPs:

Name	Position	Date ceased to be KMP
Johannes Dekker	Group Head of Construction	30 June 2021
Kylie Rampa	CEO, Property Australia	30 June 2021
David Andrew Wilson	Group Chief Commercial and Risk Officer	30 June 2021

Executive Reward Strategy

In 2021, the Board undertook a holistic review of the Executive Reward Strategy to confirm the framework continues to reflect the Purpose and Strategy of the Group.

The review sought to enhance alignment of the reward structure and outcomes with shareholder interests and future strategic priorities. The 2022 Executive Reward Strategy continues to be informed by our Purpose, Strategy and Remuneration Principles.

Our Purpose
We create places where communities thrive.

Our Strategy
Employ our placemaking expertise and integrated business model in global gateway cities to deliver urban projects and investments that generate social, environmental and economic value.

Remuneration Principles
Remuneration at Lendlease should be:

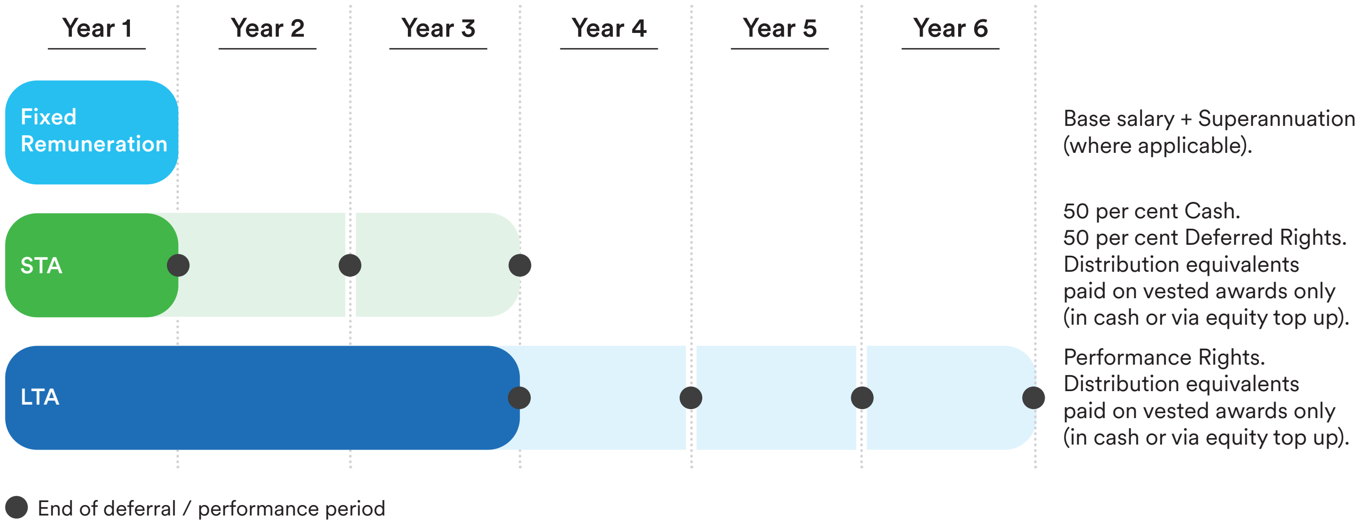
- Aligned with securityholder interests
- Transparent and easy to communicate
- Aligned with team behaviours and enterprise leadership
- Market competitive to retain highly capable executives
- Balanced with a significant portion of remuneration at risk, which is only earned for outstanding performance
- 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

	Fixed Remuneration	STA	LTA
Purpose	To attract and retain highly capable Executives	To focus short term decision making on priority areas in the current financial year	To reward Executives for delivering sustained long term securityholder value
Approach	Quantum is benchmarked against relevant comparator companies to test market competitiveness	Annual opportunity to receive an incentive to focus performance on priority areas over the current financial year Delivered as 50% cash and 50% deferred as Rights to receive Lendlease securities released in two equal tranches after one and two years	Annual grant of 'at-risk' equity to reward for delivering the Lendlease Strategy, in alignment with long term securityholder returns
Link to Performance	n/a	Current financial year performance, based on measures aligned to Lendlease's focus areas of value creation: • Financial (65%) • Non-Financial (35%)	Forward looking, three-year performance: • Relative TSR (1/3) • Return on Equity (1/3) • Growth in Funds Under Management (1/3) Award value linked to security price movements over three to six years
Governance	The People & Culture Committee and the Board review our remuneration principles and remuneration framework as well as determine the STA and LTA outcomes for Executive KMP, which remain subject to malus consideration. The Board retains the 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 would be unwarranted or inappropriate. Additionally, the Global CEO LTA is submitted for securityholder approval at the AGM.		

Executive Reward Strategy Structure

The following diagram illustrates the structure of the Executive Reward Strategy:



Maximum Remuneration Mix

Maximum remuneration mix for the Global CEO and Executives (excluding the Group Chief Risk Officer[1]) is as follows:

	Performance Based				
Fixed Remuneration	Maximum STA		Maximum LTA		
24%	33%		43%		
	Cash 16.5%	Deferred 16.5%	Relative TSR 14.3%	ROE 14.3%	FUM 14.3%

[1]The remuneration mix for the Group Chief Risk Officer is: 28% Fixed Remuneration, 31% Maximum STA and 41% Maximum LTA.

Adjustments were made to our Executive Reward Strategy from 1 July 2021 which included a rebalance of the remuneration mix and implementing STA deferral. We have retained features that reflect the long dated nature of the business, such as the LTA vesting over years 3 to 6 and delivering a significant proportion of remuneration in equity.

- 76 per cent of Total Maximum Remuneration is performance based.
- 59 per cent of Total Maximum Remuneration is delivered in deferred equity

Key Changes from FY21

Change	Rationale
Removal of RSA	• Increases proportion of remuneration subject to performance
Implementation of STA deferral	• Maintains focus on building Executive securityholdings and alignment with securityholder experience
STA simplification	• Reduce number of measures in the STA to focus on the short term measures with the biggest impact on long term business success
Grant LTA at maximum	• Reduces complexity and increases transparency in disclosures • Aligned with market practice so easily comparable
Recalibrate LTA vesting schedule	• Straight line vesting between threshold and maximum increases simplicity
Update LTA leaver provisions	• The updates made for LTA granted from 2022 onwards to lapse unvested awards upon resignation (including non-competitor) and pro-rate unvested awards for good leavers are aligned with market practice
Reset remuneration mix (increase STA, reduce LTA)	• Accounts for removal of RSA, and implementation of STA deferral • Acknowledges securityholder concerns around LTA maximum quantum • Increases proportion of remuneration subject to performance • Maintains long dated nature of Executive Reward Strategy, relative to market peers

Please refer to the FY21 Remuneration Report for details of the RSA (previously referred to as the LTA Minimum).

Alignment Between Remuneration Outcomes and Securityholder Experience

STA outcomes and securityholder experience

In the August 2021 Strategy Briefing[1], the Global CEO set out the five year roadmap for delivering sustainable performance. The focus of FY22 was to reset the platform for delivery and growth. This involved deploying a more focused business model, optimising the Group operating structure and businesses, recalibrating the cost base, implementing the outcomes of the Development portfolio review and accelerating the conversion of the pipeline, and growing the Investments platform. A change was made to the approach to the structuring of Development joint ventures in order to improve the alignment of profit recognition with realised cash and the risk/reward profile. A consequence of this was to defer recognition of Development profits to later years, with a reduced OPAT expected in FY22, building back to our Portfolio Management Framework targets by FY24. The FY22 Operating Plan, which forms the basis for the FY22 STA scorecard KPIs, was aligned to the strategy reset.

Key outcomes delivered in FY22 against the strategic roadmap are:

- Successful consolidation of the Australian businesses into an integrated unit
- Annualised cost savings in excess of the $160m target
- Record Development Work in Progress in the second half providing strong momentum as we enter FY23, on the pathway to delivering annual production in excess of $8bn by FY24
- Growth in the Investment platform ahead of plan
- Construction margin was at the bottom end of the target range.

In applying the discretion embedded in the Executive Reward Strategy, the Board had regard to these and other factors when assessing the appropriate balance between pay for performance in the form of STA and securityholder outcomes for FY22. More detail is given in the assessment of performance against the Global CEO STA scorecard set out on page 90.

[1]Refer to the ASX Announcement "Lendlease Strategy briefing" released on 30 August 2021.

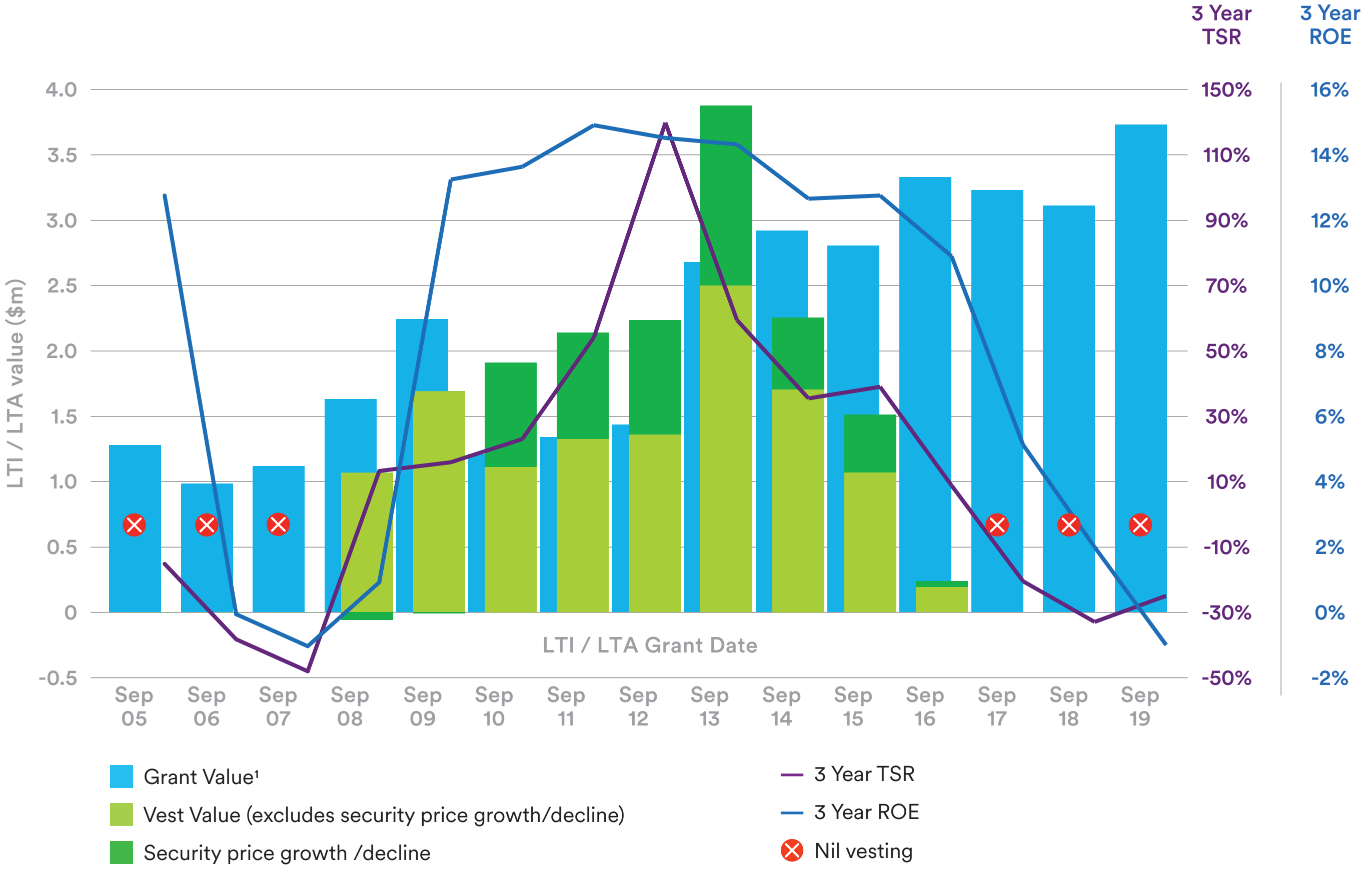
	FY18	FY19	FY20	FY21	FY22
Statutory Profit after Tax (PAT) Attributable to Securityholders ($m)	792.8	467	(310)	222	(99)
Core Operating Profit After Tax (PAT) Attributable to Securityholders ($m)	708.1	632	206	377	276
Total Dividends / Distributions ($m)	399.6	237	191	186	110
Statutory Earnings per Stapled Security (EPS) (cents) excluding treasury securities	137	80	(51.8)	32.5	(14.4)
Core Operating Earnings per Stapled Security (EPS) (cents)	121.4	111.5	34.2	54.8	40.1
Annual Total Securityholder Return (%)	24	(33)	(2)	(6)	(19)
Statutory Return on Equity (ROE) (%)[1]	12.7	7.4	(4.7)	3.2	(1.4)
Core Operating Return on Equity (ROE) (%)[2]	11.3	10.1	3.1	5.4	4.0
Closing Security Price as at 30 June ($)[3]	19.74	13.00	12.37	11.50	9.11
CEO STA outcome (% maximum opportunity)	67%	0%	23%	30%[4]	48%
Executive STA outcomes (% maximum opportunity)	43% - 93%	17% - 33%	17% - 27%	17% - 40%	55% - 61%

1. Statutory ROE is calculated as the annual Statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning half year and year end securityholders' equity.
2. Core Operating ROE is calculated as annual Core Operating Profit after Tax attributable to securityholders divided by the arithmetic average of beginning half year and year end securityholders' equity. Core Operating ROE replaces Statutory ROE as an LTA hurdle from FY21 onwards as it better reflects the impact management have in creating value for securityholders.
3. FY18 reflects 29 June 2018 closing security price and FY19 reflects 28 June 2019 closing security price.
4. Reflects STA outcome for the Global CEO for the period 1 June 2021 to 30 June 2021. The STA outcome for the Former Group CEO was 0% for the period from 1 July 2020 to 31 May 2021.

LTA outcomes and securityholder experience

The following chart shows LTI / LTA outcomes for the CEO relative to 3 year TSR and 3 year average ROE over time:

- Over the period from Sep-05 to Sep-19, 36% per cent of the aggregate value of LTI / LTA awards vested (outcomes range from 0 per cent to 99 per cent)
- 4 of the 15 LTI / LTA awards were worth more than the grant value due to security price growth (Sep-10, Sep-11, Sep-12 and Sep-13)
- 6 of the 15 LTI / LTA awards were worth nothing when they were tested (Sep-05, Sep-06, Sep-07, Sep-17, Sep-18 and Sep-19).



[1] The LTI / LTA grant value is the number of securities granted multiplied by the 1 September opening security price for the LTI / LTA grant year.

- LTI / LTA outcomes have been aligned with the securityholder experience. Nil vesting for the last three years.
- LTI / LTA outcomes reward steady and sustainable securityholder returns.

Total Remuneration Realised

The table below presents the remuneration paid to, or vested for, Executives in respect of FY22. A comparison to FY21 has not been provided due to significant change in KMPs and the FY22 Executive Reward Strategy.

A$'000[1]	Unhurdled			Hurdled			
Name	Fixed Remuneration	Previous years' RSA	Previous years' deferred securities vested	FY22 STA awarded	Previous years' LTI / LTA awards	Total Remuneration Realised	Awards forfeited or lapsed
Current Executives							
Anthony Lombardo	1,800	321	-	1,200	0	3,321	(2,400)
Dale Connor	1,200	321	-	1,013	0	2,534	(1,767)
Simon Dixon[2]	750	-	-	638	-	1,388	(413)
Justin Gabbani	814	-	72	692	-	1,578	(448)
Denis Hickey	1,528	321	-	1,176	0	3,025	(2,062)
Frank Krile	1,000	-	-	680	-	1,681	(440)
Neil Martin	1,224	201	-	1,000	0	2,425	(1,401)

1. Remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY22 (rounded to two decimal places): SGD 0.98 (applied to Justin Gabbani), USD 0.72 (applied to Denis Hickey) and GBP 0.55 (applied to Neil Martin).
2. Fixed Remuneration and FY22 STA awarded for Simon Dixon reflects time as a KMP (1 October 2021 to 30 June 2022).

Definitions

Fixed Remuneration	Includes the TPV / Base Salary plus superannuation (where applicable) received during FY22.
Previous years' RSA and security price growth / decline	Includes the RSA that was granted in September 2019 and reached the end of the deferral period on 30 June 2022. The value reflects the number of securities multiplied by the security price at the end of the deferral period. 25 per cent of this award value will be released in September 2022 and the remaining 75 per cent will be released in three equal tranches in September 2023, 2024 and 2025, subject to malus provisions. Also includes the value of the distribution equivalent amounts paid as cash on the RSA.
Previous years' deferred securities vested	Includes deferred securities that are not subject to hurdles such as sign-on awards. The value reflects the number of securities that vested in FY21 multiplied by the grant price.
FY22 STA awarded	Reflects the STA awarded in relation to FY22 performance. 50 per cent of the FY22 STA is paid as cash in September 2022 and 50 per cent is deferred as Rights that will be released in two equal tranches after one and two years.
Previous years' LTI / LTA awards	Includes the 2020 LTA that reached the end of the performance period on 30 June 2022, vesting in September 2022. The value reflects the number of securities scheduled to vest multiplied by the grant price.
Awards forfeited or lapsed	The value reflects the maximum number of securities that were forfeited / lapsed in respect of FY22 multiplied by the grant price plus the value of the forfeited portion of the maximum FY22 STA.

Fixed Remuneration

This section presents our approach to setting Fixed Remuneration.

No remuneration increases were applied in FY22 to Executive KMP.

Design	How Fixed Remuneration Works
Quantum	• No remuneration increases were applied in FY22 to Executive KMP.
Benchmarking Approach	• Quantum and remuneration mix are benchmarked to test that total remuneration remains market competitive. • Annual review except in instance of role changes. • Considers the relative size, scale and complexity of roles to enable a fair comparison. • A target fixed and total remuneration position is established with reference to the market median and 75th percentile. • Aim to provide total remuneration towards the 75th percentile if outstanding performance is achieved.
Primary Sources of Data	• The People & Culture Committee typically uses a number of sources for benchmarking Global CEO and Executive remuneration including: • Publicly available data for similar roles in companies of a similar size, such as: • Revenue Group: ASX listed companies with revenue of between 50 and 200 per cent of Lendlease's revenue • Market Capitalisation Group: ASX listed companies that are ranked between 26 and 75 by market capitalisation (excluding companies domiciled outside Australia) • Publicly available data for comparable roles at: • Property organisations in Australia such as Charter Hall Group, Dexus, Goodman Group, GPT Group, Mirvac Group, Scentre Group, Stockland and Vicinity Centres • Companies where we compete for talent, such as Macquarie Group Limited and AMP Limited. • Published remuneration surveys, remuneration trends and other data sourced from external providers.
Supplementary Peer Group	• To supplement the above information, we also consider the following three companies as comparators for Lendlease: Brambles Limited, British Land Company PLC and CapitaLand Limited. These companies were identified as part of a review that was undertaken during FY21 to determine which companies align with Lendlease based on quantitative comparisons against key metrics such as profit, market capitalisation and scale of operations as well as a qualitative overlay that considered the scope of business lines, employee base and operating environment.

Short Term Award (STA)

This section presents the key features of the STA plan.

Maximum STA opportunity for FY22 has been increased (excluding the Global CEO) through a rebalance of the remuneration mix as part of adjustments to our Executive Reward Strategy:

- Removal of the RSA, which was not subject to performance based vesting hurdles.
- Implementation of STA deferral, with 50 per cent deferred into Lendlease securities. The deferred portion will be released in two equal tranches after one and two years.

STA Design	How the STA Works
Eligibility	• Global CEO and Executives
Quantum	• For FY22, target STA opportunity was as follows: – Global CEO: 100% of Fixed Remuneration – Executives (excluding Group Chief Risk Officer): 100% of Fixed Remuneration – Group Chief Risk Officer: 80% of Fixed Remuneration • The minimum possible STA outcome is zero • The maximum STA outcome is limited to 139% of target STA opportunity for the Global CEO and 140% of target STA opportunity for other Executives
Funding	• The Board determines the pool of funds to be made available to reward Executives, with reference to Group financial and non financial performance • The Board examines safety performance and the overall health of the business (including a broader set of metrics around origination, sustainability and how we have managed risk)
Key Performance Indicators	• Global CEO and Executive scorecards, including: – 65% Financial Performance (Group Operating Profit After Tax, Development - Completions, Construction - EBITDA margin, Investment Management - EBITDA margin) – 35% Non Financial Performance (safety, sustainability, customer and people) • Refer to page 90 for a summary of the FY22 Global CEO scorecard • Lendlease is committed to the safety and wellbeing of all of its employees. While the assessment is not structured formulaically or as a 'gateway' measure, poor health and safety outcomes may lead to a reduction in STA outcomes for the year • The People & Culture Committee considers feedback from multiple sources to consider 'how' performance outcomes are achieved: – Executive input: Group Chief Financial Officer and Group Chief Risk Officer – Board committees: the Audit Committee, Risk Committee, and Sustainability Committee
Delivery	• 50% paid as cash in September following the assessment of performance • 50% deferred as Rights to receive Lendlease securities released in two equal tranches after one and two years

Global CEO STA Scorecard

The following changes were made to the Global STA scorecard for FY22:

- the introduction of metricated KPIs with threshold and maximum performance set in addition to target
- simplification of KPIs and reduction in the number of KPIs
- shifting the KPI weightings to 65% financial KPIs / 35% non financial KPIs (previously 50% / 50%)
- 50% paid as cash and 50% deferred as Rights to receive Lendlease securities released in two equal tranches after one and two years

In FY22 the CEO and the executive team were able to establish an optimised structure and businesses, recalibrate the cost base, complete a portfolio review and implement a focused business model. This has set the business up in a better position than anticipated for the end of this financial year. The Board in assessing STA outcomes for the CEO and the executive team have given consideration to both financial outcomes and strategic progress. Actual performance of the business has either achieved or exceeded the earnings guidance provided for FY22.

KPI		Weighting	FY22 Result
Financials 65%	Operating Profit After Tax ($m)	35%	OPAT of $276m reflects on-plan performance and is ahead of market consensus.
	Development – Completions ($b)	10%	$2.5b result slightly below plan due to considerable impact of extreme unexpected weather events in Australia.
	Construction – EBITDA margin (%)	10%	2.0% result is within range but at the lower end. Impacted by material revenue reduction across most regions, supply chain / inflation pressures, and provisions for legacy claims.
	Investments – Management EBITDA margin (%)	10%	Ahead of plan and consensus performance.
Non Financials 35%	Safety – Critical Incident Frequency Rate (CIFR)	10%	FY22 CIFR result is the lowest recorded level to date.
	Sustainability - carbon emission (000's tonnes)	5%	Strong progress made on delivering long term goals, achieving carbon emissions of 98k tonnes well below the target of <210k tonnes.
	Sustainability - social value ($m created)	5%	$60m of social value created was a strong result against target range of >$50m.
	Customer Satisfaction (CSAT score)	5%	Customer satisfaction of 7.9 improved 0.3 points from FY21 and is above target levels following improved focus on the customer.
	People - Executive Engagement (%)	10%	Executive engagement of 78% exceeds target, representing a significant 10 point increase from May 2021.

Impact of Safety Incidents on FY22 STA Outcomes

We are deeply saddened by a fatal incident involving a subcontractor worker that occurred on one of our operations in FY22.

We go beyond regulatory reporting requirements and report all fatalities on our sites as we do not consider the lives of contractors, subcontractors, consultants and community members any different to our employees.

In line with the guiding principles for determining remuneration adjustments arising from safety incidents set out on page 97, the key factors considered by the Board when determining whether a remuneration adjustment should be made for the fatality that occurred during FY22 are:

4 Hudson Yards, New York, USA	• The project was established with a number of best practice initiatives and had performed safely prior to the fatal event. • The Board is satisfied based on material from internal and independent external sources currently available that this incident is not a result of a failure of Lendlease supervision as the relevant area was under subcontractor management. • The region met all other EHS metrics targets for FY22.

Based on the assessment of the above factors and materials available at the time, the Board has determined that no adjustments would be made to the FY22 STA outcome as a result of the fatality, noting that if new information emerges from external investigations, the Board can reduce future STA outcomes or apply a malus adjustment.

There are no material updates in relation to any ongoing investigations into past fatalities.

Adjusted Global CEO STA outcome

The Board assessed that the Global CEO had performed extremely strongly against his scorecard KPIs. The progress on the strategic reset is ahead of expectation, and strong momentum has been generated in the business in the second half. However, having regard to the overall financial result from the actions taken as part of the reset, in determining the final STA outcome, the Board have exercised discretion to reduce the outcome on both the financial and non-financial KPIs.

- A total downwards adjustment of **33%** has been applied on the metricated scorecard outcome for the Global CEO.
- The final adjusted Global CEO STA outcome is **48%** of maximum opportunity.

FY22 Short Term Performance Outcomes

The following table outlines the FY22 STA opportunity and outcomes for each Executive.

A$'000[1]	Target STA opportunity	Maximum STA opportunity	Total STA awarded	STA awarded - cash[2]	STA awarded - deferred[3]	Total STA awarded as % of Maximum STA[4]	Total STA forfeited as % of Maximum STA[4]
Current Executives							
Anthony Lombardo	1,800	2,500	1,200	600	600	48%	52%
Dale Connor	1,200	1,680	1,013	507	506	60%	40%
Simon Dixon[5]	750	1,050	638	319	319	61%	39%
Justin Gabbani	814	1,140	692	346	346	61%	39%
Denis Hickey	1,528	2,139	1,176	588	588	55%	45%
Frank Krile	800	1,120	680	340	340	61%	39%
Neil Martin	1,224	1,713	1,000	500	500	58%	42%

1. Remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY22 (rounded to two decimal places): SGD 0.98 (applied to Justin Gabbani), USD 0.72 (applied to Denis Hickey) and GBP 0.55 (applied to Neil Martin).
2. 50% of the FY22 STA is paid as cash in September 2022.
3. 50% of the FY22 STA is deferred as Rights that will be released in two equal tranches after one and two years.
4. Rounded to the nearest decimal place
5. The FY22 STA for Simon Dixon reflects time as a KMP (1 October 2021 to 30 June 2022).

Long Term Award (LTA)

This section presents the key features of the 2022 LTA (granted in September 2021).

From FY22, LTA awards are granted at maximum opportunity (rather than target). Accordingly, the vesting schedules have been recalibrated to reflect this change and a straight line vesting approach has been adopted for added simplicity.

- Maximum LTA quantum has been reduced in line with broader changes to the Executive remuneration mix.

LTA Design	How the LTA Works
Eligibility	• Global CEO and Executives
Quantum	• The maximum face value of the 2022 LTA award granted in September 2021 is as follows: – Global CEO: 178% of Fixed Remuneration – Executives (excluding Group Chief Risk Officer): 180% of Fixed Remuneration – Group Chief Risk Officer: 144% of Fixed Remuneration
Delivery	• Rights to acquire securities, subject to specific performance conditions and continued tenure • The number of performance rights is adjusted up or down at vesting based on performance over the assessment period • The award may be settled in cash or other means at the Board's discretion
Determining the Number of Performance Rights	• Face value - VWAP of stapled securities traded on the ASX over the 20 trading days prior to the release of the full year results preceding the grant date
Performance Period	• Three years
Deferral	• Released in four equal tranches at the end of Y3, Y4, Y5 and Y6 • The timeframe reflects a balance between reward that motivates Executives while reflecting the 'long tail' of profitability and risk associated with 'today's decisions'
Performance Hurdles	• The Board believes that these measures provide a suitable link to long term securityholder value creation. • 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.

	Market Measure	Non Market Measures	
	Relative Total Securityholder (RTSR) – 1/3	**Average Operating Return on Equity (ROE) – 1/3**	**CAGR % in FUM – 1/3**
Rationale	• TSR incentivises 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	• Operating 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	• CAGR % in FUM recognises the importance of growth in FUM to achieving our key strategic objective of increasing our Investments platform globally which will be achieved through our internal development pipeline, creating new products, using value-add strategies and through external market acquisitions
Definition	• TSR is measured by the growth in security price and any dividends/distributions paid during the performance period	• Operating ROE is calculated as the Group's Operating Profit After Tax divided by the arithmetic average of beginning, half and year end securityholders' equity • Performance is based on the average Operating ROE results over the three year performance period	• CAGR % in FUM is calculated as the compounded annual growth rate of Lendlease's funds under management over the three year performance period
Target Setting	• TSR is measured against companies that comprise the Standard & Poor's (S&P)/ Australian Securities Exchange (ASX) 100 index	• Target is reviewed annually and is set with reference to the Group's Portfolio Management Framework • Operating ROE target aims to drive outperformance without incentivising excessive risk taking • 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 Board is conscious of the impact that debt can have on the Operating ROE result and has governance protocols in place to monitor this	• Target is reviewed annually and is set with reference to the Group's operating plan

LTA Design	How the LTA Works					
	RTSR Percentile Ranking	**% of Maximum LTA**	**Average Operating ROE**	**% of Maximum LTA**	**CAGR % in FUM**	**% of Maximum LTA**
Vesting Schedule (as % of Maximum LTA)	Below 50th	Nil	Below threshold	Nil	Below threshold	Nil
	At the 50th	40%	At threshold	0%	At threshold	0%
	At or above the 50th and below the 75th	Straight line vesting between 40% and 100%	Between threshold and maximum	Straight line vesting between 0% and 100%	Between threshold and maximum	Straight line vesting between 0% and 100%
	75th or greater	100%	At or above maximum	100%	At or above maximum	100%
Retesting	• No retesting. • If the performance hurdle is not met at the time of testing, the awards are forfeited					
Distribution	• Distributions are not paid, unless and until vesting conditions are met.					

FY22 Long Term Performance Outcomes

The table below presents the performance and vesting outcomes for awards that were tested in FY22. The Board sets challenging LTA targets. The 2020 LTA was tested following the end of the financial year, resulting in nil vesting for FY22.

LTA[1]	Performance Period	Performance Hurdle	Performance Outcome	Vesting Outcome	Overall Vesting Outcome (% Maximum LTA)	% Maximum LTA forfeited
2020 LTA	1 July 2019 to 30 June 2022	RTSR	Below Threshold	0%	0%	0%
	(3 years)	ROE	Below Threshold	0%		
2021 LTA	1 July 2020 to 30 June 2023	RTSR	**Peformance period on going**			
	(3 years)	ROE				
		FUM				
2022 LTA	1 July 2021 to 30 June 2024	RTSR				
	(3 years)	ROE				
		FUM				

1. Refer Note 35 of the Notes to Consolidated Financial Statements for details of LTI / LTA Awards granted in prior financial years.

As the ROE target is considered commercially sensitive, it is published following the end of the performance period.

The ROE target for the 2020 LTA was 10.5%.

Executive Service Agreements

An overview of key terms of employment for current Executives is provided below:

Contract Term	Global CEO	Other Executives
Contract type	Permanent	Permanent
Notice period by Lendlease	12 months	6 months
Notice period by executive	12 months	6 months
Termination Payment	All Executives have termination benefits that are within the limit allowed by the Corporations Act 2001 without securityholder approval. Specifically, in the case where the Executive is not employed for the full period of notice, a payment in lieu of notice may be made. Treatment of unvested awards depends on the reason for termination: • Terminated for cause: Awards lapse. • Terminated for poor performance: Board discretion. • Resignation (engaged in activities that are competitive with the Group): Awards lapse. • 'Good leavers': Awards remain on foot subject to the original vesting conditions. LTA granted from FY23 onwards are prorated for good leavers based on time served.	

New Executive Appointments in FY22

Frank Krile
Frank Krile was appointed to the Group Chief Risk Officer role from 1 July 2021. Frank's Maximum Total Remuneration was set in line with the FY22 Executive Remuneration Strategy approach and is as follows:

A$'000	Fixed remuneration	Maximum STA	Maximum LTA	Maximum total remuneration
	1,000	1,120	1,440	3,560

The remuneration mix for the Group Chief Risk Officer has been structured differently to other Executives, with a lower proportion of STA and LTA, to support the independence of this role.

Simon Dixon
Simon Dixon was appointed to the Group Chief Financial Officer role from 1 October 2021. Simon's Maximum Total Remuneration was set in line with the FY22 Executive Remuneration Strategy approach and is as follows:

A$'000	Fixed remuneration	Maximum STA	Maximum LTA	Maximum total remuneration
	1,000	1,400	1,800	4,200

Simon was also issued a sign-on award in recognition of the unvested awards forfeited upon resignation from his previous employer. The details of the sign-on award are as follows:

A$'000	Value	Delivered as	Vesting date
	100	Cash	September 2022
	200	Deferred securities	September 2022
	300		

The sign-on award is subject to continued employment and malus consideration. The Board retains the discretion to reduce or forfeit the sign-on award if it considers that vesting will result in the participant receiving a benefit that would be unwarranted or inappropriate.

Bespoke Incentive Award

Denis Hickey
Denis Hickey has been issued a one–off incentive aligning to the successful delivery of Google Development Ventures (GDV) over the next three years, recognising the criticality of this project.

The Bespoke Incentive reflects a $5,000,000 grant in Performance Rights over a three year performance period from 1 July 2021 to 30 June 2024.

- 70% of Performance Rights will vest based on the achievement of the key milestones for GDV during the performance period, including the securing of entitlements and capital plans and the commencement of construction for each project.
- 30% of Performance Rights will vest based on customer satisfaction feedback from the client and internal stakeholders at key touchpoints in the project life cycle, so that GDV milestones are not only delivered within the required timeframes but also to an exceptional standard.
- There is no retesting on any portion of the Bespoke Incentive that does not vest.

The Board retains an overarching discretion to reduce or forfeit any unvested awards if it considers that the vesting of the awards would result in receipt of a benefit that was unwarranted or inappropriate.

Performance Rights do not carry dividend rights.

For full details of the key terms of the incentive, refer to the Appendix 3G lodged with the ASX on 1 April 2022.

Non Executive Director Fee Policy

Non Executive Directors' fees

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

Non Executive Directors receive a Board fee and fees for chairing or participating on Board committees:

A$'000	Board	Nominations Committee	People & Culture Committee	Risk Committee	Audit Committee	Sustainability Committee
Chair Fee	640[1]	36	48	48	48	48
Member Fee	160	Nil	36	Nil	36	36

1. The Chairman does not receive extra fees for participating on committees

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.

Non Executive Directors are not entitled to retirement benefits other than superannuation.

There were no increases to Non Executive Director fees during FY22.

Travel Fees

Board meetings are scheduled in Australia and in each of the regions where Lendlease operates. As an international company, the Board program is formulated to reflect the geographic spread of the Lendlease businesses. Generally, the program runs over three to five days and includes a number of activities outside 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 across the Group.

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:

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

Remuneration Governance and Risk Management

Robust governance is a critical part of Lendlease's approach to executive remuneration. The diagram below illustrates the roles various stakeholders play in making remuneration decisions at Lendlease:

Board

The Board has overall responsibility for Executive and Non Executive Director remuneration at Lendlease

The Board assesses the performance of and determines the remuneration outcomes for the Global CEO

Audit Committee

Assists in setting and assessing financial targets for remuneration purposes

Assesses and advises of any audit matters which may impact remuneration outcomes

The Chair of the Audit Committee is a member of the People & Culture Committee

Risk Committee

Advises of risk issues and/or conduct matters to assist in determining an appropriate Risk adjustment for STA outcomes

The Chair of the Risk Committee is a member of the People & Culture Committee

Sustainability Committee

Assists in setting and assessing Safety/Sustainability related Key Performance Indicators

People & Culture Committee

Assists in establishing appropriate policies for people management and remuneration across the Group

Reviews and recommends the goals, performance and remuneration of other Executives

Undertakes a holistic assessment of annual performance when determining STA outcomes, including input from other Committees and Management

Regularly considers matters outside of remuneration – including organisational culture, talent development and succession, and feedback from employees through Our People Survey

Independent Remuneration Advisor

The Board and People & Culture Committee engage external consultants to provide advice or information. Their input is used to guide Board and Committee decisions

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

The Board is satisfied that any advice provided by EY was made free from undue influence from any of the KMP given the structure of the engagement

Management

The Global CEO recommends Fixed Remuneration and STA outcomes for his direct reports (for approval by the People & Culture Committee)

The Group Chief Financial Officer and Group Chief Risk Officer present on the 'Health of the Business' when the Committee is considering STA outcomes

Recommends potential approaches for developing and implementing the Executive Reward Strategy and structure

Provides information relevant to remuneration decisions and, if appropriate liaises with advisors to provide factual information relating to company processes, practices and other business issues; and provide management's perspectives

Risk management and governance processes apply across remuneration timelines, aligned with our business cycle. We have short term, long term and ongoing mechanisms:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6

Short term (Year 1 – Year 3)
- Significant portion of annual opportunity at risk and subject to performance
- Holistic assessment of annual performance
- Input from Risk committee

Long term (Year 1 – Year 6)
- Long dated performance periods (up to 3 years)
- Significant portion of remuneration delivered in equity
- Remuneration deferral (up to 6 years)

Ongoing
- Board discretion
- Malus
- Guiding principles (remuneration adjustments arising from safety incidents)
- Change of control
- Mandatory securityholding
- Securities trading policy
- Hedging
- Independent advisor governance protocols

See below for details of ongoing Risk Management and Governance Mechanisms

Overall 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.	
Malus	• 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.	
Guiding principles for determining remuneration adjustments arising from safety incidents	• To inform robust decision making in relation to remuneration adjustments arising from safety incidents, the Board formalised a set of guiding principles and relevant factors during the year. The key guiding principles are as follows: – Our objective is to learn from incidents and to reinforce an open dialogue and safety culture. Our people must have confidence that sharing safety related information supports this objective and helps to identify how we will adapt in the future. – As the facts and circumstances surrounding each incident are unique, decision making is not prescriptive or formulaic and requires the application of judgement. – To facilitate a consistent approach to decision making, rather than the application of a consistent outcome, the following set of relevant factors are used by the Board to evaluate the application of any remuneration adjustments to be made arising from safety incidents:	
	Safety Leadership	How is safety leadership demonstrated in the relevant business / project?
	Safety Performance	How has the relevant business / project performed against safety performance indicators?
	Findings	In the event of a fatality, what was Lendlease's role based on internal investigations?
	Availability of new information	As events unfold over time, has new and pertinent information emerged from external investigations?
Change of Control	• The early vesting of any unvested awards may be permitted by the Board in other limited circumstances such as a change in control of Lendlease. In these circumstances the Board will determine the timing and proportion of any unvested awards that vest.	

<table>
<tr><td>Mandatory Securityholding</td><td>
The Global CEO and Executives are required to accumulate and maintain a significant personal investment in Lendlease securities. This policy encourages Executives to consider long term securityholder value when making decisions.
What is the Mandatory Securityholding requirement?
<table>
<tr><td></td><td>Mandatory Securityholding Requirement</td></tr>
<tr><td>Global CEO</td><td>150% of TPV</td></tr>
<tr><td>Executives (Australia)</td><td>100% of TPV</td></tr>
<tr><td>Executives (International)</td><td>100% of Base Salary</td></tr>
<tr><td colspan="2">What is counted towards the Mandatory Securityholding requirement?</td></tr>
<tr><td>Included</td><td>Excluded</td></tr>
<tr><td>Personally held securities</td><td>Unvested Deferred STI / STA</td></tr>
<tr><td>On foot RSA</td><td>Unvested LTI / LTA</td></tr>
</table>

Until the Mandatory Securityholding requirement is reached, 50 per cent of any vested equity awards (Deferred STI, Deferred STA, RSA, LTI or LTA) will be subject to a disposal restriction (for Executives based in Australia).
Executives based outside of Australia are required to achieve the Mandatory Securityholding requirement within six years of their appointment to a KMP role.
Progress toward the minimum requirement is outlined in the Executive Equity Holdings table on page 100.
</td></tr>
<tr><td>Securities Trading Policy</td><td>The Lendlease Securities Trading Policy applies to all employees of the Lendlease Group. In accordance with the policy, Directors and Executives may only deal in Lendlease securities during designated periods.</td></tr>
<tr><td>Hedging</td><td>Directors and Executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lendlease securities. No Director or Executive may enter into a margin loan arrangement in respect of unvested Lendlease securities.
Deferred STI, Deferred STA, 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.</td></tr>
<tr><td>Independent Advisor Governance Protocols</td><td>Strict governance protocols are observed to so that advisors’ advice to the Committee is made free from undue influence by Executive KMP:

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; and
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.
</td></tr>
</table>

Other Statutory Disclosures

FY22 Executive Statutory Remuneration

A$'000[1]		Short term benefits			Post-employment benefits			Security Based Payments[2]			
Name	Year	Cash salary[3]	STA cash[4]	Non monetary benefits[5]	Super-annuation[6]	Other long term benefits[7]	Sub-Total	LTI/LTA	Deferred STI	Termi-nation benefits	Total
Current Executives											
Anthony Lombardo	2022	1,867	600	156	29	29	2,681	1,109	39	-	3,829
	2021	1,294	244	362	5	29	1,934	334	116	-	2,384
Dale Connor	2022	1,181	507	5	29	19	1,740	986	43	-	2,769
Simon Dixon[8]	2022	732	319	26	18	12	1,109	307	160	-	1,576
Justin Gabbani	2022	814	346	74	-	-	1,234	282	188	-	1,704
	2021	67	10	4	-	-	81	9	23	-	113
Denis Hickey	2022	1,533	588	247	-	-	2,368	2,058	63	-	4,489
	2021	1,434	368	197	-	-	1,999	359	190	-	2,548
Frank Krile	2022	976	340	-	26	16	1,358	271	253	-	1,882
	2021	542	94	16	14	7	673	74	223	-	970
Neil Martin	2022	1,334	500	38	-	-	1,872	822	111	-	2,805
	2021	1,283	164	25	-	-	1,472	532	317	-	2,321
Former Executives											
Stephen McCann[9,10]	2021	1,941	0	58	25	33	2,057	5,733	420	1,900	10,110
Johannes Dekker[11]	2021	1,170	150	279	9	20	1,628	1,662	101	-	3,391
Tarun Gupta[12]	2021	1,040	n/a	80	20	18	1,158	(1,476)	-	-	(318)
Kylie Rampa[13]	2021	1,154	125	27	22	19	1,347	376	94	-	1,817
David Andrew Wilson[14,10]	2021	1,199	175	71	22	-	1,467	3,890	175	-	5,532
Total	**2022**	**8,438**	**3,200**	**546**	**102**	**77**	**12,363**	**5,835**	**856**	**-**	**19,055**
	2021	**11,124**	**1,330**	**1,119**	**117**	**126**	**13,816**	**11,493**	**1,659**	**1,900**	**28,868**

1. 2022 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY22 (rounded to two decimal places): SGD 0.98 (applied to Justin Gabbani), USD 0.72 (applied to Denis Hickey) and GBP 0.55 (applied to Neil Martin). 2021 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for FY21 (rounded to two decimal places): SGD 1.00 (applied to Justin Gabbani), USD 0.75 (applied to Denis Hickey) and GBP 0.55 (applied to Neil Martin).
2. 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. For Denis Hickey, this also includes the accounting expense for his bespoke incentive award relating to the successful delivery of GDV over the next three years.
3. Includes the payment of cash allowances such as motor vehicle allowance and the value of the distriibution amounts paid as cash on the RSA. For Neil Martin this also includes cash allowances paid in lieu of pension contributions.
4. Reflects 50 per cent of the FY22 STA that is paid as cash in September 2022.
5. 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.
6. Superannuation includes the value of insurance premiums funded by Lendlease for Australian Executives who are members of the Lendlease default superannuation fund.
7. Other Long Term Benefits represents the accrual of long term leave entitlements (e.g. long service leave).
8. Simon Dixon was appointed to the Group Chief Financial Officer role on 1 October 2021 and remuneration reflects time as a KMP.
9. Stephen McCann retired from the Group CEO role on 31 May 2021 and remuneration reflects time as a KMP.
10. As a 'Good Leaver', unvested LTI, LTA and Deferred STI awards remain on foot and subject to the original vesting conditions. The security based payment accounting expense for FY21 therefore includes up to three years of each unvested award expense that has been accelerated and disclosed in total for FY21, including those amounts which would otherwise have been included in future year disclosures. All unvested equity awards that remain on foot following retirement are still subject to the original performance conditions and will be tested at the relevant testing date. Depending on performance, these awards may have nil value. To the extent these awards do not vest when tested, the accounting expense that has been previously booked will be reversed.
11. Johannes Dekker ceased as a KMP on 30 June 2021 and remuneration reflects time as a KMP.
12. Tarun Gupta resigned effective 29 November 2020 and remuneration reflects time as a KMP. All unvested equity awards were forfeited upon resignation. Additionally, Tarun was not eligible for an STA award in FY21.
13. Kylie Rampa ceased as a KMP on 30 June 2021 and remuneration reflects time as a KMP.
14. David Andrew Wilson ceased as a KMP on 30 June 2021 and remuneration reflects time as a KMP.

FY22 Non Executive Director Statutory Remuneration

		Short term benefits				Post-employment benefits	
Name	Year	Base fees[1]	Committee chair fees	Committee membership fees	Travel fees[2]	Superannuation[3]	Total
Current Non Executive Directors							
Michael Ullmer[4]	2022	512	-	-	6	24	542
	2021	619	-	-	-	22	641
Philip Coffey	2022	160	48	60	-	24	292
	2021	155	48	72	-	22	297
Nicholas Collishaw[5]	2022	93	-	24	6	12	135
David Craig	2022	160	48	36	6	24	274
	2021	155	48	36	-	22	261
Jane Hemstritch	2022	160	36	60	6	24	286
	2021	155	21	72	-	22	270
Elizabeth Proust[6]	2022	160	48	36	6	24	274
	2021	160	48	36	-	16	260
Nicola Wakefield Evans	2022	160	48	36	6	24	274
	2021	160	48	36	-	22	266
Robert Welanetz	2022	160	-	72	36	24	292
	2021	155	-	72	-	22	249
Former Non Executive Directors							
Colin Carter[7]	2021	61	15	30	-	9	115
Margaret Ford[8]	2021	21	-	12	-	4	37
Total	**2022**	**1,565**	**228**	**324**	**72**	**180**	**2,369**
	2021	**1,641**	**228**	**366**	**-**	**161**	**2,396**

1. For the 2021 financial year, from 1 July 2020 until 31 August 2020, Non Executive Directors were able to elect to temporarily reduce their base fees up to 20 per cent.
2. No travel fees were payable during the 2021 financial year as a result of the global travel restrictions in place in response to COVID-19.
3. Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation.
4. To reflect accountability in the 2021 financial year for further provisions relating to the legacy Engineering business and the business review preliminary findings that were announced in relation to the Development portfolio, on behalf of the Board, the Chairman took a 20 per cent reduction in base fees for the 2022 financial year.
5. Appointed 1 December 2021.
6. For the 2021 financial year, Elizabeth Proust requested and was issued an SG shortfall exemption certificate for the last quarter. This means that for the period from 1 April 2021 to 30 June 2021 that Lendlease was exempt from making superannuation contributions on behalf of Elizabeth Proust. A cash payment was made in lieu of the superannuation contributions that would have ordinarily been payable.
7. Colin Carter ceased to be a Non Executive Director on 20 November 2020.
8. Baroness Margaret Ford was appointed as a Non Executive Director on 1 March 2020 and ceased to be a Non Executive Director on 18 August 2020.

FY22 Executive Equity Holdings

Name	Number of securities required under the mandatory securityholding at period end[1]	Securities held at beginning of financial year	Securities received during the financial year[2]	Other net changes to securities	Securities held at end of financial year	RSA[3]	Total securities / performance rights that may count towards the mandatory securityholding requirement
Current Executives							
Anthony Lombardo	219,000	0	9,764	-	9,764	96,596	106,360
Dale Connor	97,000	23598	10746	-	34,344	89,834	124,178
Simon Dixon[4]	81,000	n/a	-	-	0	n/a	0
Justin Gabbani	66,000	0	14,010	-	14,010	n/a	14,010
Denis Hickey	60,000	25,989	6120	(6,120)	25,989	96,596	122,585
Frank Krile	77,000	420,852	12,537	-	433,389	n/a	433,389
Neil Martin	102,000	0	4,211	-	4211	65,536	69,747
Total		**470,439**	**57,388**	**(6,120)**	**521,707**	**348,562**	**870,269**

1. Mandatory securityholding requirements are reviewed in August each year.
2. For Executives, securities received relate to security entitlements under employee benefit vehicles.
3. Under the RSA (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. Simon Dixon was appointed to the Group Chief Financial Officer role on 1 October 2021.

Executive Equity Based Remuneration – Deferred Securities

Name	Plan	Performance Year	Grant date	Vesting date	Number granted	Fair value per security $[1]	Total fair value at grant date $[1]	Expense for the year ended 30 June 2022 $
Current Executives								
Anthony Lombardo	Deferred Equity Award	2020	Sept 2020	Sept 2022	6,364	12.16	77,412	38,706
	Total				**6,364**		**77,412**	**38,706**
Dale Connor	Deferred Equity Award	2020	Sept 2020	Sept 2022	6,988	12.16	85,002	42,501
	Total				**6,988**		**85,002**	**42,501**
Simon Dixon	Sign-On Award	n/a	Nov 2021	Sept 2022	16,889	11.84	199,966	159,973
	Total				**16,889**		**199,966**	**159,973**
Justin Gabbani	Executive Deferred Award	2019	Sept 2019	Sept 2022	8,807	16.86	148,486	49,495
	Deferred Equity Award	2020	Sept 2020	Sept 2022	8,059	12.16	98,030	49,015
	Deferred STA	2021	Sept 2021	Sept 2022-2023	10,102	11.84	119,608	89,706
	Total				**26,968**		**366,124**	**188,216**
Denis Hickey	Deferred Equity Award	2020	Sept 2020	Sept 2022	10,388	12.16	126,360	63,180
	Total				**10,388**		**126,360**	**63,180**
Frank Krile	Executive Deferred Award	2019	Sept 2019	Sept 2022	9,887	16.86	166,695	55,565
	Deferred Equity Award	2020	Sept 2020	Sept 2022	12,537	12.16	152,500	76,250
	Deferred STA	2021	Sept 2021	Sept 2022-2023	13,606	11.84	161,096	120,822
	Total				**36,030**		**480,291**	**252,637**
Neil Martin	Executive Deferred Award	2019	Sept 2019	Sept 2022	11,329	16.86	191,007	63,669
	Deferred Equity Award	2020	Sept 2020	Sept 2022	7,770	12.16	94,514	47,257
	Total				**19,099**		**285,521**	**110,926**

1. The fair value at grant date is the value of the Deferred STI award (as advised to the executive).

Executive Equity Based Remuneration – Long Term Awards

Name	Plan (for the year ended)	Grant Date	Vesting date	Number granted[1]	Fair value per security $[2]	Total fair value at grant date $[2]	Expense for the year ended 30 June 2022 $
Current Executives							
Anthony Lombardo	June 2018 LTI (50%)	Sept 2017	Sept 2021	24,034	13.23	317,970	6,622
	June 2019 LTA	Nov 2018	Sept 2021-2024	76,936	11.49	883,996	105,556
	June 2020 LTA	Sept 2019	Sept 2022-2025	111,120	22.08	2,453,528	298,985
	June 2021 LTA	Sept 2020	Sept 2023-2026	96,432	12.92	1,245,900	129,672
	June 2021 LTA Prorata CEO	Sept 2020	Sept 2023-2026	5,124	12.92	66,204	6,890
	June 2021 RSA	Sept 2020	Sept 2023-2026	43,832	11.41	500,124	118,752
	June 2022 LTA	Nov 2021	Sept 2024-2027	265,416	8.42	2,234,804	442,304
	Total			**622,894**		**7,702,526**	**1,108,781**
Dale Connor	June 2018 LTI (50%)	Sept 2017	Sept 2021	13,082	13.23	173,075	3,604
	June 2019 LTA	Nov 2018	Sept 2021-2024	48,088	11.49	552,532	65,977
	June 2020 LTA	Sept 2019	Sept 2022-2025	111,120	22.08	2,453,528	298,985
	June 2021 LTA	Sept 2020	Sept 2023-2026	96,432	12.92	1,245,900	129,672
	June 2021 RSA	Sept 2020	Sept 2023-2026	43,832	11.41	500,124	118,752
	June 2022 LTA	Sept 2021	Sept 2024-2027	179,160	10.40	1,863,264	368,772
	Total			**491,714**		**6,788,423**	**985,762**
Simon Dixon	June 2022 LTA	Sept 2021	Sept 2024-2027	149,304	10.40	1,552,760	307,316
	Total			**149,304**		**1,552,760**	**307,316**
Justin Gabbani	Retention Award	Sept 2020	Sept 2021-2022	11,902	12.16	144,728	36,182
	June 2022 LTA	Sept 2021	Sept 2024-2027	119,532	10.40	1,243,132	246,036
	Total			**131,434**		**1,387,860**	**282,218**
Denis Hickey	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,790	6,035
	June 2019 LTA	Nov 2018	Sept 2021-2024	76,936	11.49	883,996	105,556
	June 2020 LTA	Sept 2019	Sept 2022-2025	111,120	22.08	2,453,528	298,985
	June 2021 LTA	Sept 2020	Sept 2023-2026	96,432	12.92	1,245,900	129,672
	June 2021 RSA	Sept 2020	Sept 2023-2026	43,832	11.41	500,124	118,752
	Bespoke Incentive[3]	Jan 2022	Sept 2024	469,572	10.65	5,000,942	937,500
	June 2022 LTA	Sept 2021	Sept 2024-2027	224,076	10.40	2,330,392	461,224
	Total			**1,043,872**		**12,704,672**	**2,057,724**
Frank Krile	June 2021 LTA	Sept 2020	Sept 2023-2026	26,031	10.15	266,955	25,337
	June 2022 LTA	Sept 2021	Sept 2024-2027	119,436	10.40	1,242,136	245,840
	Total			**145,467**		**1,509,091**	**271,177**
Neil Martin	June 2020 LTA	Sept 2019	Sept 2022-2025	69,448	22.08	1,533,412	186,859
	June 2021 LTA	Sept 2020	Sept 2023-2026	96,432	12.92	1,245,900	129,672
	June 2021 RSA	Sept 2020	Sept 2023-2026	43,832	11.41	500,124	118,752
	June 2022 LTA	Sept 2021	Sept 2024-2027	187,980	10.40	1,954,992	386,924
	Total			**397,692**		**5,234,428**	**822,207**

1. For LTA awards granted from September 2021 and for LTI and other long term awards, the number granted reflects maximum opportunity. For all prior awards, the number granted reflects target opportunity.
2. The fair value at grant date represents an actuarial valuation of the award, including the RSA (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.
3. Denis Hickey received a bespoke incentive award relating to the successful delivery of GDV over the next three years. Refer to 'Bespoke Incentive Award' section above for further detail.

FY22 Non Executive Director Equity Holdings

Name	Securities held at beginning of financial year	Other net changes to securities	Securities held at end of financial year
Non Executive Directors			
Michael Ullmer	125,000	-	125,000
Philip Coffey	21,216	-	21,216
Nicholas Collishaw[1]	N/A	14,500	14,500
David Craig	73,061	-	73,061
Jane Hemstritch	33,061	-	33,061
Elizabeth Proust[2]	68,061	-	68,061
Nicola Wakefield Evans	34,379	-	34,379
Robert Welanetz	7,000	-	7,000
Total	**361,778**	**14,500**	**376,278**

1. As Nicholas Collishaw was appointed as a Non Executive Director on 1 December 2021 a nil balance is shown at the beginning of the financial year.
2. As at 30 June 2022 Elizabeth Proust also holds $500,000 of green bonds.

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

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 that those entered into by unrelated customers.

Directors' Report

The Directors' Report for the financial year ended 30 June 2022 has been prepared in accordance with the requirements of the *Corporations Act 2001.*

The information below forms part of the Directors' Report:

- Principal activities on page 12
- Operating and Financial Review on pages 4 to 63 incorporating the Performance and Outlook on pages 56 to 63
- Biographical information for the Directors and Company Secretary on pages 66 to 70
- Officers who were previously partners of the audit firm on page 66
- Directors' interests in capital on page 76
- Board and committee meetings and attendance on pages 76 and 77
- Remuneration Report on pages 78 to 103
- Lead Auditor's Independence Declaration on page 106

a. Dividends/Distributions

The 2021 final dividend/distribution of $83 million (12.0 cents per security, unfranked) referred to in the Directors' Report dated 16 August 2021 was paid on 15 September 2021. Details of dividends/distributions in respect of the current year are as follows:

	$m
Interim distribution of 5.0 cents per security (unfranked) paid on 16 March 2022[1]	35
Final dividends/distributions of 11.0 cents per security (unfranked) declared by Directors to be payable on 21 September 2022[2]	75
Total dividends/distributions	110

1. Comprised of an unfranked trust distribution of 5.0 cents per unit paid by Lendlease Trust.
2. Comprised of a dividend component franked to 75 per cent of 5.7 cents per share to be paid by the Company and an unfranked trust distribution of 5.3 cents per unit to be paid 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 14 July 2022, Lendlease and Mitsubishi Estate Asia formed a joint venture to acquire the One Circular Quay development in Sydney for approximately $800 million in up front and deferred consideration, with an additional $50 million payment subject to certain project outcomes. Mitsubishi Estate currently holds a 19.9 per cent interest in the joint venture. Subject to the satisfaction of certain conditions, this will increase to 66.7 per cent and Lendlease's ownership will reduce to 33.3 per cent. Lendlease will receive an acquisition fee on settlement, earn development management and construction management fees, equity returns on its capital and potentially performance fees.

On 9 August 2022, the Group exchanged contracts with a third party to acquire a further 13 per cent interest in the asset management income stream of the Group's Military Housing portfolio, through the existing DoD Asset Management Holdings joint venture. The Group received $86 million in consideration on financial close, generating an estimated pre tax gain on sale of $73 million.

There were no other material events subsequent to the end of financial reporting period.

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 66 to 70 of this report and 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 66 to 70 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, regardless of 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 reason:

- 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 2022	**June 2021**
	$000s	**$000s**
Audit and Other Assurance Services		
Audit services	7,004	7,019
Other assurance services	882	822
Total audit and other assurance services	**7,886**	**7,841**
Non audit services	70	438
Total audit, non audit and other assurance services	**7,956**	**8,279**

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, 22 August 2022

A P Lombardo

Global Chief Executive Officer
Sydney, 22 August 2022

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 2022 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

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

22 August 2022

Financial Statements

Milan
Milan Innovation District
Artist's impression

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2022 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 22 August 2022.

Consolidated Financial Statements

Income Statement

Year Ended 30 June 2022

		Note	June 2022 $m	June 2021[1] $m
Revenue from contracts with customers		4	8,822	9,022
Other revenue			142	121
Cost of sales			(8,135)	(8,435)
Gross profit			**829**	**708**
Share of profit of equity accounted investments		5	181	100
Other income		6	358	487
Other expenses		7	(1,429)	(884)
Results from operating activities from continuing operations			**(61)**	**411**
Finance revenue		8	9	9
Finance costs		8	(125)	(146)
Net finance costs			**(116)**	**(137)**
(Loss)/Profit before tax from continuing operations			**(177)**	**274**
Income tax benefit/(expense) from continuing operations		9.a	51	(68)
(Loss)/Profit after tax from continuing operations			**(126)**	**206**
Profit after tax from discontinued operations		33	27	16
(Loss)/Profit after tax			**(99)**	**222**
(Loss)/Profit after tax attributable to:				
Members of Lendlease Corporation Limited			(239)	128
Unitholders of Lendlease Trust			140	94
(Loss)/Profit after tax attributable to securityholders			**(99)**	**222**
External non controlling interests			-	-
(Loss)/Profit after tax			**(99)**	**222**
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS) from Continuing Operations				
Shares excluding treasury shares	(cents)	33	(18.4)	30.2
Shares on issue	(cents)	33	(18.3)	30.0
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)				
Securities excluding treasury shares	(cents)	3	(14.5)	32.5
Securities on issue	(cents)	3	(14.4)	32.3

1. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year Ended 30 June 2022

	Note	June 2022 $m	June 2021[1] $m
(Loss)/Profit after Tax		**(99)**	**222**
Other Comprehensive Income/(Loss) after Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in hedging reserve	9.b	136	15
Movements in foreign currency translation reserve	9.b	63	(108)
Total items that may be reclassified subsequently to profit or loss[2]		**199**	**(93)**
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9.b	(5)	6
Movements in defined benefit plans remeasurements	9.b	44	11
Total items that will not be reclassified to profit or loss		**39**	**17**
Total comprehensive income after tax		**139**	**146**
Total comprehensive (loss)/income after tax from continuing operations attributable to:			
Members of Lendlease Corporation Limited		(40)	48
Unitholders of Lendlease Trust		150	84
Total comprehensive income after tax from discontinued operations attributable to:			
Members of Lendlease Corporation Limited		27	16
Total comprehensive income after tax attributable securityholders		**137**	**148**
External non controlling interests		2	(2)
Total comprehensive income after tax		**139**	**146**

1. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.
2. Includes Other comprehensive income of $214 million (June 2021: Other comprehensive loss of $70 million) relating to share of other comprehensive income of equity accounted investments.

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2022

	Note	June 2022 $m	June 2021 $m
Current Assets			
Cash and cash equivalents	14	1,297	1,662
Loans and receivables	21	2,033	1,741
Inventories	11	1,459	1,469
Other financial assets	13	24	7
Current tax assets		-	9
Other assets		51	62
Total current assets		**4,864**	**4,950**
Non Current Assets			
Loans and receivables	21	1,896	1,871
Inventories	11	2,320	2,404
Equity accounted investments	12	4,379	3,758
Investment properties		482	467
Other financial assets	13	1,181	1,080
Deferred tax assets	9.c	144	115
Property, plant and equipment		272	594
Intangible assets	32	1,225	1,456
Defined benefit plan asset	34	282	243
Other assets		56	62
Total non current assets		**12,237**	**12,050**
Total assets		**17,101**	**17,000**
Current Liabilities			
Trade and other payables	22	4,557	4,839
Provisions	23	720	575
Borrowings and financing arrangements	16.a	-	555
Other financial liabilities		28	14
Income tax payable		49	-
Total current liabilities		**5,354**	**5,983**
Non Current Liabilities			
Trade and other payables	22	1,988	1,760
Provisions	23	68	80
Borrowings and financing arrangements	16.a	2,357	1,802
Other financial liabilities		102	23
Deferred tax liabilities	9.c	262	401
Total non current liabilities		**4,777**	**4,066**
Total liabilities		**10,131**	**10,049**
Net assets		**6,970**	**6,951**
Equity			
Issued capital	17	1,891	1,888
Treasury securities		(77)	(79)
Reserves	36	184	3
Retained earnings		3,078	3,327
Total equity attributable to members of Lendlease Corporation Limited		**5,076**	**5,139**
Total equity attributable to unitholders of Lendlease Trust		1,867	1,788
Total equity attributable to securityholders		**6,943**	**6,927**
External non controlling interests		27	24
Total equity		**6,970**	**6,951**

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Year Ended 30 June 2022

	Issued Capital $m	Treasury Securities[1] $m	Reserves $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 2020	**1,889**	**(68)**	**65**	**3,265**	**5,151**	**1,756**	**25**	**6,932**
Total Comprehensive Income								
Profit for the financial year	-	-	-	128	128	94	-	222
Other comprehensive income (net of tax)	-	-	(75)	11	(64)	(10)	(2)	(76)
Total comprehensive income	**-**	**-**	**(75)**	**139**	**64**	**84**	**(2)**	**146**
Other Comprehensive Income (Net of Tax)					-			
Net investment hedge	-	-	12	-	12	-	-	12
Effect of foreign exchange movements	-	-	(102)	-	(102)	(10)	(2)	(114)
Effective cash flow hedges	-	-	15	-	15	-	-	15
Defined benefit plans remeasurements	-	-	-	11	11	-	-	11
Other comprehensive income (net of tax)	**-**	**-**	**(75)**	**11**	**(64)**	**(10)**	**(2)**	**(76)**
Transactions with Owners of the Company								
Capital contributed by non controlling interests	-	-	-	-	-	-	1	1
Distribution Reinvestment Plan (DRP)	3	-	-	-	3	1	-	4
Share issue via institutional placement (net of transaction costs)	(3)	-	-	-	(3)	-	-	(3)
Share issue via Security Purchase Plan (net of transaction costs)	(1)	-	-	-	(1)	-	-	(1)
Dividends and distributions	-	-	-	(77)	(77)	(54)	-	(131)
Treasury securities acquired	-	(50)	-	-	(50)	-	-	(50)
Treasury securities vested	-	39	-	-	39	-	-	39
Fair value movement on allocation and vesting of securities	-	-	16	-	16	-	-	16
Transfer as a result of asset disposal[2]	-	-	(3)	-	(3)	-	-	(3)
Other movements	-	-	-	-	-	1	-	1
Total other movements through reserves	**(1)**	**(11)**	**13**	**(77)**	**(76)**	**(52)**	**1**	**(127)**
Balance as at 30 June 2021	**1,888**	**(79)**	**3**	**3,327**	**5,139**	**1,788**	**24**	**6,951**
Balance as at 1 July 2021	1,888	(79)	3	3,327	5,139	1,788	24	6,951
Total Comprehensive Income								
Profit for the financial year	-	-	-	(239)	(239)	140	-	(99)
Other comprehensive income (net of tax)	-	-	182	44	226	10	2	238
Total comprehensive income	**-**	**-**	**182**	**(195)**	**(13)**	**150**	**2**	**139**
Other Comprehensive Income (Net of Tax)								
Net investment hedge	-	-	(16)	-	(16)	-	-	(16)
Effect of foreign exchange movements	-	-	62	-	62	10	2	74
Effective cash flow hedges	-	-	136	-	136	-	-	136
Defined benefit plans remeasurements	-	-	-	44	44	-	-	44
Other comprehensive income (net of tax)	**-**	**-**	**182**	**44**	**226**	**10**	**2**	**238**
Transactions with Owners of the Company								
Capital contributed by non controlling interests	-	-	-	-	-	-	1	1
Distribution Reinvestment Plan (DRP)	3	-	-	-	3	1	-	4
Dividends and distributions	-	-	-	(55)	(55)	(71)	-	(126)
Treasury securities acquired	-	(25)	-	-	(25)	-	-	(25)
Treasury securities vested	-	27	-	-	27	-	-	27
Fair value movement on allocation and vesting of securities	-	-	23	-	23	-	-	23
Transfer as a result of asset disposal[2]	-	-	(24)	-	(24)	-	-	(24)
Other movements	-	-	-	1	1	(1)	-	-
Total other movements through reserves	**3**	**2**	**(1)**	**(54)**	**(50)**	**(71)**	**1**	**(120)**
Balance as at 30 June 2022	**1,891**	**(77)**	**184**	**3,078**	**5,076**	**1,867**	**27**	**6,970**

1. Opening balance for number of treasury securities 1 July 2021 was 6 million (1 July 2020: 4 million) and closing balance at 30 June 2022 was 6 million.
2. These movements in reserves were transferred to profit and loss in the financial year.

The accompanying notes form part of these consolidated financial statements.

Statement of Cash Flows

Year Ended 30 June 2022

	Note	June 2022[1] $m	June 2021[1] $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		8,893	9,531
Cash payments in the course of operations		(9,606)	(8,916)
Interest received		3	6
Interest paid in relation to other corporations		(129)	(128)
Interest paid in relation to lease liabilities		(17)	(20)
Dividends/distributions received		109	80
Income tax paid in respect of operations		(88)	(85)
Net cash (used in)/provided by operating activities	15	**(835)**	**468**
Cash Flows from Investing Activities			
Sale/redemption of investments		846	573
Acquisition of investments		(985)	(301)
Sale of investment properties		82	-
Acquisition of/capital expenditure on investment properties		(71)	(110)
Net loan drawdowns from associates and joint ventures		(13)	(13)
Disposal/(acquisition) of consolidated entities (net of cash disposed/acquired and transaction costs)		709	(266)
Disposal of property, plant and equipment		69	22
Acquisition of property, plant and equipment		(10)	(53)
Acquisition of intangible assets		(75)	(68)
Net cash provided by/(used in) investing activities		**552**	**(216)**
Cash Flows from Financing Activities			
Proceeds from borrowings		2,457	3,503
Repayment of borrowings		(2,387)	(3,470)
Dividends/distributions paid		(114)	(121)
Increase in capital of non controlling interests		2	2
Repayment of lease liabilities		(64)	(60)
Net cash used in financing activities		**(106)**	**(146)**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		24	(6)
Net (decrease)/increase in cash and cash equivalents		**(365)**	**100**
Cash and cash equivalents at beginning of financial year		1,662	1,562
Cash and cash equivalents at end of financial year	14	**1,297**	**1,662**

1. Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operations have been disclosed in Note 33 '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 2022, 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
- Has re-presented comparative financial information in the Income Statement, Statement of Comprehensive Income and related Notes 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 have not been re-presented. Refer to Note 33 'Discontinued Operations' for further details
- 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 38 '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 37 '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 pandemic and the impact of the other 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.

At 30 June 2022, the Group is in a net current deficit (current liabilities exceeds current assets) but does not anticipate a significant liquidity risk in the next 12 months. This is due to the Group's strong financial profile, which includes significant committed undrawn facilities and low gearing ratios.

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 ongoing COVID pandemic and other economic conditions.

The Group has:

- $2,647 million in undrawn facilities. See Note 16 'Borrowings and Financing Arrangements'
- $1,297 million in cash and cash equivalents. See Note 14 'Cash and Cash Equivalents'.

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.

Section A. Performance

In addition to the statutory result, Operating Earnings before Interest, Tax, Depreciation and Amortisation (Operating EBITDA) and Operating Profit after Tax (Operating PAT) are the key measures used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of Operating EBITDA and Operating PAT. Segment Reporting below provides a breakdown of profit and revenue by the operational activity and region. 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.

1. Segment Reporting

Accounting Policies

The Group's segments are Investments, Development, Construction and Non core. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target return profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Global 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 presented the segments around business activity due to the Group's business model being broadly consistent in all regions. Additional disclosure has also been included for Operating EBITDA, Operating PAT and Statutory Profit by region.

The Group reports Operating EBITDA and Operating PAT as its primary earnings metrics, in addition to the statutory result. Operating PAT is defined as Statutory profit adjusted for non-cash backed property related revaluation increases or decreases of Investment property, Other financial assets and Equity accounted investments that are classified in the Investments segment, other non-cash adjustments or non-trading items such as impairment losses relating to goodwill and other intangibles, and non-trading items such as restructuring costs. Operating EBITDA is before Interest, Tax, Depreciation and Amortisation. Operating EBITDA and Operating PAT includes revaluation increases or decreases of Investment properties under construction that are classified in the Development segment.

The Chief Operating Decision Maker receives information and assesses segment performance under these metrics. Operating EBITDA and Operating 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:

Investments
Operates across all four geographic regions. Services include owning and/or managing investments. The segment includes an investment management platform and the Group's ownership interests in residential, office, retail, industrial, retirement and infrastructure investment assets.

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 development 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 commercial, residential, mixed use, defence and social infrastructure sectors.

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 retained Engineering and retained Services projects. The discontinued operations referenced throughout the financial statements are included in this segment. Discontinued operations represent the Services business sold during the period and the Engineering business sold in the prior period, excluding the projects retained by the Group. Refer to Note 33 'Discontinued Operations' for further detail.

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information

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

	TOTAL SEGMENT RESULTS			
	Investments	Development[1]	Construction	Total Core Segments
30 June 2022	$m	$m	$m	$m
Revenue				
Construction services	-	-	6,572	**6,572**
Investment services	279	-	-	**279**
Development services	-	928	-	**928**
Sale of development properties	-	610	-	**610**
Total revenue from contracts with customers - continuing operations	**279**	**1,538**	**6,572**	**8,389**
Other revenue	67	35	7	**109**
Total revenue from external customers - continuing operations	**346**	**1,573**	**6,579**	**8,498**
Construction services – discontinued operations	-	-	-	**-**
Total revenue from external customers	**346**	**1,573**	**6,579**	**8,498**
Cost of sales – continuing operations	(46)	(1,328)	(6,266)	**(7,640)**
Cost of sales – discontinued operations	-	-	-	**-**
Gross profit	**300**	**245**	**313**	**858**
Share of profit of Equity accounted investments[2]	120	42	6	**168**
Other income[2]	188	85	22	**295**
Other expenses[3]	(111)	(191)	(210)	**(512)**
Operating EBITDA	**497**	**181**	**131**	**809**
Finance revenue	1	6	-	**7**
Finance expenses	(1)	(5)	(4)	**(10)**
Depreciation and amortisation	(9)	(11)	(36)	**(56)**
Operating profit before tax[4]	**488**	**171**	**91**	**750**
Operating income tax expenses	(127)	(60)	(23)	**(210)**
Operating profit after tax	**361**	**111**	**68**	**540**
Investments segment revaluations (pre-tax):				
Investment properties	4	-	-	**4**
Financial assets	59	-	-	**59**
Equity accounted investments	11	-	-	**11**
Impairment losses relating to intangibles (pre-tax)[5]	(6)	-	-	**(6)**
Restructuring costs (pre-tax):				
Development impairments	-	(289)	-	**(289)**
Tenancy impairments	-	-	-	**-**
Redundancy costs	-	-	-	**-**
Other restructuring costs	-	-	-	**-**
Total adjustments[4]	**68**	**(289)**	**-**	**(221)**
Income tax benefit/(expense) on adjustments	(4)	66	-	**62**
Statutory profit/(loss) after tax	**425**	**(112)**	**68**	**381**

1. The Development segment includes $73 million (June 2021: $88 million) of revaluation gains from Equity accounted investments and $nil million (June 2021: $4 million) of revaluation gains from Investment properties classified as Development.
2. Excludes Investments segment revaluations.
3. Excludes depreciation and amortisation, Impairment losses relating to intangibles and Restructuring costs.
4. Operating profit before tax of $344 million (June 2021: $275 million) plus Investment segment revaluations (pre-tax) of $74 million (June 2021: $19 million), less impairment losses relating to intangibles (pre tax) of $83 million (June 2021: $nil) and restructuring costs (pre tax) of $484 million (June 2021: $nil), reconciles to Loss before tax from continuing operations of $177 million (June 2021: profit of $274 million) as disclosed in the Income Statement and Profit before tax for discontinued operations of $28 million (June 2021: $20 million) as disclosed in Note 33 'Discontinued Operations'.
5. Relates to Digital intangible assets deemed not recoverable.

The Non core segment operating profit after tax includes overhead costs associated with managing the completion of the remaining retained projects from the sale of the Engineering and Services businesses and other residual exit related matters. Corporate Activity costs are not allocated to the Non core segment given these costs relate to supporting the growth and operations of the Core segments.

		RECONCILIATION OF CORE AND NON CORE SEGMENTS TO STATUTORY PROFIT				
Non Core	Total Segments	Total Core Segments	Corporate Activities	Total Core	Non Core	Total Group
$m	$m	$m	$m	$m	$m	$m
433	7,005	6,572	-	6,572	433	7,005
-	279	279	-	279	-	279
-	928	928	-	928	-	928
-	610	610	-	610	-	610
433	8,822	8,389	-	8,389	433	8,822
-	109	109	33	142	-	142
433	8,931	8,498	33	8,531	433	8,964
351	351	-	-	-	351	351
784	9,282	8,498	33	8,531	784	9,315
(467)	(8,107)	(7,640)	(28)	(7,668)	(467)	(8,135)
(320)	(320)	-	-	-	(320)	(320)
(3)	855	858	5	863	(3)	860
2	170	168	-	168	2	170
16	311	295	-	295	16	311
(21)	(533)	(512)	(185)	(697)	(21)	(718)
(6)	803	809	(180)	629	(6)	623
-	7	7	2	9	-	9
-	(10)	(10)	(115)	(125)	-	(125)
(17)	(73)	(56)	(90)	(146)	(17)	(163)
(23)	727	750	(383)	367	(23)	344
(1)	(211)	(210)	119	(91)	(1)	(92)
(24)	516	540	(264)	276	(24)	252
-	4	4	-	4	-	4
-	59	59	-	59	-	59
-	11	11	-	11	-	11
-	(6)	(6)	(77)	(83)	-	(83)
-	(289)	(289)	-	(289)	-	(289)
(25)	(25)	-	(104)	(104)	(25)	(129)
-	-	-	(56)	(56)	-	(56)
-	-	-	(10)	(10)	-	(10)
(25)	(246)	(221)	(247)	(468)	(25)	(493)
7	69	62	73	135	7	142
(42)	339	381	(438)	(57)	(42)	(99)

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information continued

				TOTAL SEGMENT RESULTS
	Investments	Development[1]	Construction	Total Core Segments
30 June 2021	$m	$m	$m	$m
Revenue				
Construction services	-	-	6,398	**6,398**
Investment services	282	-	-	**282**
Development services	-	496	-	**496**
Sale of development properties	-	1,434	-	**1,434**
Total revenue from contracts with customers - continuing operations	**282**	**1,930**	**6,398**	**8,610**
Other revenue	65	31	-	**96**
Total revenue from external customers - continuing operations	**347**	**1,961**	**6,398**	**8,706**
Construction services – discontinued operations	-	-	-	**-**
Total revenue from external customers	**347**	**1,961**	**6,398**	**8,706**
Cost of sales – continuing operations	(25)	(1,738)	(6,082)	**(7,845)**
Cost of sales – discontinued operations	-	-	-	**-**
Gross profit	**322**	**223**	**316**	**861**
Share of profit of Equity accounted investments[2]	53	56	14	**123**
Other income[2]	26	412	7	**445**
Other expenses[3]	(125)	(222)	(164)	**(511)**
Operating EBITDA	**276**	**469**	**173**	**918**
Finance revenue	1	4	-	**5**
Finance expenses	(2)	(2)	(4)	**(8)**
Depreciation and amortisation	(9)	(14)	(35)	**(58)**
Operating profit before tax[4]	**266**	**457**	**134**	**857**
Operating income tax expenses	(53)	(115)	(34)	**(202)**
Operating profit after tax	**213**	**342**	**100**	**655**
Investments segment revaluations (pre-tax):				
Investment properties	(1)	-	-	**(1)**
Financial assets	45	-	-	**45**
Equity accounted investments	(25)	-	-	**(25)**
Total adjustments[4]	**19**	**-**	**-**	**19**
Income tax benefit/(expense) on adjustments	7	-	-	**7**
Statutory profit/(loss) after tax	**239**	**342**	**100**	**681**

1. The Development segment includes $73 million (June 2021: $88 million) of revaluation gains from Equity accounted investments and $nil million (June 2021: $4 million) of revaluation gains from Investment properties classified as Development.
2. Excludes Investments segment revaluations.
3. Excludes depreciation and amortisation, Impairment losses relating to intangibles and Restructuring costs.
4. Operating profit before tax of $344 million (June 2021: $275 million) plus Investment segment revaluations (pre-tax) of $74 million (June 2021: $19 million), less impairment losses relating to intangibles (pre tax) of $83 million (June 2021: $nil) and restructuring costs (pre tax) of $484 million (June 2021: $nil), reconciles to Loss before tax from continuing operations of $177 million (June 2021: profit of $274 million) as disclosed in the Income Statement and Profit before tax for discontinued operations of $28 million (June 2021: $20 million) as disclosed in Note 33 'Discontinued Operations'.

The Non core segment operating profit after tax includes overhead costs associated with managing the completion of the remaining retained projects from the sale of the Engineering and Services businesses and other residual exit related matters. Corporate Activity costs are not allocated to the Non core segment given these costs relate to supporting the growth and operations of the Core segments.

		RECONCILIATION OF CORE AND NON CORE SEGMENTS TO STATUTORY PROFIT				
Non Core	Total Segments	Total Core Segments	Corporate Activities	Total Core	Non Core	Total Group
$m	$m	$m	$m	$m	$m	$m
412	6,810	6,398	-	6,398	412	6,810
-	282	282	-	282	-	282
-	496	496	-	496	-	496
-	1,434	1,434	-	1,434	-	1,434
412	9,022	8,610	-	8,610	412	9,022
-	96	96	25	121	-	121
412	9,118	8,706	25	8,731	412	9,143
1,032	1,032	-	-	-	1,032	1,032
1,444	10,150	8,706	25	8,731	1,444	10,175
(570)	(8,415)	(7,845)	(20)	(7,865)	(570)	(8,435)
(969)	(969)	-	-	-	(969)	(969)
(95)	766	861	5	866	(95)	771
2	125	123	-	123	2	125
1	446	445	(2)	443	1	444
(47)	(558)	(511)	(164)	(675)	(47)	(722)
(139)	779	918	(161)	757	(139)	618
1	6	5	4	9	1	10
-	(8)	(8)	(138)	(146)	-	(146)
(59)	(117)	(58)	(90)	(148)	(59)	(207)
(197)	660	857	(385)	472	(197)	275
16	(186)	(202)	107	(95)	16	(79)
(181)	474	655	(278)	377	(181)	196
-	(1)	(1)	-	(1)	-	(1)
-	45	45	-	45	-	45
-	(25)	(25)	-	(25)	-	(25)
-	19	19	-	19	-	19
-	7	7	-	7	-	7
(181)	500	681	(278)	403	(181)	222

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.a. Business Segment Information continued

The following table provides information on the Return on invested capital for the Investments and Development segment. Construction is excluded from the table below on the basis that its main operational metric is EBITDA margin.

	JUNE 2022				JUNE 2021			
	Investments $m	Development $m	Remaining Group $m	Total Group $m	Investments $m	Development $m	Remaining Group $m	Total Group $m
Net assets	3,789	5,262	(2,081)	**6,970**	3,653	4,214	(916)	**6,951**
Less: Cash and cash equivalents	(140)	(91)	(1,066)	**(1,297)**	(29)	89	(1,722)	**(1,662)**
Less: Other financial liabilities	1	-	129	**130**	2	-	35	**37**
Less: Borrowings and financing arrangements	7	206	2,144	**2,357**	7	113	2,237	**2,357**
Invested capital at end of year	3,657	5,377			3,633	4,416		
Invested capital at half year	3,931	5,018			3,584	4,991		
Invested capital at beginning of year	3,633	4,416			3,670	4,778		
Average invested capital	**3,740**	**4,937**			**3,629**	**4,728**		
Operating profit after tax[1]	361	111			213	342		
Return on invested capital[2]	**9.7%**	**2.2%**			**5.9%**	**7.2%**		

1. Operating profit after tax per segment has been derived from the tables on the previous pages.
2. Return on Invested Capital is calculated using the Operating Profit after Tax divided by the arithmetic average of beginning, half year and year end invested capital.

The following table provides information on the Group's Return on equity:

	June 2022 $m	June 2021 $m
Equity attributable to securityholders at end of year	6,943	6,927
Equity attributable to securityholders at half year	6,654	6,953
Equity attributable to securityholders at beginning of year	6,927	6,907
Average equity attributable to securityholders	6,841	6,929
Core operating profit after tax	276	377
Operating return on equity[1]	**4.0%**	**5.4%**
Statutory profit after tax	(99)	222
Statutory return on equity[2]	**(1.4)%**	**3.2%**

1. Operating return on equity is calculated using the Core operating profit after tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.
2. Statutory return on equity is calculated using the Statutory profit after tax divided by the arithmetic average of beginning, half year and year end securityholders' equity.

The following table provides a reconciliation of Core operating earnings per stapled security to the Total Group statutory earnings per stapled security:

		CENTS PER STAPLED SECURITY	
	Note	June 2022	June 2021
Core operating earnings per stapled security		40.1	54.8
Non core operating earnings per stapled security		(3.5)	(26.3)
Total Segment operating earnings per stapled security		**36.6**	**28.5**
Total adjustments (after tax) to reconcile to statutory profit[1]		(51.0)	3.8
Total Group statutory earnings per stapled security	3	**(14.4)**	**32.3**

1. The total adjustments (after tax) is calculated using the Total adjustments of $(493) million (June 2021: $19 million) and Income tax benefit/(expense) on adjustments of $142 million (June 2021: $7 million) divided by the weighted average number of stapled securities on issue.

The following tables set out other financial information by reportable segment:

	JUNE 2022			JUNE 2021		
	Material Non Cash Items[1]	Non Current Segment Assets[2]	Group Total Assets	Material Non Cash Items[1]	Non Current Segment Assets[2]	Group Total Assets
	$m	$m	$m	$m	$m	$m
Core						
Investments	57	2,638	4,093	52	2,737	3,954
Development	(294)	6,201	7,940	(12)	5,416	6,975
Construction	(1)	1,494	3,847	(6)	1,509	3,627
Total core segments	**(238)**	**10,333**	**15,880**	**34**	**9,662**	**14,556**
Non core	(26)	7	304	(23)	273	948
Total segments	**(264)**	**10,340**	**16,184**	**11**	**9,935**	**15,504**
Corporate activities	(278)	290	917	46	677	1,496
Total	**(542)**	**10,630**	**17,101**	**57**	**10,612**	**17,000**

1. Material Non Cash Items relates to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
2. Excludes deferred tax assets, financial instruments and defined benefit plan assets.

1.b. Geography Segment Information

The following table sets out further information on Operating EBITDA, Operating PAT and Statutory Profit by region:

	OPERATING EBITDA		OPERATING PAT		TOTAL ADJUSTMENTS		TAX ON ADJUSTMENTS		STATUTORY PROFIT	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Australia	496	644	344	448	(139)	40	58	-	263	488
Asia	115	54	80	47	(1)	(22)	-	6	79	31
Europe	26	60	13	65	(78)	-	3	-	(62)	65
Americas	172	160	103	95	(3)	1	1	1	101	97
Total region	**809**	**918**	**540**	**655**	**(221)**	**19**	**62**	**7**	**381**	**681**
Corporate activities	(180)	(161)	(264)	(278)	(247)	-	73	-	(438)	(278)
Total core	**629**	**757**	**276**	**377**	**(468)**	**19**	**135**	**7**	**(57)**	**403**
Non core	(6)	(139)	(24)	(181)	(25)	-	7	-	(42)	(181)
Total Group	**623**	**618**	**252**	**196**	**(493)**	**19**	**142**	**7**	**(99)**	**222**

The following table sets out Non current assets by region:

	NON CURRENT ASSETS[1]	
	June 2022	June 2021
	$m	$m
Australia	4,577	5,007
Asia	1,794	1,388
Europe	1,629	1,471
Americas	2,340	2,069
Total segment	**10,340**	**9,935**
Corporate activities	290	677
Total	**10,630**	**10,612**

1. Excludes deferred tax assets, financial instruments and defined benefit plan assets and is based on the geographical location of assets.

Notes to Consolidated Financial Statements continued

Section A. Performance continued

1. Segment Reporting continued

1.b. Geography Segment Information continued

The operating segments generate revenue in the following regions:

	REVENUE[1]							
June 2022	Investments $m	Development $m	Construction $m	Total Core Segments $m	Non Core $m	Total Segments $m	Corporate Activities $m	Statutory Result $m
Australia	193	962	3,186	**4,341**	784	**5,125**	35	**5,160**
Asia	82	31	261	**374**	-	**374**	-	**374**
Europe	18	523	899	**1,440**	-	**1,440**	-	**1,440**
Americas	54	63	2,233	**2,350**	-	**2,350**	-	**2,350**
Total	**347**	**1,579**	**6,579**	**8,505**	**784**	**9,289**	**35**	**9,324**
June 2021								
Australia	164	1,239	2,868	**4,271**	1,444	**5,715**	30	**5,745**
Asia	77	11	262	**350**	-	**350**	-	**350**
Europe	14	511	861	**1,386**	-	**1,386**	-	**1,386**
Americas	93	204	2,407	**2,704**	-	**2,704**	-	**2,704**
Total	**348**	**1,965**	**6,398**	**8,711**	**1,444**	**10,155**	**30**	**10,185**

1. Comprised of Revenue from contracts with customers from continuing operations of $8,822 million (June 2021: $9,022 million), other revenue from continuing operations of $142 million (June 2021: $121 million), finance revenue from continuing operations of $9 million (June 2021: $9 million), revenue from contracts with customers from discontinued operations of $351 million (June 2021: $1,032 million), and finance revenue from discontinued operations of $nil (June 2021: $1 million) as disclosed in Note 33 'Discontinued Operations'. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.

No revenue from transactions with a single external customer amounts to 10 per cent or more of the Group's revenue.

2. Dividends/Distributions

		COMPANY/TRUST[1]	
	Cents Per Share/Unit	June 2022 $m	June 2021 $m
Parent Company Interim Dividend			
December 2021[2]	-	-	-
December 2020 – paid 17 March 2021	11.2	-	77
Lendlease Trust Interim Distribution			
December 2021 – paid 16 March 2022	5.0	35	-
December 2020 – paid 17 March 2021	3.8	-	26
Parent Company Final Dividend			
June 2022 – declared subsequent to reporting date[3]	5.7	39	-
June 2021 – paid 15 September 2021	7.9	-	55
Lendlease Trust Final Distribution			
June 2022 – provided for and payable 21 September 2022	5.3	36	-
June 2021 – paid 15 September 2021	4.1	-	28
Total		**110**	**186**

1. The current and prior period distributions were unfranked. The current period final dividend was 75 per cent franked, with the balance sourced from the conduit foreign income account. The December 2020 interim dividend was 50 per cent franked, with the balance sourced from the conduit foreign income account. The prior period final dividend was not franked.
2. No interim dividend was declared by the Company for 31 December 2021.
3. No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2022, as it was declared after the end of the reporting period.

Dividend Franking

The amount of franking credits available for use as at 30 June 2022 in subsequent reporting periods is $41 million (30 June 2021: $7 million), based on a 30 per cent tax rate.

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 Managing and Measuring Value - Financial section of this 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 2022		JUNE 2021	
		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	(239)	(239)	128	128
Weighted average number of ordinary shares	m	683	689	683	688
Basic/Diluted EPS	**cents**	**(35.0)**	**(34.7)**	**18.7**	**18.6**
Basic/Diluted Earnings Per Stapled Security (EPSS)[1]					
(Loss)/profit attributable to securityholders of Lendlease Group	$m	(99)	(99)	222	222
Weighted average number of stapled securities	m	683	689	683	688
Basic/Diluted EPSS[2]	**cents**	**(14.5)**	**(14.4)**	**32.5**	**32.3**

1. Balances include both continuing and discontinued operations. Earnings per share/stapled security for continuing and discontinued operations have been separately disclosed in Note 33 'Discontinued Operations'.
2. Details of the Group's Core operating earnings per stapled security is disclosed in Note 1 'Segment Reporting'.

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 commercial, residential, mixed use, defence and social infrastructure 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 and 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 they are 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 standalone 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 typically occurs 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 derecognised as revenue once settlement of the apartments occurs.

	June 2022 $m	June 2021[1] $m
Revenue from the provision of services		
Core Construction services	6,572	6,398
Non core Construction services	433	412
Construction services	**7,005**	**6,810**
Investment services	279	282
Development services	928	496
Total revenue from the provision of services	**8,212**	**7,588**
Revenue from the sale of development properties	610	1,434
Total revenue from contracts with customers[2]	**8,822**	**9,022**

1. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.
2. Further information on revenue by geography and by segments is included in Note 1 'Segment Reporting'.

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 2022 $m	June 2021 $m
Associates[1,2]			
Share of profit	12.a	54	8
Joint Ventures[1,2]			
Share of profit	12.b	127	92
Total share of profit of equity accounted investments		**181**	**100**

1. Reflects the contribution to the Group's profit, and is after tax paid by the Equity accounted investment vehicles themselves, where relevant. However, for various Equity accounted investments, the share of tax is paid by the Group and is included in the Group's current tax expense.
2. Share of profit from Associates and Joint Ventures includes $7 million gain (June 2021: $2 million loss) and $4 million gain (June 2021: $23 million loss), respectively, in revaluation gains and losses recognised in the Investments segment adjustment in Note 1 'Segment Reporting'. Share of profit from Associates and Joint Ventures include $7 million (June 2021: $nil) and $66 million (June 2021: $88 million gain), respectively, in revaluation gains in the Development segment.

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 2022 $m	June 2021[1] $m
Net gain on sale/transfer of investments		
Consolidated entities	2	375
Asset management contract sale[2]	167	-
Other financial assets at fair value	-	1
Equity accounted investments	86	4
Investment properties	12	-
Other assets and liabilities	13	7
Total net gain on sale/transfer of investments	**280**	**387**
Net gain on fair value measurement		
Investment properties[3]	4	3
Fair value through profit or loss assets[4]	65	61
Total net gain on fair value measurement	**69**	**64**
Other	9	36
Total other income	**358**	**487**

1. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.
2. During the financial year, the Group disposed of a 28 per cent interest in the asset management income stream of the Group's Military Housing portfolio, recording a net gain on sale pre-tax of $167 million.
3. Net gain on fair value measurements for Investment properties includes $4 million gain (June 2021: $1 million loss) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.
4. Net gain on fair value measurements for Fair value through profit or loss assets includes $59 million gain (June 2021: $45 million gain) recognised in the Investments segment adjustments in Note 1 'Segment Reporting'.

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 35a 'Short Term Incentive (STI)' 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 35j '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 34 '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.

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 2022 $m	June 2021[1] $m
Profit before income tax includes the following expense items:		
Total Employee Benefit Expense	1,927	1,848
Less: Recoveries through projects[2]	(1,371)	(1,333)
Net employee benefit expense	**556**	**515**
Superannuation accumulation plan expense	77	77
Net defined benefit plans expense	(1)	-
Restructuring expenses:[3]		
Development impairments	289	-
Tenancy impairments - Core[4]	104	-
Tenancy impairments - Non core[4]	25	-
Redundancy costs	56	-
Other restructuring costs	10	-
Expenses include other impairments raised/(reversals) relating to:		
Loans and receivables	2	-
Property inventories	12	(13)
Equity accounted investments	(15)	1
Intangible assets[5]	83	2
Other assets	-	6
Lease expense (including outgoings)	30	32
Depreciation on right-of-use assets	54	63
Depreciation on owned assets	35	65
Amortisation	67	55
Net foreign exchange (gain)/loss	2	4
Other	43	77
Total Other Expenses[6]	**1,429**	**884**

1. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.
2. Expense recovered through projects.
3. Expenses resulting from the revised strategy announcement and business review undertaken by the Global CEO during the financial year.
4. Refer to Note 22 'Trade and Other Payables' for further details.
5. Refer to Note 32 'Intangible Assets' for further details.
6. Prior year balances have been adjusted to reflect updated and additional information to assist the users of the financial statements.

	June 2022 $000s	June 2021 $000s
Auditors' Remuneration		
Amounts received or due and receivable by the auditors of Lendlease Group and its consolidated entities for:		
Audit services	7,004	7,019
Other assurance services	882	822
Total audit and other assurance services	**7,886**	**7,841**
Non audit services[1]	70	438
Total audit, other assurance and non audit services	**7,956**	**8,279**

1. Non audit services include amounts charged for work relating to financial, regulatory and asset due diligence of the Group and its consolidated entities.

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 2022 $m	June 2021 $m
Finance Revenue		
Other corporations	3	4
Other finance revenue	3	4
Total interest finance revenue	**6**	**8**
Interest discounting	3	1
Total finance revenue	**9**	**9**
Finance Costs		
Interest expense in relation to other corporations	113	127
Interest expense in relation to lease liabilities	17	20
Less: Capitalised interest finance costs[1]	(25)	(18)
Total interest finance costs	**105**	**129**
Non interest finance costs	20	17
Total finance costs	**125**	**146**
Net finance costs	**(116)**	**(137)**

1. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 3.6 per cent (30 June 2021: 3.6 per cent), which is the effective interest rate.

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.

9.a. Income Tax Expense	June 2022 $m	June 2021 $m
Recognised in the Income Statement		
Current Tax Expense		
Current year	200	132
Adjustments for prior years	3	(4)
Current year tax losses (recognised)/written off	(51)	40
Total current tax expense	**152**	**168**
Deferred Tax Expense		
Origination and reversal of temporary differences	(222)	(65)
Temporary differences recovered/recognised	17	7
Recognition of prior year net tax losses	19	(7)
Change in tax rate	(16)	(31)
Total deferred tax (benefit)	**(202)**	**(96)**
Income Tax Expense		
Total income tax (benefit)/expense from continuing operations	(51)	68
Total income tax expense from discontinued operations[1]	1	4
Total income tax (benefit)/expense[2]	**(50)**	**72**
Reconciliation of Effective Tax Rate		
(Loss)/profit before tax	(149)	294
Income tax using domestic corporate tax rate 30%	**(45)**	**88**
Adjustments for prior year	3	(4)
Non assessable and exempt income[3]	(45)	(40)
Non allowable expenses[4]	5	7
Net write off of tax losses through income tax expense	34	39
Temporary differences recognised through income tax expense[5]	17	7
Utilisation of capital losses on disposal of assets	(56)	(13)
Effect of tax rates in foreign jurisdictions[6]	(9)	(26)
Other[7]	46	14
Income tax (benefit)/expense[2]	**(50)**	**72**
Deferred Tax Recognised Directly in Equity		
Relating to:		
Hedging reserve	39	2
Impact of adoption of new accounting standard	-	4
Defined benefit plans remeasurements	6	41
Foreign currency translation reserve	11	(6)
Non controlling interest acquisition reserve	-	3
Total deferred tax recognised directly in equity	**56**	**44**

1. Refer to Note 33 'Discontinued Operations' for further detail.
2. Represents income tax benefit from continuing operations of $51 million and income tax expense from discontinued operations of $1 million. June 2021 results have been re-presented for discontinued operations during the period. Refer to Note 33 'Discontinued Operations' for further details.
3. Includes Lendlease Trust Group profit.
4. Includes accounting expenses for which a tax deduction is not allowed permanently.
5. Includes temporary differences not recognised in the current year that are written off to income tax expense in the current period and temporary differences that arose in a previous year but were not recognised until the current period.
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.
7. Includes additional tax expense associated with the capital gain on divestment of assets.

	JUNE 2022			JUNE 2021		
9.b. Tax Effect Relating to Other Comprehensive Income	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	175	(39)	136	17	(2)	15
Movements in foreign currency translation reserve	74	(11)	63	(114)	6	(108)
Movements in non controlling interest acquisition reserve	(5)	-	(5)	6	-	6
Movements in defined benefit plans remeasurements	50	(6)	44	52	(41)	11
Total other comprehensive income net of tax	**294**	**(56)**	**238**	**(39)**	**(37)**	**(76)**

Notes to Consolidated Financial Statements continued

Section A. Performance continued

9. Taxation continued

9.c. Deferred Tax Assets and Liabilities	JUNE 2022 Assets $m	JUNE 2022 Liabilities $m	JUNE 2021 Assets $m	JUNE 2021 Liabilities $m
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables	6	(74)	1	(91)
Inventories	66	(315)	89	(371)
Other financial assets	-	(54)	9	(49)
Other assets	68	(13)	112	(4)
Equity accounted investments	23	(363)	12	(417)
Investment properties	-	(9)	-	(17)
Property, plant and equipment	54	(11)	40	(12)
Intangible assets	4	(11)	1	(19)
Net defined benefit plans	11	(68)	16	(67)
Trade and other payables	159	(13)	180	(10)
Provisions	151	-	117	-
Borrowings and financing arrangements	94	(13)	62	(8)
Other financial and non financial liabilities	41	-	20	-
Unused revenue tax losses recognised	134	-	99	-
Unused capital tax losses recognised	-	-	9	-
Items with a tax base but no carrying value	41	(26)	38	(26)
Total deferred tax assets/(liabilities)	**852**	**(970)**	**805**	**(1,091)**
Deferred tax set off	(708)	708	(690)	690
Net deferred tax assets/(liabilities)	**144**	**(262)**	**115**	**(401)**

	1 July 2021 $m	Recognised in Income $m	Recognised in Equity $m	Other/ Foreign Exchange $m	30 June 2022 $m
June 2022					
Movement in temporary differences during the financial year:					
Loans and receivables	(90)	22	-	-	(68)
Inventories	(282)	9	-	24	(249)
Other financial assets	(40)	(11)	-	(3)	(54)
Other assets	108	(53)	-	-	55
Equity accounted investments	(405)	103	(39)	1	(340)
Investment properties	(17)	(1)	-	9	(9)
Property, plant and equipment	28	15	-	-	43
Intangible assets	(18)	11	-	-	(7)
Net defined benefit plans	(51)	-	(9)	3	(57)
Trade and other payables	170	(26)	-	2	146
Provisions	117	42	-	(8)	151
Borrowings and financing arrangements	54	31	(11)	7	81
Other financial and non financial liabilities	20	21	-	-	41
Unused revenue tax losses recognised	99	36	3	(4)	134
Unused capital tax losses recognised	9	(9)	-	-	-
Items with a tax base but no carrying value	12	12	-	(9)	15
Total deferred tax assets/(liabilities)	**(286)**	**202**	**(56)**	**22**	**(118)**

9.c. Deferred Tax Assets and Liabilities continued	1 July 2020 $m	Recognised in Income $m	Recognised in Equity $m	Other/ Foreign Exchange $m	30 June 2021 $m
June 2021					
Movement in temporary differences during the financial year:					
Loans and receivables	(51)	(35)	-	(4)	(90)
Inventories	(389)	98	-	9	(282)
Other financial assets	(49)	-	-	9	(40)
Other assets	91	24	-	(7)	108
Equity accounted investments	(399)	(16)	10	-	(405)
Investment properties	(57)	36	-	4	(17)
Property, plant and equipment	14	14	(4)	4	28
Intangible assets	(21)	2	-	1	(18)
Net defined benefit plans	(13)	1	(41)	2	(51)
Trade and other payables	190	(2)	-	(18)	170
Provisions	135	(33)	-	15	117
Borrowings and financing arrangements	49	8	(6)	3	54
Other financial and non financial liabilities	16	2	-	2	20
Unused revenue tax losses recognised	157	2	-	(60)	99
Unused capital tax losses recognised	-	9	-	-	9
Items with a tax base but no carrying value	34	(14)	(3)	(5)	12
Total net deferred tax (liabilities)/assets	**(293)**	**96**	**(44)**	**(45)**	**(286)**

	June 2022 $m	June 2021 $m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unused revenue tax losses	74	54
Unused capital tax losses	102	132
Net deductible temporary differences	69	72
Total unrecognised deferred tax assets	**245**	**258**

Of the unrecognised deferred tax assets of $245 million, only $31 million expires between 2023 to 2037. The remainder of the unrecognised deferred tax assets have no expiry date.

10. Events Subsequent to Balance Date

On 14 July 2022, Lendlease and Mitsubishi Estate Asia formed a joint venture to acquire the One Circular Quay development in Sydney for approximately $800 million in up front and deferred consideration, with an additional $50 million payment subject to certain project outcomes. Mitsubishi Estate currently holds a 19.9 per cent interest in the joint venture. Subject to the satisfaction of certain conditions, this will increase to 66.7 per cent and Lendlease's ownership will reduce to 33.3 per cent. Lendlease will receive an acquisition fee on settlement, earn development management and construction management fees, equity returns on its capital and potentially performance fees.

On 9 August 2022, the Group exchanged contracts with a third party to acquire a further 13 per cent interest in the asset management income stream of the Group's Military Housing portfolio, through the existing DoD Asset Management Holdings joint venture. The Group received $86 million in consideration on financial close, generating an estimated pre tax gain on sale of $73 million.

There were no other material events subsequent to the end of the financial reporting period.

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, drive 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 revenue recognised (costs incurred plus recognised profits) exceed progress billings. If progress billings and/or recognised contract losses exceed revenue recognised, then the difference is presented in Trade and other payables as a Construction contract liability.

	Note	June 2022 $m	June 2021 $m
Current			
Development properties[1]		792	894
Construction contract assets	21.a	664	565
Other		3	10
Total current		**1,459**	**1,469**
Non Current			
Development properties[1]		2,320	2,404
Total non current		**2,320**	**2,404**
Total inventories		**3,779**	**3,873**

1. The Group has considered the impacts of the COVID pandemic and other economic conditions on its recoverability assessment of inventories at 30 June 2022. As part of its semi annual review of development property projects, the Group has considered sales volumes in the short term, production timeframes, and potential increased costs for its projects. The carrying value of the Group's projects has not been materially impacted during the period due to their long dated nature, except for those projects impacted by the revised strategy announcement and business review undertaken by the Global CEO during the financial year. The Development impairment expense of $289 million (30 June 2021: $nil) and Property inventories impairment expense of $12 million (30 June 2021: $13 million reversal) as disclosed in Note 7 'Other Expenses', have been recorded net against the inventories balance. Refer to Note 7 'Other Expenses' for further detail.

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.

Development - Investment Property
Investments in this category hold investment property that is under construction and is subject to periodic revaluations. These revaluations represent development profit earned and are recognised in the Development segment.

Development - Inventory

Investments in this category contain inventory under development and are held at cost. Revenue is recognised once the inventory settles with the customer and is recognised in the Development segment.

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 2022 $m	June 2021 $m
Associates			
Investment in associates	12.a	598	444
Less: Impairment	12.a	-	(3)
Total associates		**598**	**441**
Joint Ventures			
Investment in joint ventures	12.b	3,806	3,356
Less: Impairment	12.b	(25)	(39)
Total joint ventures		**3,781**	**3,317**
Total equity accounted investments		**4,379**	**3,758**

Notes to Consolidated Financial Statements continued

Section B. Investment continued

12. Equity Accounted Investments continued

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
12.a. Associates	%	%	$m	$m	$m	$m
Australia						
Investments						
Lendlease Communities Fund 1	-	20.8	-	-	-	3
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	6	1	25	25
Lendlease Real Estate Partners 4	33.3	-	1	-	34	-
Other			-	-	5	5
Total Australia			**7**	**1**	**64**	**33**
Asia						
Investments						
Lendlease Global Commercial REIT	26.2	25.9	30	4	485	249
Lendlease Asian Retail Investment Fund 1	48.7	48.7	-	-	4	4
Lendlease Asian Retail Investment Fund 2	39.8	39.4	6	(1)	41	32
Lendlease Asian Retail Investment Fund 3	-	15.1	8	1	-	123
Total Asia			**44**	**4**	**530**	**408**
Americas						
Investments						
Other			3	3	4	3
Total Americas			**3**	**3**	**4**	**3**
Total Group			**54**	**8**	**598**	**444**
Less: Impairment			-	-	-	(3)
Total associates			**54**	**8**	**598**	**441**

1. Although the Group has a 10 per cent ownership interest in Lendlease Sub Regional Retail Fund, it holds at least 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.

	INTEREST		SHARE OF PROFIT		NET BOOK VALUE	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
12.b. Joint Ventures	%	%	$m	$m	$m	$m
Australia						
Investments						
Lendlease Retirement Living Trust	25.1	50.0	63	40	526	952
Lendlease DTC Industrial Trust	50.0	-	(6)	-	161	-
Other			-	(1)	-	-
Development						
Development - Investment Property						
Circular Quay Tower	-	20.0	31	15	-	150
Victoria Cross	75.0	75.0	-	2	153	132
Development - Inventory						
Melbourne Quarter R1	50.0	50.0	1	5	35	64
North East Link	20.0	-	(1)	-	153	-
Frankston Hospital	50.0	-	-	-	88	-
One Sydney Harbour R1 Trust	75.0	75.0	1	-	240	111
One Sydney Harbour R2 Trust	75.0	75.0	-	-	205	146
Other Development			2	-	15	25
Total Australia			**91**	**61**	**1,576**	**1,580**

12.b. Joint Ventures	INTEREST June 2022 %	INTEREST June 2021 %	SHARE OF PROFIT June 2022 $m	SHARE OF PROFIT June 2021 $m	NET BOOK VALUE June 2022 $m	NET BOOK VALUE June 2021 $m
Asia						
Investments						
CDR JV Limited (313@somerset)	25.0	25.0	-	-	3	3
Paya Lebar Quarter	30.0	30.0	9	(16)	392	358
Development						
Development - Investment Property						
Certis and Lendlease Property Trust	49.0	49.0	-	(1)	49	24
Lendlease Life Science and Innovation Partners	15.0	-	-	-	18	-
The Exchange TRX[1]	60.0	60.0	-	-	501	388
Total Asia			**9**	**(17)**	**963**	**773**
Europe						
Investments						
LRIP LP[2]	20.0	20.0	9	4	173	177
Other			-	-	14	15
Development						
Development - Investment Property						
IQL Office LP	50.0	-	-	-	106	-
LRIP 2 LP	50.0	50.0	4	13	78	52
MSG South	50.0	50.0	15	17	103	67
Milano Innovation District	50.0	50.0	(1)	-	72	31
Stratford City Business District Limited (International Quarter London)	50.0	50.0	(4)	(3)	14	21
Development - Inventory						
Victoria Drive Wandsworth	50.0	50.0	(3)	(4)	25	39
Other Development			(1)	(3)	8	7
Total Europe			**19**	**24**	**593**	**409**
Americas						
Investments						
845 Madison	37.5	37.5	7	2	91	83
Americas Residential Partnership						
Clippership Wharf Multifamily Holdings	50.1	50.1	4	(1)	89	79
720 S Wells Holdings	50.1	50.1	-	-	88	82
DoD Asset Management Holdings	50.0	-	2	-	4	-
Other			-	-	4	-
Development						
Development - Investment Property						
60 Guest Street	25.0	25.0	-	-	27	23
Americas Residential Partnership						
211 North Harbor Drive Venture	42.5	42.5	5	-	107	99
445 East Waterside	42.5	42.5	7	20	93	82
SB Polk Street	50.1	50.1	-	-	39	18
1 Java Holdings	25.0	20.2	-	-	40	31
La Cienega	50.0	50.0	2	-	35	23
Development - Inventory						
277 Fifth Avenue	40.0	40.0	(25)	(11)	14	41
Other Development			-	-	38	32
Construction						
Lendlease Turner Joint Venture	50.0	50.0	6	14	5	1
Total Americas			**8**	**24**	**674**	**594**
Total Group			**127**	**92**	**3,806**	**3,356**
Less: Impairment			-	-	(25)	(39)
Total joint ventures			**127**	**92**	**3,781**	**3,317**
Total associates			**54**	**8**	**598**	**441**
Total equity accounted investments			**181**	**100**	**4,379**	**3,758**

1. Investment includes both investment property and residential inventory.
2. During the year, LRIP LP was transferred from Development segment to the Investments segment subsequent to project completion.

Notes to Consolidated Financial Statements continued

Section B. Investment continued

12. Equity Accounted Investments continued

12.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 investment in property assets.

	LENDLEASE GLOBAL COMMERCIAL REIT		LENDLEASE RETIREMENT LIVING TRUST		PAYA LEBAR QUARTER[1]		THE EXCHANGE TRX	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Income Statement[2]	$m	$m	$m	$m	$m	$m	$m	$m
Revenue and other income	173	81	240	188	193	151	56	44
Cost of sales	(27)	(22)	(45)	(24)	(41)	(44)	(45)	(34)
Other expenses	(15)	(20)	(68)	(60)	(18)	(18)	(4)	(7)
Unrealised fair value gains/(losses)	52	(31)	54	(13)	11	11	45	35
Finance costs	(16)	(10)	(21)	(23)	(55)	(52)	(3)	(1)
Income tax (benefit)/expense	-	-	(1)	1	(1)	(2)	9	(9)
Profit/(loss) for the financial year	**167**	**(2)**	**159**	**69**	**89**	**46**	**58**	**28**
Other comprehensive (expense)/income	(41)	9	34	8	-	-	10	5
Total comprehensive income	**126**	**7**	**193**	**77**	**89**	**46**	**68**	**33**
Group's ownership interest	26.2%	25.9%	25.1%	50.0%	30.0%	30.0%	60.0%	60.0%
Group's total share of:								
Profit/(loss) for the financial year	**44**	**(1)**	**63**	**40**	**27**	**14**	**35**	**17**
Other adjustments	(14)	5	-	-	(18)	(30)	(35)	(17)
Total profit/(loss) for the financial year	**30**	**4**	**63**	**40**	**9**	**(16)**	**-**	**-**
Other comprehensive income/(expenses)	11	(10)	11	5	23	(9)	18	(17)
Total comprehensive income/(expenses)	**41**	**(6)**	**74**	**45**	**32**	**(25)**	**18**	**(17)**

1. Prior period balances have been reclassified to reflect updated management information.
2. The underlying investments in the material associate and joint ventures are office, retail and retirement living investment properties measured at fair value. At 30 June 2022, valuations were undertaken on the underlying assets. The carrying value of the investments are considered recoverable as it correlates with the net assets of the associate and joint ventures, which have been valued at 30 June 2022.

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group:

	ASSOCIATES		JOINT VENTURES	
	June 2022	June 2021	June 2022	June 2021
Income Statement	$m	$m	$m	$m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	24	4	55	68
Other comprehensive income/(expense)	6	(10)	145	(46)
Aggregate amounts of Group's share of total comprehensive income/(expense) of individually immaterial equity accounted investments	**30**	**(6)**	**200**	**22**

Statement of Financial Position	LENDLEASE GLOBAL COMMERCIAL REIT June 2022 $m	LENDLEASE GLOBAL COMMERCIAL REIT June 2021 $m	LENDLEASE RETIREMENT LIVING TRUST[1] June 2022 $m	LENDLEASE RETIREMENT LIVING TRUST[1] June 2021 $m	PAYA LEBAR QUARTER June 2022 $m	PAYA LEBAR QUARTER June 2021 $m	THE EXCHANGE TRX June 2022 $m	THE EXCHANGE TRX June 2021 $m
Current assets								
Cash and cash equivalents	48	245	41	44	122	107	63	41
Other current assets	23	9	59	28	93	95	45	6
Total current assets	**71**	**254**	**100**	**72**	**215**	**202**	**108**	**47**
Non current assets								
Investment properties	3,754	1,409	7,826	7,441	3,129	2,960	1,522	1,213
Equity accounted investments	16	-	-	-	-	-	-	-
Other non current assets	19	52	38	2	3	4	20	4
Total non current assets	**3,789**	**1,461**	**7,864**	**7,443**	**3,132**	**2,964**	**1,542**	**1,217**
Current liabilities								
Resident liabilities	-	-	5,054	4,835	-	-	-	-
Financial liabilities (excluding trade payables)	312	-	-	-	-	-	113	96
Other current liabilities	44	24	78	56	43	55	49	30
Total current liabilities	**356**	**24**	**5,132**	**4,891**	**43**	**55**	**162**	**126**
Non current liabilities								
Financial liabilities (excluding trade payables)	1,200	536	777	742	1,813	1,733	532	444
Other non current liabilities	19	11	-	-	33	86	-	-
Total non current liabilities	**1,219**	**547**	**777**	**742**	**1,846**	**1,819**	**532**	**444**
Net assets	**2,285**	**1,144**	**2,055**	**1,882**	**1,458**	**1,292**	**956**	**694**
Reconciliation to Carrying Amounts								
Opening net assets 1 July	1,144	1,037	1,882	1,805	1,292	1,297	658	603
Total comprehensive income/(loss) for the financial year	126	7	193	77	89	46	68	33
Acquisition/contributions	1,003	197	-	-	6	14	172	91
Distributions	(74)	(47)	(20)	-	-	-	-	-
Foreign currency translation for the financial year	86	(50)	-	-	71	(65)	58	(33)
Closing net assets	**2,285**	**1,144**	**2,055**	**1,882**	**1,458**	**1,292**	**956**	**694**
% ownership	26.2%	25.9%	25.1%	50.0%	30.0%	30.0%	60.0%	60.0%
Group's share of net assets	**599**	**296**	**516**	**941**	**437**	**388**	**574**	**416**
Other adjustments	(114)	(47)	(3)	(2)	(45)	(30)	(73)	(28)
Carrying amount at end of the financial year	**485**	**249**	**513**	**939**	**392**	**358**	**501**	**388**

1. The carrying amount at the end of the financial year differs to Note 12b 'Joint Ventures' due to an impairment of $13 million.

Material joint ventures had $154 million (June 2021: $141 million) in capital expenditure commitments.

Notes to Consolidated Financial Statements continued

Section B. Investment continued

12. Equity Accounted Investments continued

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group:

	ASSOCIATES		JOINT VENTURES	
	June 2022	June 2021	June 2022	June 2021
Statement of Financial Position	$m	$m	$m	$m
Aggregate carrying value of individually immaterial equity accounted investments	113	195	2,387	2,046

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 Note 21 'Loans and Receivables'.

	Fair Value Level[1]	June 2022 $m	June 2021 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss - Designated at Initial Recognition			
Derivatives	Level 2	24	7
Total current		**24**	**7**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss - Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	174	165
Lendlease One International Towers Sydney Trust	Level 3	62	57
Australian Prime Property Fund - Industrial	Level 3	136	120
Australian Prime Property Fund - Commercial	Level 3	412	386
Australian Prime Property Fund - Retail	Level 3	59	56
Military Housing Projects Initiative	Level 3	216	201
Parkway Parade Partnership Limited	Level 3	68	65
Other investments	Level 3	22	20
Derivatives	Level 2	32	10
Total non current		**1,181**	**1,080**
Total other financial assets		**1,205**	**1,087**

1. Refer to Note 26 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

13.a. Fair Value Reconciliation

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows:

	June 2022 $m	June 2021 $m
Carrying amount at beginning of financial year	1,070	1,068
Disposals	(7)	(39)
Net gains recognised in Income Statement	65	61
Other movements	21	(20)
Carrying amount at end of financial year	**1,149**	**1,070**

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 development 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.

	June 2022 $m	June 2021 $m
Cash	1,128	1,303
Short term investments[1]	169	359
Total cash and cash equivalents	**1,297**	**1,662**

1. Short term investments earned variable rates of interest which averaged 0.5 per cent per annum during the financial year (30 June 2021: 0.5 per cent).

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

15. Notes to Statement of Cash Flows

	June 2022 $m	June 2021 $m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
(Loss)/profit after tax (including external non controlling interests)	(99)	222
Amortisation and depreciation	163	207
Net gain on sale of investments, plant and equipment	(280)	(388)
(Reversal)/impairment of equity accounted investments	(15)	2
Impairment/(reversal) of inventories	294	(13)
Impairment of loans and receivables	2	-
Impairment of intangible assets	83	2
Tenancy impairments	129	-
Impairment of property, plant and equipment	-	7
Net unrealised foreign exchange loss/(gain) and currency hedging costs	31	(38)
Net fair value gain on investments	(65)	(61)
Share of profit of equity accounted investments	(181)	(100)
Dividends/distributions from equity accounted investments	68	155
Fair value gain on investment properties	(4)	(3)
Other	(58)	(41)
Net cash provided by operating activities before changes in assets and liabilities	**68**	**(49)**
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Decrease/(increase) in receivables	11	(1,021)
(Increase)/decrease in inventories	(426)	1,457
Decrease/(increase) in other assets	17	(26)
Increase in net defined benefit plans	(54)	(80)
Decrease in payables	(514)	(119)
Decrease in operating derivatives assets/liabilities	53	40
Increase in deferred tax items	(203)	(5)
Decrease in current tax	58	20
Increase in other provisions	155	251
Net cash provided by operating activities[1]	**(835)**	**468**

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.

16.a. Borrowings – Measured at Amortised Cost	June 2022 $m	June 2021 $m
Current		
Commercial notes	-	555
Total current	**-**	**555**
Non Current		
Commercial notes	2,082	1,682
Bank credit facilities	275	120
Total non current	**2,357**	**1,802**
Total borrowings	**2,357**	**2,357**

The Group has net debt of $1,060 million (30 June 2021: $695 million) and is 7.3 per cent (30 June 2021: 5.0 per cent) geared at the balance sheet date. The Group's gearing is calculated as net debt to total tangible assets, less cash.

16.b. Finance Facilities	June 2022 $m	June 2021 $m
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	2,082	2,237
Amount of facility used	(2,082)	(2,237)
Amount of facility unused	**-**	**-**
Bank Credit Facilities		
Facility available	2,798	3,264
Amount of facility used	(275)	(120)
Amount of facility unused	**2,523**	**3,144**
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 matured and was repaid in October 2021
- US$400 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market 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 with a 3.9 per cent coupon maturing in April 2027
- $500 million of guaranteed unsecured Green senior notes issued in October 2020 in the Australian bond market with a 3.4 per cent coupon maturing October 2027
- $80 million of unsecured senior medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028
- $300 million of guaranteed unsecured Green senior notes issued in March 2021 in the Australian bond market with a 3.7 per cent coupon maturing March 2031
- £250 million of guaranteed unsecured Green senior notes issued in December 2021 in the Sterling bond market with a 3.5 per cent coupon maturing in December 2033.

Bank credit facilities include:

- $1,800 million syndicated cash advance facility with Tranche A $900 million and Tranche B $900 million. Tranche A $900 million and Tranche B were cancelled during the financial year
- $300 million syndicated loan facility was repaid and cancelled during the financial year
- £400 million club bank facility maturing in March 2023 was undrawn as at 30 June 2022
- $235 million A$ syndicated loan facility was repaid and cancelled during the financial year
- US$300 million sustainability linked loan maturing in July 2024 was undrawn as at 30 June 2022
- CNY928 million bank facility maturing in January 2025 was drawn to $188 million as at 30 June 2022
- S$300 million sustainability linked loan maturing in February 2025 was drawn to $63 million as at 30 June 2022
- $800 million sustainability linked loan with Tranche A $400 million maturing in November 2025 was undrawn as at 30 June 2022 and Tranche B $400 million maturing in November 2026 was undrawn as at 30 June 2022
- €200 million sustainability linked loan maturing in July 2026 was undrawn as at 30 June 2022.

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.

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

16. Borrowings and Financing Arrangements continued

	INTEREST EXPOSURE			CURRENCY					
	Fixed $m	Floating $m	Total $m	A$ $m	US$ $m	£ $m	CNY $m	S$ $m	Total $m
June 2022									
Within one year	-	-	-	-	-	-	-	-	-
Between one and five years	1,097	63	1,160	-	580	17	188	375	1,160
More than five years	1,190	7	1,197	756	-	441	-	-	1,197
Total	**2,287**	**70**	**2,357**	**756**	**580**	**458**	**188**	**375**	**2,357**
June 2021									
Within one year	555	-	555	-	-	555	-	-	555
Between one and five years	644	-	644	-	531	-	113	-	644
More than five years	1,151	7	1,158	855	-	7	-	296	1,158
Total	**2,350**	**7**	**2,357**	**855**	**531**	**562**	**113**	**296**	**2,357**

16.c. Movement in Borrowings and Financing Arrangements	Note	June 2022 $m	June 2021 $m
Balance at beginning of financial year	16.a	2,357	2,395
Net proceeds from borrowings		70	33
Effect of foreign exchange rate movements		24	(49)
Other movements		(94)	(22)
Balance at end of financial year	16.a	**2,357**	**2,357**

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 typically classified as treasury shares and are recognised as a deduction from equity.

	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	June 2022		June 2021		June 2022		June 2021	
	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, net of prior period share buyback	689	1,888	688	1,889	689	1,537	688	1,536
Distribution Reinvestment Plan (DRP)	-	3	1	3	-	1	1	1
Share issue via institutional placement (net of transaction costs)	-	-	-	(3)	-	-	-	-
Share issue via Security Purchase Plan (net of transaction costs)	-	-	-	(1)	-	-	-	-
Issued capital at end of financial period	**689**	**1,891**	**689**	**1,888**	**689**	**1,538**	**689**	**1,537**

17.a. Issuance of Securities

As at 30 June 2022, the Group had 689 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.

17.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 30 August 2022. 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, commencing on 30 August 2022, 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.

17.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 2022 are Baa3/BBB- respectively (June 2021: 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 Managing and Measuring Value - Financial section and Performance and Outlook section of this Annual Report.

19. Liquidity Risk Exposure

Further information on liquidity risk is disclosed in Note 24 'Financial Risk Management'. As disclosed in Note 27 '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 2022, the Group does not anticipate a significant liquidity risk in relation to the following financial liabilities. This is due to the Group's strong financial profile, as supported by the significant committed undrawn facilities and low gearing ratio. Refer to Note 14 'Cash and Cash Equivalents' and Note 16 'Borrowings and Financing Arrangements'.

The Group has provided collateral of $nil (June 2021: $nil) against letter of credit facilities.

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

19. Liquidity Risk Exposure continued

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 2022							
Non Derivative Financial Liabilities							
Trade and other payables[1]	22	5,101	5,117	3,549	914	637	17
Lease liabilities	22	408	450	86	92	204	68
Borrowings and financing arrangements	16.a	2,357	2,878	140	197	913	1,628
Total		**7,866**	**8,445**	**3,775**	**1,203**	**1,754**	**1,713**
Derivative Financial Liabilities							
(Outflow)		-	(1,286)	(1,163)	(24)	(67)	(32)
Inflow		130	1,415	1,190	45	124	56
Total		**130**	**129**	**27**	**21**	**57**	**24**
June 2021							
Non Derivative Financial Liabilities							
Trade and other payables[1]	22	5,156	5,172	3,793	770	580	29
Lease liabilities	22	474	526	80	115	206	125
Borrowings and financing arrangements	16.a	2,357	2,719	690	76	668	1,285
Total		**7,987**	**8,417**	**4,563**	**961**	**1,454**	**1,439**
Derivative Financial Liabilities							
(Outflow)		-	(1,127)	(990)	(23)	(61)	(53)
Inflow		37	1,164	1,001	22	73	68
Total		**37**	**37**	**11**	**(1)**	**12**	**15**

1. Trade and other payables are presented excluding lease liabilities. The carrying amount of trade and other payables excludes $958 million of current and $78 million of non current amounts (June 2021: $902 million of current and $67 million of non current) in relation to items where there is no future cash outflow or liquidity risk.

Other contractually committed cash flows the Group is exposed to are detailed in Note 20 'Commitments'.

20. Commitments

20.a. Capital Expenditure	June 2022 $m	June 2021 $m
At balance date, capital expenditure commitments agreed or contracted but not provided for in the financial statements are as follows:		
Due within one year	-	4
Due between one and five years	-	-
Due later than five years	-	-
Total	**-**	**4**

20.b. Investments	June 2022 $m	June 2021 $m
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	1,131	794
Due between one and five years	1,222	2,027
Due later than five years	8	72
Total	**2,361**	**2,893**

20.c. Investment Properties	June 2022 $m	June 2021 $m
At balance date, capital commitments existing in respect of the purchase, construction or development of investment properties, contracted but not provided for in the financial statements, are as follows:		
Due within one year	76	5
Due between one and five years	162	227
Due later than five years	-	-
Total	**238**	**232**

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 a 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 met.

	Note	June 2022 $m	June 2021 $m
Current			
Trade receivables		726	602
Less: Impairment		(13)	(12)
		713	**590**
Related parties		208	185
Retentions		259	279
Contract debtors	21.a	291	247
Accrued income	21.a	82	78
Other receivables		480	362
Total Current		**2,033**	**1,741**
Non Current			
Trade receivables		2	-
Related parties		589	570
Less: Impairment		(5)	(4)
		586	**566**
Retentions		71	70
Other receivables		1,239	1,235
Total non current		**1,896**	**1,871**
Total loans and receivables		**3,929**	**3,612**

As at the reporting date, $603 million of the trade receivables were current (30 June 2021: $478 million) and $123 million were past due (30 June 2021: $124 million). Of the past due amount, $110 million was not impaired (30 June 2021: $112 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, 7.7 per cent (30 June 2021: 6.5 per cent) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2022 (30 June 2021: $nil).

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

21. Loans and Receivables continued

	June 2022 $m	June 2021 $m
Provision for Impairment		
Carrying amount at beginning of financial year	16	18
Bad and doubtful debts impairment loss net of provisions written back	3	-
Utilised bad and doubtful debts impairment provision	-	(1)
Other movements (including foreign exchange rate movements)	(1)	(1)
Carrying amount at end of financial year	**18**	**16**
Total impairment as a percentage of total loans and receivables	**0.5%**	**0.4%**

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. 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 at 30 June 2022. 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.

21.a. Contract Assets	Note	June 2022 $m	June 2021 $m
Current			
Contract debtors[1]		291	247
Construction contract assets[2]	11	664	565
Accrued income		82	78
Total contract assets		**1,037**	**890**

1. Movements in contract debtors during the financial year relate primarily to additional work performed not yet transferred into Trade receivables as the right to receive payment from the customer has not become unconditional.
2. Movements in construction contract assets during the financial year relate primarily to revenue recognised on construction contracts with customers in excess of billings raised during the financial year.

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 revenue recognised (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 2022 $m	June 2021 $m
Current			
Trade and accrued creditors		2,316	2,243
Construction contract liabilities	22.a	1,327	1,379
Related parties		197	263
Retentions		344	386
Deferred land payments		126	278
Unearned income	22.a	38	27
Lease liabilities		77	67
Other		132	196
Total current		**4,557**	**4,839**

	Note	June 2022 $m	June 2021 $m
Non Current			
Trade and accrued creditors[1]		366	316
Retentions		51	47
Deferred land payments		330	366
Unearned income	22.a	77	67
Lease liabilities		331	407
Other[1]		833	557
Total non current		**1,988**	**1,760**
Total trade and other payables		**6,545**	**6,599**

1. Prior period balances have been reclassified from Other to Trade and accrued creditors to reflect updated management information.

As a result of the revised strategy announcement and business review undertaken by the Global CEO during the financial year, the Group assessed its right of use assets. The Group calculated its remaining recoverable right of use assets using a discounted cashflow model with a discount rate of 3.6 per cent. This resulted in a tenancy impairment expense of $104 million in Corporate Activities and $25 million in the Non core segment. As at 30 June 2022, the Group recognised right-of-use assets of $188 million (30 June 2021: $325 million) within Property, Plant and Equipment. Refer to Note 1 'Segment Reporting' and Note 7 'Other Expenses' for further details.

22.a. Contract Liabilities	June 2022 $m	June 2021 $m
Current		
Unearned income[1]	38	27
Construction contract liabilities[2]	1,327	1,379
Total current	**1,365**	**1,406**
Non Current		
Unearned income[1]	77	67
Total non current	**77**	**67**
Total contract liabilities	**1,442**	**1,473**

1. Movements in Unearned income relates primarily to residential presales settled during the financial year and deposits received for development properties.
2. Movements in Construction contract liabilities relate primarily to revenue recognised during the period in excess of billings raised on construction contracts with customers. This balance also contains provisions previously incurred on retained Engineering projects that are in progress.

During the year, the Group recognised $482 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 2022 is $439 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 2022 is $14.8 billion. This includes new work secured during the financial year. Of the total construction backlog, 54 per cent is expected to be realised within the next 12 months to June 2023 (June 2021: 44 per cent to June 2022), 30 per cent to June 2024 (June 2021: 31 per cent to June 2023) and the remaining 16 per cent realised post June 2024 (June 2021: 25 per cent post June 2023).

Notes to Consolidated Financial Statements continued

Section C. Liquidity and Working Capital continued

23. Provisions

Accounting Policies

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Management considers this is an area of estimation uncertainty as these calculations involve a number of key assumptions including the expected future cash outflow and the timing of the outflow to determine the provision.

Employee Benefits

Includes amounts for employee annual leave and long service leave entitlements.

Development Projects

Includes amounts for costs to close out development projects, including defects and residual guarantees. The timing of any expected outflows of economic benefits is dependent on market factors, such as lease up rates in specific markets, and negotiations with customers.

Construction Projects

Includes amounts for claims and litigation related to legacy construction projects. The timing of any expected outflows of economic benefits is dependent on the progression of negotiations and litigation with claimants, which are ongoing at period end.

Other

Includes amounts related to various litigation and commercial matters.

	Employee Benefits $m	Development Projects[1] $m	Construction Projects $m	Other $m	Total $m
Balance as at 1 July 2021	**194**	**143**	**266**	**52**	**655**
Provisions made during the year	54	59	208	75	396
Provisions used during the year	(81)	(42)	(64)	(1)	(188)
Provisions reversed during the year	(3)	(30)	(26)	(16)	(75)
Balance as at 30 June 2022	**164**	**130**	**384**	**110**	**788**
Current provisions	147	86	377	110	720
Non current provisions	17	44	7	-	68
Total provisions	**164**	**130**	**384**	**110**	**788**

1. The Development impairment expense of $289 million (30 June 2021: $nil) and Property inventories impairment expense of $12 million (30 June 2021: $13 million reversal) as disclosed in Note 7 'Other Expenses', have been recorded net against the inventories balance. Refer to Note 7 'Other Expenses' for further detail.

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.

24. 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 24a '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 24b '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 24c '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

Notes to Consolidated Financial Statements continued

Section D. Risk Management continued

24. Financial Risk Management continued

24.a. Foreign Currency Risk Exposure

The net asset exposure by currency is detailed below.

	A$m	US$m	£m	S$m	€m	CNYm	MYRm	Other m[1]
June 2022								
Net asset exposure (local currency)	2,456	876	699	740	378	628	1,499	45
June 2021								
Net asset exposure (local currency)	3,248	743	572	607	307	653	1,204	42

1. 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 2021: 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 2022 $m	June 2021 $m	June 2022 $m	June 2021 $m
USD	9	7	(8)	(6)
GBP	(7)	(1)	8	1
SGD	4	3	(4)	(2)
EUR	(1)	4	-	(3)
CNY	(1)	-	1	-
MYR	-	-	1	1
	4	**13**	**(2)**	**(9)**

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 2022 $m	June 2021 $m	June 2022 $m	June 2021 $m
USD	143	102	(117)	(96)
GBP	145	107	(116)	(91)
SGD	89	66	(73)	(54)
EUR	68	52	(55)	(42)
CNY	15	15	(12)	(12)
MYR	54	43	(44)	(35)
	514	**385**	**(417)**	**(330)**

24.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.

24.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 2022 $m	June 2021 $m
Fixed Rate		
Financial assets	172	147
Financial liabilities	(2,547)	(2,657)
	(2,375)	**(2,510)**
Variable Rate		
Financial assets	1,266	1,612
Financial liabilities	(1,352)	(1,136)
	(86)	**476**

Sensitivity Analysis

At 30 June 2022, it is estimated that an increase of one percentage point in interest rates would have increased the Group's equity and Profit after tax by $6 million (June 2021: $3 million increase in the Group's equity and Profit after tax). A one percentage point decrease in interest rates would have decreased the Group's equity and Profit after tax by $6 million (June 2021: $3 million decrease 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.

25. 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 primarily treated as cash flow hedges and are mainly on borrowings within equity accounted investments.

The Group has foreign exchange derivative contracts primarily held in GBP, USD, EUR, SGD and CNY at reporting date to hedge specific foreign currency exposures. The total gross payable exposure is $1,663 million (June 2021: payable $1,045 million).

There are 31 foreign currency contracts that will mature in more than one year (June 2021: 62 foreign currency contracts).

Notes to Consolidated Financial Statements continued

Section D. Risk Management continued

26. 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 25 '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 2022		JUNE 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	$m	$m	$m	$m
Liabilities					
Current					
Commercial notes	16.a	-	-	555	565
Non Current					
Commercial notes	16.a	2,082	1,996	1,682	1,838

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.

26.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 pandemic and other economic conditions into consideration to determine fair value at 30 June 2022. This included valuations of underlying investment properties at balance date
- 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.

26.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 financial year, there were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

27. 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. Such claims and exposures largely arise in respect of claims for defects (including under both contract and legislation), claims for breach of performance obligations or breach of warranty or claims under indemnities. In some claims:
  - There is uncertainty as to whether a legal obligation exists;
  - There is uncertainty as to whether a future cash outflow will arise in respect to these items; and/or
  - It is not possible to quantify the potential exposure with sufficient reliability.

This particularly applies in larger more complex projects, in claims involving a number of parties or in claims made a number of years after completion of a project.

Where it is probable there will be liabilities from such claims and the potential exposure can be quantified with sufficient reliability, 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.

Notes to Consolidated Financial Statements continued

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.

28. 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
Lendlease Corporation Limited
Australia
Capella Capital Lendlease Pty Limited
Capella Capital Partnership
Lendlease Building Pty Limited
Lendlease Building Contractors Pty Limited
Lendlease Communities (Australia) Limited
Lendlease Development Pty Limited
Lendlease Finance Limited
Lendlease Infrastructure Investments Pty Limited
Lendlease International Pty Limited
Lendlease Real Estate Investments Limited
Lendlease Responsible Entity Limited
Lendlease Trust[1]

Europe
Lendlease Construction (Europe) Limited
Lendlease Construction Holdings (Europe) Limited
Lendlease Europe Finance plc
Lendlease Europe Limited
Lendlease Residential (CG) Limited
Lendlease (Elephant & Castle) Limited
Asia
Lendlease Japan Inc.
Lendlease Singapore Pte. Limited
Americas
Lendlease (US) Capital, Inc.
Lendlease (US) Construction, Inc.
Lendlease (US) Construction LMB, Inc.
Lendlease (US) Public Partnerships, LLC
Lendlease (US) Public Partnerships Holdings LLC
Lendlease Development, Inc.

1. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. The parent entity has no ownership interest in Lendlease Trust.

During the current and prior year, there were no **acquisitions** of material consolidated entities.

During the current and prior year, the following **disposals** of material consolidated entities occurred.

	Ownership Interest Disposed %	Date Disposed	Consideration Received/Receivable $m
June 2022			
Lendlease (US) Asset Management LLC	100.0	20 April 2022	173
Lendlease Services Pty Limited	100.0	1 November 2021	331
June 2021			
One Sydney Harbour R1 Trust	25.0	1 July 2020	43
Lendlease Construction Australia Holdings Pty Limited[1]	100.0	9 September 2020	197
Lendlease (US) Telecom Holdings LLC	100.0	15 October 2020	390
Lendlease Renaissance I	50.0	29 June 2021	27
One Sydney Harbour R2 Trust	25.0	29 June 2021	50

1. Includes the sale of Lendlease Engineering Pty Limited.

29. 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.

29.a. Employee Security Plans

As at 30 June 2022, employees own approximately 0.9 per cent (June 2021: 0.9 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.

29.b. Employee Security Ownership Vehicles

In addition to the plans discussed above, Lendlease has an employee security ownership vehicle, Lendlease Retirement Benefit Fund (RBF):

- RBF was established in 1984 with shareholder approval for the benefit of employees. RBF holds Lendlease securities. The Lendlease securities in RBF are not available for allocation to employees other than in the event of a change of control of the Group and, in accordance with RBF's trust deed, the capital of the trust is not available to the Group. The RBF trustee has discretion as to the distribution of the RBF funds. In 1992, a deed poll was executed which allows for the distribution of the income of RBF to the Company to fund employee benefit activities through the Lendlease Foundation. As a result of changes to the constitution and governance structure of the RBF trustee on 22 June 2017, Lendlease currently does not have control of RBF and therefore RBF is currently not required to be consolidated for accounting purposes
- The RBF arrangement is subject to periodic review to assess its ongoing role and operation.

Notes to Consolidated Financial Statements continued

Section E. Basis of Consolidation continued

30. 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 financial year ended 30 June 2022.

	COMPANY	
	June 2022 $m	June 2021 $m
Results		
Profit/(Loss) after tax	111	(273)
Other comprehensive income after tax	-	1
Total comprehensive income/(loss) after tax	**111**	**(272)**
Financial Position		
Current assets	1,790	1,452
Non current assets	2,934	2,938
Total assets	**4,724**	**4,390**
Current liabilities	1,092	843
Non current liabilities	-	-
Total liabilities	**1,092**	**843**
Net assets	**3,632**	**3,547**
Issued capital	1,891	1,888
Treasury securities	(77)	(79)
Reserves	222	198
Retained earnings	1,596	1,540
Total equity	**3,632**	**3,547**

In respect of the contingent liabilities of the Group disclosed in Note 27 'Contingent Liabilities', the Company participates in the provision of guarantees to Group entities.

31. Related Party Information

31.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	
	June 2022 $000s	June 2021 $000s
Transactions		
Guarantee fees	29,240	27,557
Dividend income	209,601	105,261
Interest income	7,938	18,666
Interest expense	42,969	62,435
Outstanding Balances (Net of Provisions Raised)		
Receivables	664,196	432,805
Payables	905,198	739,327

Transactions that occurred during the financial year between entities in the Lendlease Group included:

- Provision of project management, design services, construction management 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.

31.b. Associates and Joint Ventures

Interests held in associates and joint ventures by the Group are set out in Note 12 'Equity Accounted Investments'.

Transactions between the Group and its associates and joint ventures principally relate to:

- Investments: provision of property and infrastructure investment management, property management and asset management services
- 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 and construction services.

There were $nil non interest bearing loans provided to joint ventures at 30 June 2022 (June 2021: $nil).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by the Group during the financial year as a result of transactions with its associates and joint ventures is as follows:

	June 2022 $000s	June 2021 $000s
Revenue		
Associates	55,635	41,841
Joint ventures	1,333,517	1,259,392
Total	**1,389,152**	**1,301,233**

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 12 'Equity Accounted Investments', 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.

31.c. Key Management Personnel

The key management personnel compensation is as follows:

	June 2022 $000s	June 2021 $000s
Short term employee benefits[1]	14,376	17,708
Post employment benefits	282	278
Security based payments	6,691	13,152
Other long term benefits	77	126
Total	**21,426**	**31,264**

1. Short term employee benefits for the year ended 30 June 2021 includes termination benefits of $1,900,385.

Information regarding Directors' and senior executives' remuneration is provided in the Remuneration Report within the Directors' Report.

Notes to Consolidated Financial Statements continued

Section F. Other Notes

32. 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 2022 $m	June 2021 $m
Goodwill	32.a	1,056	1,200
Management agreements		24	33
Other intangibles[1]		145	223
Total intangible assets		**1,225**	**1,456**

1. During the second half of the financial year, the Group performed a review of its Digital assets of $115 million that resulted in a change in product offering. As the Group changed its product offering, it had to determine the recoverable amount of the remaining Digital assets. This was calculated using a value in use with a discount rate of 20 per cent, resulting in an impairment expense of $77 million. The impairment expense was charged to the Corporate Activities. At 30 June 2022, the remaining Digital assets was $38 million (30 June 2021: $66 million).

32.a. Goodwill

	Note	June 2022 $m	June 2021 $m
Development		33	30
Construction		1,023	1,170
Total goodwill		**1,056**	**1,200**
Reconciliations of the carrying amounts for each category of goodwill are as follows:			
Development			
Carrying amount at beginning of financial year		30	32
Effect of foreign exchange rate movements		3	(2)
Carrying amount at end of financial year		**33**	**30**
Construction			
Carrying amount at beginning of financial year		1,170	1,181
Disposals		(151)	-
Effect of foreign exchange rate/other movements		4	(11)
Carrying amount at end of financial year	32.b	**1,023**	**1,170**

32.b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified as set out below.

	June 2022 $m	June 2021 $m
Construction		
Australia Core	573	573
Australia Non core	-	151
Europe	238	251
Americas	204	187
Asia	8	8
Total construction goodwill	**1,023**	**1,170**

32.c. Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use (VIU) calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the financial year ended 30 June 2022. Based on information available and market conditions at 30 June 2022, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill. The foreseeable change in the assumptions took the COVID pandemic and other economic conditions 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 2021: 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 9.2 per cent and 11.0 per cent (June 2021: between 8.9 per cent and 12.4 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.

33. Discontinued Operations

Accounting Policies

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 re-presented for the Income Statement, Statement of Comprehensive Income and corresponding Notes to separately disclose the results of discontinued operations from continuing operations.

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

33. Discontinued Operations continued

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 and on 9 September 2020 the Group completed the sale. The agreed purchase price for the sale of the Engineering business was $160 million which was adjusted by $37 million at completion, resulting in total estimated proceeds of $197 million. $163 million has been received by 30 June 2022. Acciona has not paid the balance of the final deferred payment which was due on 30 June 2021, claiming various amounts should be set off against that payment. This is disputed by Lendlease and legal proceedings are ongoing to seek recovery of payments due by Acciona.

On 21 July 2021, the Group entered into an agreement with Service Stream to sell the Services business and on 1 November 2021 the Group completed the sale. The agreed purchase price for the sale of the Services business was $310 million which was adjusted by $21 million at completion, resulting in total estimated proceeds of $331 million. $317 million has been received by 30 June 2022. As a result of the sale, the 30 June 2021 results have been re-presented to include the Services business as part of discontinued operations.

The discontinued operations represent the Services business sold in the current year and the Engineering business sold in the prior year, excluding the projects retained by the Group.

The major classes of assets and liabilities sold are as follows:

	SERVICES	ENGINEERING
	1 November 2021	9 September 2020
Assets and Liabilities Sold	$m	$m
Cash and cash equivalents	3	411
Loans and receivables	84	187
Inventories	145	34
Other assets	276	215
Total assets sold	**508**	**847**
Trade and other payables	121	610
Other liabilities	97	50
Total liabilities sold	**218**	**660**
Net assets and liabilities sold	**290**	**187**
Net proceeds from sale	331	197
Transaction and separation costs	(25)	(10)
Gain on sale	**16**	**-**

The results of the discontinued operations representing the Services and Engineering business for the current and prior period are as follows:

	SERVICES		ENGINEERING	TOTAL
	1 July to 1 November 2021	12 months June 2021[1]	1 July to 9 September 2020	12 months June 2021[1]
Results from Discontinued Operations	$m	$m	$m	$m
Revenue from contracts with customers	351	749	283	1,032
Cost of sales	(320)	(697)	(272)	(969)
Gross profit	**31**	**52**	**11**	**63**
Other income	-	1	1	2
Gain on sale	16	-	-	-
Other expenses	(19)	(32)	(13)	(45)
Profit/(Loss) before tax for discontinued operations	**28**	**21**	**(1)**	**20**
Income tax (expense)/benefit	(1)	(7)	3	(4)
Total profit after tax for discontinued operations as presented in the Income Statement	**27**	**14**	**2**	**16**

1. June 2021 results have been re-presented for discontinued operations during the period.

		Shares/Securities Excluding Treasury Securities		Shares/Securities on Issue	
		June 2022	June 2021[1]	June 2022	June 2021[1]
Basic/Diluted Earnings Per Share (EPS) from Continuing Operations					
(Loss)/Profit from continuing operations attributable to members of Lendlease Corporation Limited (Company)	$m	(266)	112	(266)	112
Weighted average number of ordinary shares	m	683	683	689	688
Basic/Diluted EPS from continuing operations	**cents**	**(38.9)**	**16.4**	**(38.6)**	**16.3**
Basic/Diluted Earnings Per Share (EPS) from Discontinued Operations					
Profit from discontinued operations attributable to members of Lendlease Corporation Limited (Company)	$m	27	16	27	16
Weighted average number of ordinary shares	m	683	683	689	688
Basic/Diluted EPS from discontinued operations	**cents**	**3.9**	**2.3**	**3.9**	**2.3**
Basic/Diluted Earnings Per Security (EPSS) from Continuing Operations					
(Loss)/Profit from continuing operations attributable to securityholders of Lendlease Group	$m	(126)	206	(126)	206
Weighted average number of stapled securities	m	683	683	689	688
Basic/Diluted EPSS from continuing operations	**cents**	**(18.4)**	**30.2**	**(18.3)**	**30.0**
Basic/Diluted Earnings Per Security (EPSS) from Discontinued Operations					
Profit from discontinued operations attributable to securityholders of Lendlease Group	$m	27	16	27	16
Weighted average number of stapled securities	m	683	683	689	688
Basic/Diluted EPSS from discontinued operations	**cents**	**3.9**	**2.3**	**3.9**	**2.3**

1. June 2021 results have been re-presented for discontinued operations during the period.

The net cash flows for discontinued operations, representing the Services and Engineering business for the current and prior period are as follows:

	SERVICES		ENGINEERING	TOTAL
	1 July to 1 November 2021	12 months June 2021[1]	1 July to 9 September 2020	12 months June 2021[1]
Cash Flows from Discontinued Operations	$m	$m	$m	$m
Net cash inflow/(outflow) from operating activities	16	92	(39)	53
Net cash inflow/(outflow) from investing activities	4	(27)	(1)	(28)
Net cash outflow from financing activities	(2)	(3)	-	(3)
Net increase/(decrease) in cash and cash equivalents	**18**	**62**	**(40)**	**22**

1. June 2021 results have been re-presented for discontinued operations during the period.

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

34. 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 2022 $m	June 2021 $m
Lendlease Superannuation Plan		-	-
Lendlease UK Pension Scheme	34.a	282	243
Total net defined benefit plan asset		**282**	**243**

34.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 four per cent of members' basic salaries to cover the Scheme's expected administration costs and costs of benefits payable on death in service. Following the triennial valuation for 31 March 2020, deficit repair contributions are not required to be paid as the scheme is in an actuarial surplus.

The defined benefit plan is exposed to actuarial risk and market (investment) risk. The following information provides additional detail on risk:

	June 2022 $m	June 2021 $m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	(902)	(1,272)
Fair value of plan assets	1,184	1,515
Net defined benefit plan asset	**282**	**243**

	June 2022 $m	June 2021 $m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,272	1,324
Included in Income Statement		
Interest cost	24	19
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Financial assumptions	(332)	(45)
Experience adjustments	15	(19)
Demographic assumptions	14	(21)
Other		
Benefits paid	(34)	(33)
Effect of foreign exchange rate movements	(57)	47
Defined benefit obligations at end of financial year	**902**	**1,272**
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,515	1,481
Included in Income Statement		
Interest income	28	22
Administration costs	(3)	(2)
Remeasurements Included in Other Comprehensive Income		
Actuarial return on plan assets excluding interest income	(254)	(44)
Other		
Contributions by Group companies	5	31
Benefits paid	(36)	(33)
Effect of foreign exchange rate movements	(71)	60
Fair value of plan assets at end of financial year	**1,184**	**1,515**
iv. Expense Recognised in the Income Statement		
Net interest cost	(4)	(3)
Administration costs	3	2
Net defined benefit plan income	**(1)**	**(1)**
v. Fair Value of Plan Assets		
Plan assets comprise:		
Investment funds	430	431
Infrastructure	107	87
Government index linked bonds	608	956
Other assets	39	41
Fair value of plan assets at end of financial year	**1,184**	**1,515**

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 $1,077 million (June 2021: $1,428 million) and $107 million (June 2021: $87 million) of total plan assets were categorised as Level 2 and Level 3, respectively. UK Construction and Trustees have agreed to 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 targeted benchmark allocation is 22.5 per cent growth assets and 77.5 per cent matching assets (June 2021: 67.5 per cent growth assets and 32.5 per cent matching assets).

	June 2022	June 2021
vi. Principal Actuarial Assumptions		
Discount rate (%)	3.8	2.0
RPI inflation (%)	3.5	3.5
Average pension increase in payments (%)	2.7	2.7
Future mortality (years):		
Male	25.3	25.3
Female	26.8	26.3

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

34. Defined Benefit Plans continued

The liabilities are calculated using a discount rate set with reference to corporate bond yield. If assets underperform this yield, this 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 25.3 years (June 2021: 25.3 years) if they are male and 26.8 years if they are female (June 2021: 26.3 years).

At 30 June 2022, the weighted average duration of the defined benefit obligation was 16 years (June 2021: 18 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 2022						
Defined benefit obligations	(14)	14	11	(11)	22	(21)
June 2021						
Defined benefit obligations	(22)	23	17	(13)	37	(38)

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.

35. 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)
- Restricted Securities Award (RSA)
- Executive Deferred Award (ED Award)
- Deferred Equity Award (DEA)
- Pro Rata CEO Grant
- Google Development Ventures (GDV) Incentive.

35.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 29a '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.

35.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 and regional 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. For FY20 and FY21, the STA plan has been awarded as cash in September following year end. From FY22 onwards, 50 per cent of awarded STA will be a deferred grant of Lendlease securities. The deferred portion will be released in two equal tranches after one and two years.

35.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.

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 FY20, FY21 and FY22 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 terms • 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 Year 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. **Financial Year 2021 onwards** • One third 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 • One third subject to Average Operating Return on Equity (Operating ROE) hurdle • One third subject to compound annual growth rate (CAGR) % in funds under management.

LTI Design	Measure	Percentage of performance securities that vest as a proportion of maximum opportunity
Vesting Schedule – Relative TSR (FY20 to FY21)	Below the 50th percentile	No vesting
	At the 50th percentile	50 per cent vesting
	Between the 50th percentile and 75th percentile	Pro rata vesting on a straight line basis between 52 per cent and 98 per cent
	At or above the 75th percentile	100 per cent vesting
Vesting Schedule – Relative TSR (FY22)	Below the 50th percentile	No vesting
	At the 50th percentile	40 per cent vesting
	Between the 50th percentile and 75th percentile	Pro rata vesting on a straight line basis between 40 per cent and 100 per cent
	At or above the 75th percentile	100 per cent vesting

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

35. Employee Benefits continued

LTI Design	How the LTI Works	
Vesting Schedule – Average ROE (FY20)	**Measure**	**Percentage of performance securities that vest as a proportion of maximum opportunity**
	10 per cent or less	No vesting
	Above 10 per cent or less than 14 per cent	Pro rata vesting on a straight line basis between 0 per cent and 100 per cent vesting
	At or above 14 per cent	100 per cent vesting
Vesting Schedule - Average Operating ROE (FY21)	Less than 8 per cent	No vesting
	Between 8 per cent and target Operating ROE set by the Board	Pro rata vesting on a straight line basis between 20 per cent and 50 per cent vesting
	At target Operating ROE set by the Board	50 per cent vesting
	Between target Operating ROE set by the Board and 11 per cent	Pro rata vesting on a straight line basis between 50 per cent and 100 per cent vesting
	At or above 11 per cent	100 per cent vesting
Vesting Schedule - Average Core Operating ROE (FY22)	Below threshold	No vesting
	At Core Operating ROE for threshold vesting	0 per cent vesting
	Between Core Operating ROE for threshold vesting and Core Operating ROE for maximum vesting	Pro rata vesting on a straight line basis between 0 per cent and 100 per cent vesting[1]
	At or above Core Operating ROE for maximum vesting	100 per cent vesting
Vesting Schedule - CAGR % FUM (FY21)	Below CAGR for threshold vesting	No vesting
	Between CAGR for threshold vesting and CAGR for target vesting	Pro rata vesting on a straight line basis between 20 per cent and 50 per cent vesting
	At CAGR for target vesting	50 per cent vesting
	Between CAGR for target vesting and CAGR for maximum vesting	Pro rata vesting on a straight line basis between 50 per cent and 100 per cent vesting
	At CAGR for maximum vesting	100 per cent vesting
Vesting Schedule - CAGR % FUM (FY22)	Below threshold	No vesting
	At CAGR % for threshold vesting	0 per cent vesting
	Between CAGR % for threshold vesting and CAGR % for maximum vesting	Pro rata vesting on a straight line basis between 0 per cent and 100 per cent vesting
	At or above CAGR % for maximum vesting	100 per cent vesting

1. Subject to 3 Year Average Annual Core Operating ROE being above the cost of equity determined by the Board.

35.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.

Arrangements for LTA Awards

LTA Design	How the LTA Works
Performance Rights	• An annual grant of 'performance rights' is made to a limited number of executives on the Global Leadership Team • The Board intends that the awards be settled in Lendlease securities, although some or all of the award may be settled in cash at the Board's discretion • Performance rights are rights to receive a variable number of Lendlease securities or at the discretion of the Board, cash with an equivalent value, upon vesting • Outcomes against performance hurdles will determine how many Lendlease securities will be received following vesting between nil and a 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 FY20, FY21 and FY22 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 are forfeited • There is no retesting 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 terms.
Performance Hurdles	**Financial Year 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. **Financial Year 2021 onwards** • One third 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 • One third subject to Average Operating Return on Equity (Operating ROE) hurdle • One third subject to compound annual growth rate (CAGR) % in funds under management.

		Percentage of performance securities that vest as a proportion of maximum opportunity	
	Measure	**Former Group CEO (Steve McCann)**	**Senior Executive**
Vesting Schedule - Relative TSR (FY20 to FY21)	Below the 50th percentile	No Vesting	No Vesting
	At the 50th percentile	27 per cent vesting	11 per cent vesting
	Between the 50th percentile and 75th percentile	Pro rata vesting on a straight line basis between 27 per cent and 100 per cent	Pro rata vesting on a straight line basis between 11 per cent and 100 per cent
	At or above the 75th percentile	100 per cent vesting	100 per cent vesting
Vesting Schedule - Relative TSR (FY22)	Below the 50th percentile		No Vesting
	At the 50th percentile		40 per cent vesting
	Between the 50th percentile and 75th percentile		Pro rata vesting on a straight line basis between 40 per cent and 100 per cent
	At or above the 75th percentile		100 per cent vesting
Vesting Schedule - Average ROE (FY20)	Less than 10 per cent	No Vesting	No Vesting
	Between 10 per cent and target ROE set by the Board	Pro rata on a straight line basis between 0 per cent and 63 per cent	Pro rata vesting on a straight line basis between 0 per cent and 41 per cent
	At target ROE set by the Board	63 per cent vesting	41 per cent vesting
	Between target set by the Board and 14 per cent	Pro rata on a straight line basis between 63 per cent and 100 per cent	Pro rata vesting on a straight line basis between 41 per cent and 100 per cent
	At or above 14 per cent	100 per cent vesting	100 per cent vesting
Vesting Schedule - Average Operating ROE (FY21)	Less than 8 per cent	No Vesting	No Vesting
	Between 8 per cent and target Operating ROE set by the Board	Pro rata on a straight line basis between 13 per cent and 63 per cent	Pro rata vesting on a straight line basis between 8 per cent and 41 per cent
	At target Operating ROE set by the Board	63 per cent vesting	41 per cent vesting
	Between target set by the Board and 11 per cent	Pro rata on a straight line basis between 63 per cent and 100 per cent	Pro rata vesting on a straight line basis between 41 per cent and 100 per cent
	At or above 11 per cent	100 per cent vesting	100 per cent vesting

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

35. Employee Benefits continued

	Measure	Percentage of performance securities that vest as a proportion of maximum opportunity Former Group CEO (Steve McCann)	Senior Executive
Vesting Schedule - Average Core Operating ROE (FY22)	Below threshold		No vesting
	At Core Operating ROE for threshold vesting		0 per cent vesting
	Between Core Operating ROE for threshold vesting and Core Operating ROE for maximum vesting		Pro rata vesting on a straight line basis between 0 per cent and 100 per cent[1]
	At or above Core Operating ROE for maximum vesting		100 per cent vesting
Vesting Schedule - CAGR % FUM (FY21)	Below CAGR for threshold vesting	No Vesting	No Vesting
	Between CAGR for threshold vesting and CAGR for target vesting	Pro rata on a straight line basis between 13 per cent and 63 per cent	Pro rata vesting on a straight line basis between 8 per cent and 41 per cent
	At CAGR for target vesting	63 per cent vesting	41 per cent vesting
	Between CAGR for target vesting and CAGR for maximum vesting	Pro rata on a straight line basis between 63 per cent and 100 per cent	Pro rata vesting on a straight line basis between 41 per cent and 100 per cent
	At CAGR for maximum vesting	100 per cent vesting	100 per cent vesting
Vesting Schedule - CAGR % in FUM (FY22)	Below threshold		No Vesting
	At CAGR % for threshold vesting		0 per cent vesting
	Between CAGR % for threshold vesting and CAGR % for maximum vesting		Pro rata vesting on a straight line basis between 0 per cent and 100 per cent
	At or above CAGR % for maximum vesting		100 per cent vesting

1. Subject to 3 Year Average Annual Core Operating ROE being above the cost of equity determined by the Board.

35.e. Restricted Securities Award (RSA)

The Restricted Securities Award (RSA), previously referred to as the LTA Minimum, is similar to fixed remuneration as it is not subject to performance conditions. It is designed to motivate and reward a limited number of key executives to deliver on the Group's long term strategy and to allow them to have a sense of ownership and share in the value created for securityholders. The RSA (and previously referred to LTA Minimum) is not continuing from FY22 under the revised Executive Reward Strategy.

Arrangements for RSA Awards

RSA Design	How the RSA Works
Performance Rights	• An annual grant of 'performance rights' is made to a limited number of executives on the Global Leadership Team • However, following feedback from proxy-holders and other stakeholders, the RSA will no longer be offered from FY22 • 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 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 rights should be accelerated.
Vesting Period	• The first tranche (i.e. 25%) will vest after three years and the second, third and fourth tranches will vest progressively four, five and six years after the grant date.
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 RSA 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 RSA grant may remain on foot, subject to the original terms.

35.f. Executive Deferred Award (ED 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 29a '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.

35.g. Deferred Equity Award (DEA)

The DEA is delivered to Senior Executives as a grant of rights with vesting over two years. The Board determined that an equity award was more appropriate than paying cash as a result of COVID. The key objectives of this 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
- 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.

35.h. Pro Rata CEO Grant

The pro rata CEO Grant is designed to recognise the period served as Global CEO (one month) in FY21 for Anthony Lombardo.

Arrangements for the Pro Rata CEO Grant

Pro Rata CEO Grant	How the Pro Rata CEO Grant Works
Performance Rights	A one-off grant of 'performance rights' to reflect time served as Global CEO in FY21 reduced to reflect the length of the period and value already granted for FY21 All other terms, including the performance period, performance hurdles, termination rules remain as per the FY21 LTA Grant referred to above.

35.i. Google Development Ventures (GDV) Incentive

Incentive Design	How the Incentive Works
Performance Rights	• A one-off grant of 'performance rights' to Denis Hickey to reward the successful delivery of GDV over the next three years
Performance Period	• 3 years from 1 July 2021 to 30 June 2024
Performance Hurdles	• 70% of Performance Rights will vest based on the achievement of the key milestones for GDV during the performance period, including the securing of entitlements and capital plans and the commencement of construction for each project • 30% of Performance Rights will vest based on customer satisfaction feedback from the client and internal stakeholders at key touchpoints in the project life cycle, so that GDV milestones are not only delivered within the required timeframes but also to an exceptional standard
Termination of Employment	• In the event of resignation or termination for cause, unvested rights are forfeited • In all other circumstances, the portion of the award that reflects milestones that are already tested and achieved during the performance period will remain on foot. The untested portion is forfeited (except in the case of redundancy, whereby the untested portion will be continue to be tested against plan milestones and vest if applicable following the end of the performance period)

35.j. 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 2022, a $51 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2021: $55 million).

Notes to Consolidated Financial Statements continued

Section F. Other Notes continued

36. Reserves

	Hedging Reserve $m	Foreign Currency Translation Reserve $m	Non Controlling Interest Acquisition Reserve $m	Other Reserve $m	Equity Compensation Reserve $m	Total Reserve $m
Balance as at 1 July 2020	(96)	38	(98)	106	115	**65**
Net investment hedge	-	12	-	-	-	**12**
Effect of foreign exchange movements	-	(108)	6	-	-	**(102)**
Effective cash flow hedges	15	-	-	-	-	**15**
Total comprehensive income	**15**	**(96)**	**6**	**-**	**-**	**(75)**
Fair value movement on allocation and vesting of securities	-	-	-	-	16	**16**
Transfer as a result of asset disposal[1]	2	(5)	-	-	-	**(3)**
Total other movements through reserves	**2**	**(5)**	**-**	**-**	**16**	**13**
Balance at 30 June 2021	**(79)**	**(63)**	**(92)**	**106**	**131**	**3**
Balance at 1 July 2021	(79)	(63)	(92)	106	131	**3**
Net investment hedge	-	(16)	-	-	-	(16)
Effect of foreign exchange movements	-	67	(5)	-	-	62
Effective cash flow hedges	136	-	-	-	-	136
Total comprehensive income	**136**	**51**	**(5)**	**-**	**-**	**182**
Fair value movement on allocation and vesting of securities	-	-	-	-	23	23
Transfer as a result of asset disposal[1]	(9)	(15)	-	-	-	(24)
Total other movements through reserves	**(9)**	**(15)**	**-**	**-**	**23**	**(1)**
Balance at 30 June 2022	**48**	**(27)**	**(97)**	**106**	**154**	**184**

1. These movements in reserves were transferred to profit and loss in the year.

37. Impact of New and Revised Accounting Standards

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 2026 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.

38. Other Significant Accounting Policies

38.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 25 '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.

38.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 2022 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 Global Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the Directors:

M J Ullmer, AO

Chairman

A P Lombardo

Global Chief Executive Officer and Managing Director

Sydney, 22 August 2022

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 2022 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 2022;
- 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 the 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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; and
- 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$6,997m)

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. Currently, global market conditions are uncertain with disruption to supply chains and inflationary pressures. These conditions, combined with the ongoing impacts of the pandemic, continue to create a challenging operating environment impacting productivity, expected timing of completion and expected costs to complete. Other impacts include projects being put on hold in some markets, with some delays in securing and commencement of new projects. 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	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 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, committed future contracts and current market quotes, with specific consideration of inflation in our assessment of contingency; - tested the variations and claims (including COVID-19 related impacts) recognised within revenue against the criteria for recognition in the accounting standards via inspection and assessment of:

overheads. Changes to these cost estimates could give rise to variances in the amount of revenue recognised. 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.	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; and 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 (A$610m)

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 lots. 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 there have been delays in timing of residential land settlements due to flooding on the east coast of Australia, these do not impact the Group's revenue recognition policy for residential land lots 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; and - 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.

<table>
<tr><th colspan="2">Recoverability of Development Property Inventory (A$3,110m)</th></tr>
<tr><td colspan="2">Refer to Note 11 ‘Inventories’ to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
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; and
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:

current year Development Property Inventory write-down booked of $289m as a result of the Group’s strategic review of four projects increasing our focus in this area; and
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 current economic conditions.

</td><td>
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; and 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;
for certain asset portfolios, compared long term market assumptions to our in-house macroeconomic view.

For projects subject to the Group’s strategic review, we challenged key assumptions included in the Group’s internal recoverability assessments, such as expected sales prices and exit costs. We did this using our knowledge of the underlying project and knowledge of the market; and by comparing to relevant external sources, such as legal agreements and valuations.
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.

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</table>

Asset Valuation

Refer to Note 12 'Equity Accounted Investments' (A$4,379m), Note 13 'Other Financial Assets' (A$1,205m) and Note 26 '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. Whilst interest rates are rising in global markets, real estate valuations have remained relatively stable to date. The assessment of the valuations of these assets is a key audit matter as they: • contain certain forward-looking assumptions, with higher estimation uncertainty given current economic conditions and the pandemic, which are inherently challenging to audit;	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 on the extent of 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; • Working with our real estate valuation specialists, we compare key assumptions 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 include: - 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 against the requirements of the accounting standards.

and • lead to additional audit effort, often due to the high number of differing assumptions and models, across varying asset classes.	

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 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 the 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 Lendlease Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_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 2022, 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 78 to 103 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Eileen Hoggett

Partner

Sydney

22 August 2022

Chicago
Lakeshore East
Artist's impression

Other Information

Corporate directory

Annual General Meeting 2022 (AGM)
The Annual General Meeting (AGM) of shareholders of Lendlease Corporation Limited and the general meeting of unitholders of Lendlease Trust (together, Lendlease Group) will be held at 10am on Friday 18 November 2022 at Wesley Conference Centre, 220 Pitt Street, Sydney, NSW. Securityholders who are not able to physically attend the AGM will be able to participate and vote at the meeting using technology. We will provide securityholders with full details of participation in the Notice of Meetings. Lendlease advises that the date of close of Director nominations for election at the AGM is Friday 30 September 2022.

Important dates	
22 August 2022	Full Year results announced
26 August 2022	Security price ex distribution
29 August 2022	Final distribution record date
21 September 2022	Final distribution payable
18 November 2022	Annual General Meeting
13 February 2023	Half Year results announced
17 February 2023	Security price ex distribution
20 February 2023	Interim distribution record date
8 March 2023	Interim distribution payable

Please note that the timing of events can be subject to change. A current calendar is available online at www.lendlease.com

Entity Details
Lendlease Corporation Limited ABN 32 000 226 228
Incorporated in NSW Australia

Lendlease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983 as responsible entity for Lendlease Trust ABN 39 944 184 773 ARSN 128 052 595

Registered Office
Level 14, Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

Contact
T: +61 2 9236 6111
F: +61 2 9252 2192

www.lendlease.com

Share Registry Information
Computershare Investor Services Pty Limited ABN 48 078 279 277 GPO Box 242, Melbourne Victoria 3000 Australia

T: 1800 230 300 (within Australia)
T: +61 3 9946 4460 (outside Australia)

www.computershare.com.au

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 184.

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 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 2022 (comparative 1 August 2021)

	2022	2021
Number of securityholders	65,909	70,202
Units issued	688,906,938	688,585,551
Percentage owned by 20 largest securityholders	77.03%	74.89%
Interim dividend/distribution	5.0 cents per security	15.0 cents per security
Total dividend/distribution	16.0 cents per security	27.0 cents per security
Dividend payout ratio	40%	49%

Spread of securityholdings as at 1 August 2022 (comparative 1 August 2021)

	2022	2021
1 to 1,000 securities	34,856	37,814
1,001 to 5,000	24,861	25,683
5,001 to 10,000	4,052	4,318
10,001 to 100,000	2,094	2,235
100,001 securities and over	81	98
Total number of securityholders	65,944	70,148
Securityholders with less than a marketable parcel	3,798 (representing 75,210 securities)	3,158 (representing 50,236 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	1,753,606	$11.67

Top 20 securityholders as at 1 August 2022

Rank	Name	Units	% of Units
1	HSBC Custody Nominees (Australia) Limited	257,386,390	37.36
2	J P Morgan Nominees Australia Pty Limited	86,436,235	12.55
3	Citicorp Nominees Pty Limited	74,288,074	10.78
4	BNP Paribas Nominees Pty Ltd <DRP>	30,670,308	4.45
5	National Nominees Limited	29,838,300	4.33
6	LL Employee Holdings Custodian Pty Limited <Castle Account A/C>	14,075,522	2.04
7	Argo Investments Limited	6,980,092	1.01
8	LL Employee Holdings Custodian Pty Limited <ESAP STI A/C>	6,026,948	0.87
9	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	4,323,740	0.63
10	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,776,830	0.55
11	Netwealth Investments Limited <Wrap Services A/C>	3,013,060	0.44
12	Custodial Services Limited <Beneficiaries Holding A/C>	2,138,498	0.31
13	Mutual Trust Pty Ltd	2,039,681	0.30
14	BNP Paribas Nominees Pty Ltd ACF Clearstream	1,955,184	0.28
15	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	1,833,047	0.27
16	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,544,676	0.22
17	Colonial First State INV Ltd <Encircle IMA A/C>	1,243,585	0.18
18	Netwealth Investments Limited <Super Services A/C>	1,085,415	0.16
19	Colonial First State INV Ltd <Encircle Super A/C>	1,012,254	0.15
20	Australian Executor Trustees Limited <IPS IOOF Employer Super A/C>	978,038	0.14
Total Top 20 holders of fully paid ordinary shares		**530,645,877**	**77.03**
Total Remaining Holders Balance		**158,261,061**	**22.97**

Substantial securityholders as shown in the Company's Register at 1 August 2022

Name	Date of Last Notice Received	No of Units	% of Issued Capital
Aware Super Pty Limited	4/5/2022	58,980,938	8.56
State Street Corporation	17/12/2021	42,178,224	6.12
BlackRock Group	8/10/2020	34,049,935	6.03
The Vanguard Group	29/4/2019	33,903,122	6.01

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.

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.

Operating Return on Equity (ROE): ROE is calculated using annual operating Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

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.

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 – 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.

Urban 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.

Milan
Milano Santa Giulia
Artist's impression

Reducing our footprint – page by page

This report is printed on locally sourced, carbon neutral recycled paper and contains waste paper from Lendlease assets around Australia.

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