

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

LENDLEASE CORPORATION LIMITED

ABN / ARBN:

000 226 228

Financial year ended:

30 JUNE 2017

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- ☐ These pages of our annual report:
- ☒ This URL on our website: <http://www.lendlease.com/au/company/governance/>

The Corporate Governance Statement is accurate and up to date as at 28 August 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 28 August 2017

Name of Director or Secretary authorising  
lodgement: Wendy Lee, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 2. ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 2.	
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 2 (senior executive) and page 4 (director).	
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.	

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 13.</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 13.</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.</p>	
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 2.</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 2.</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>If the entity complies with paragraph (a):</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on pages 5 and 6.</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 6 and for the meeting attendance schedule refer to the Annual Report on page 91.</p>	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in the Annual Report on page 80.</p>	
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 3 and in the Annual Report pages 86-89.</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 3.</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in the Annual Report pages 86-89</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 3.	
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.	
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 4.	
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 12. A copy of the Code of Conduct can be found at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on pages 5 and 7.</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 7. For the qualifications and experience of the members of the committee in the Annual Report on pages 86-89. For the meeting attendance schedule refer to the Annual Report on page 91.</p>	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 10.</p>	
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 11.</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 11. A copy of the policy is available on the Lendlease website at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a>	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a>	
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 11.	
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 11.	
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 11.	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on pages 5 and 7.</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 7. For the meeting attendance schedule refer to the Annual Report on page 91.</p>	
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 9.</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 9.</p>	
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 10.</p>	



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our Corporate Governance Statement on page 9.	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on pages 5 and 6.</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.lendlease.com/au/company/governance/">http://www.lendlease.com/au/company/governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 6. For the meeting attendance schedule refer to the Annual Report on page 91.</p>	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in the Remuneration Report in the Annual Report on pages 92-119.</p>	
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement on page 12.</p>	



lendlease

CORPORATE  
GOVERNANCE STATEMENT

2017



# CORPORATE GOVERNANCE STATEMENT

## Commitment to Governance

This statement sets out the principle features of Lendlease's corporate governance framework and main governance practices.

Lendlease is committed to exceptional corporate governance policies and practices which are fundamental to the long term success and prosperity of Lendlease and its subsidiaries (the Group). Lendlease continually reviews its governance practices to address its obligations as a responsible corporate entity.

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

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

This Corporate Governance Statement reflects the corporate governance and other related policies and practices in place for the Group as at 28 August 2017 and has been approved by the Lendlease Board. Copies of all the governance documents can be found in the corporate governance area of the Lendlease website at [www.lendlease.com](http://www.lendlease.com).

## 1.0 Board and Management Roles and Responsibilities

### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

- Board Charter
- Board Committee Charters

### 1.1 Board Responsibilities

The Board Charter sets out the role, structure, responsibilities and operation of the Board as well as the function and division of responsibilities between the Board and senior management.

The main responsibilities specifically reserved for the Board include the following:

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

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

## 1.2 Role of the Group CEO and Senior Management

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

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

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

The GLT comprises the Group Chief Financial Officer, the Chief People Officer, the Group General Counsel, the Group Head of Corporate Affairs, the CEO International Operations (who is also CEO of Europe), and the CEOs of Property Australia, Americas, Asia, Construction and Engineering. The Group Chief Risk Officer was also a member of the GLT until his retirement in March 2017. As at the date of this statement, a search for the new Group Chief Risk Officer is underway. The GLT is responsible for managing the Group's performance and key business issues in line with the Group's long term strategy. A written agreement is in place between the Group and each senior executive setting out the terms of their appointment.

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

### Review of CEO and Senior Management

The Board sets goals for the Group CEO which are contained in a scorecard. The Group CEO is responsible for setting goals for the GLT in consultation with the People and Culture Committee. Scorecards for the CEO and GLT generally reflect short and medium goals and long-term strategic initiatives. They tend to be categorised as financial and non financial and include financial performance, health & safety, delivery of key projects, embedding operational excellence, and investing in people. STI outcomes are based on both the individual's performance against their personal goals and based on the performance of the Group.

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

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

### Remuneration

The Board has comprehensively outlined the Executive Reward Strategy and framework in the Remuneration Report. The Remuneration Report explains how performance has been linked to reward outcomes at Lendlease. Further information is set out in the Remuneration Report on page 92 to 119.



### 1.3 Meetings

The Board meets as often as necessary to fulfil its role and Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. There are eight scheduled Board meetings each year and additional meetings are held as required. During the year 14 meetings of the Board were held. Five of these meetings were held in Australia, two in the UK and one in Asia. In addition, 6 meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. Five Board subcommittee meetings were also constituted to deal with specific matters.

Further detail on the number of Board and Committee meetings held during the financial year and the attendance of Directors at those meetings can be found in the Directors' report on page 91.

The Board program is formulated to reflect the geographic spread of the Lendlease businesses with Board meetings scheduled in Australia and the regions where Lendlease operates. These meetings generally run over two or three days. The Group's senior management is invited to attend and present at Board meetings where appropriate. In addition to the formal meetings, Non-Executive Directors attend business briefings and project site visits in each of the regions where they meet so that a deeper understanding can be gained of the activities and operations within each region. Further details of the Lendlease Board regional program can be found on pages 82 to 83.

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

### 1.4 Independent Decision Making

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

## 2.0 Structure and Composition of the Board

### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

- Lendlease Corporation Limited Constitution
- Board Charter
- Policy on Independence of Directors
- Performance Evaluation Process

### 2.1 Composition and Membership

The Board consists of 11 directors of which 10 are independent. The Group's Managing Director and Chief Executive Officer, Stephen McCann, is the only executive on the Board. Membership of the Board and profiles of the Directors including their skills, experience and expertise relevant to their position as well as the period they have held office as a director can be found on pages 80 to 89.

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

### 2.2 Independent Directors

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

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

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

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

## Corporate Governance Statement continued

### 2.3 Chairman of the Board

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

The Chairman provides leadership to the Board so that the Board works effectively and discharges its responsibilities. The Chairman is responsible for ensuring that each Director participates fully in Board activities and works with the Company Secretary to set and guide the Board agenda and ensure that Board meetings are held regularly throughout the year.

David Crawford has been Chairman of the Board since May 2003.

### 2.4 Company Secretary

Appointed by the Board, the Company Secretary works with the Chairman of the Board to monitor and enhance corporate governance processes and to ensure that Board policies and procedures are followed. The Company Secretary is accountable directly to the Board through the Chair on all matters to do with the proper functioning of the Board. Details of the experience and qualifications of the Company Secretary are set out in the Directors' Report on page 89 of the Annual Report.

### 2.5 Retirement and Re-election of Directors

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

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

### 2.6 Selection and Appointment of New Directors

The Nomination Committee is responsible for the recommendation to the Board in respect to the appointment of new Directors. The aim is to have a Board comprised of Directors with an appropriate mix and balance of skills, expertise, experience, diversity and independence. Both individually and collectively, the Board considers that the Directors have an appropriate mix and balance of these attributes. The Board skills matrix can be found on page 80 of the Annual Report.

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

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

Board succession is reviewed throughout the year. During the reporting period, there were changes in the composition of the Board. Philip Coffey was appointed to the Board in January 2017. David Ryan has also indicated that he will retire at the conclusion of the 2017 AGM.

### 2.7 Induction and Briefing Programs

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

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

### 2.8 Board Performance Assessment

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

#### External Review

The review process typically includes interviews with Directors and senior management as well as key stakeholders, and generates recommendations so that the Board can continue to operate effectively with the requisite mix of skills and experience, and appropriate procedures. The Miles Group was engaged to undertake an external review of the Board in 2016. The main areas of focus were:

- Role of the Board and Committees;
- Size, composition, diversity and experience of the Board;
- Meeting arrangements and meeting discipline;
- Relationship with Management;
- Board culture including open communications, decision making, constructive interaction and collegiality;
- Chairman, CEO and Individual Director effectiveness; and
- Ability to engage in strategic dialogue.

The findings of the external review were considered by the Board and action plans were put in place to address the outcomes of the review.

#### Internal Review and Assessment

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

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

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

- David Craig was appointed to the position of Chairman, Risk Management & Audit Committee; and
- David Ryan was appointed to the Sustainability Committee.

## 2.9 Directors' Remuneration

Details of the Group's Remuneration Policy and the remuneration of Directors is contained in the Remuneration Report at page 119. The structure of Non-Executive Director remuneration is clearly distinguished from that of other senior executives. One of the key distinctions is that performance-based components do not form part of Non-Executive Directors' remuneration in order to ensure their independence.

### Retirement Benefits Plan

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

## 3.0 Board Committees

### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

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

### 3.1 Overview of Standing Board Committees

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

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

The four permanent Committees of the Board are:

#### Risk Management and Audit Committee

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

#### People and Culture Committee

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

#### Sustainability Committee

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

#### Nomination Committee

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

The number of meetings held by each Committee during the reporting period is set out in the Directors' Report on page 91. In addition to the specific authorities delegated to each of the Committees, areas of focus during the reporting period are set out on pages 84 to 85.

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

## Corporate Governance Statement continued

	Nomination Committee	People and Culture
MEMBERS	<b>Colin Carter (Chair)</b> Philip Coffey David Craig David Crawford Phillip Colebatch Steve Dobbs Jane Hemstritch David Ryan Michael Ullmer Nicola Wakefield Evans	<b>Jane Hemstritch (Chair)</b> Colin Carter David Ryan
CHANGES SINCE LAST REPORT	<ul style="list-style-type: none"> <li>Philip Coffey was appointed as a member of the Committee in January 2017.</li> </ul>	Nil
COMPOSITION	<ul style="list-style-type: none"> <li>Minimum of three, Non Executive Directors</li> <li>Chair must be an Independent Director and not the Chair of the Board.</li> <li>All requirements were met in the reporting period.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum of three Directors</li> <li>Majority of the Committee to be independent.</li> <li>Chair must be an Independent Director</li> <li>All requirements were met in the reporting period.</li> </ul>
MAIN AREAS OF RESPONSIBILITY	<ul style="list-style-type: none"> <li>Reviews size and composition of the Board.</li> <li>Identifies and evaluates Board candidates.</li> <li>Evaluates the performance of the Board and the performance of any Directors standing for re-election at an AGM.</li> <li>Establishes processes for the review of Board succession planning.</li> <li>Reviews continuing education and development plan for Non Executive Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Reviews and makes recommendations to the Board on contractual arrangements for the Group CEO and GLT.</li> <li>Reviews and makes recommendations to the Board on remuneration programs and performance targets for the Group CEO and GLT and assessment of performance against these targets.</li> <li>Monitors and advises the Board on succession planning for the Group CEO and members of the GLT.</li> <li>Reviews and approves the strategies and practices for people management.</li> <li>Reviews and makes recommendations to the Board on the remuneration framework for Non Executive Directors.</li> <li>Reviews and makes recommendations to the Board on remuneration and required disclosures.</li> <li>Reviews the effectiveness of Group policies on workplace diversity and equal opportunity.</li> </ul>
INTERACTION WITH MANAGEMENT	<ul style="list-style-type: none"> <li>The Committee has unrestricted access to senior management of the Group. The Committee reviews and recommends, in cooperation with management, a process for the induction and education of new Directors and a continuing education and development plan for all Non Executive Directors.</li> </ul>	<ul style="list-style-type: none"> <li>The Chair liaises regularly with the Group Head of Human Resources on matters related to the Committee, to ensure that the Committee is appropriately briefed on matters relating to employees.</li> </ul>



**Risk Management and Audit Committee****David Craig (Chair)**

Phillip Colebatch  
Steve Dobbs  
Michael Ullmer  
Nicola Wakefield Evans

- David Ryan ceased to be a member of the Committee at the end of August 2016. David Craig took over as Chairman of the Committee.

- Minimum of three, Non Executive Directors.
- All members must be independent.
- Chair must not be Chair of the Board.
- All members must be financially literate and at least one member has accounting or relevant financial expertise.
- All requirements were met in the reporting period.

- Makes recommendations to the Board on external auditor appointment and rotation of audit partner.
- Oversees quality and effectiveness of audits.
- Reviews performance of the Internal Audit function.
- Reviews the parameters of the Group's risk/reward strategy.
- Reviews the effectiveness of the Group's Enterprise Risk Management system and seeks assurances that material risks are identified and appropriate risk management processes are in place.
- Reviews significant corporate reporting issues and assess the appropriateness of accounting policies and methods chosen by management.
- Make recommendations to the Board as to whether financial statements should be approved.
- Monitors the effectiveness of Group policies and practices that relate to compliance with laws, regulations and accounting standards.

- The Group CFO, the Group CRO and the Group Head of Internal Audit have a separate direct reporting relationship to the Risk Management and Audit Committee. One-on-one meetings are held on at least a quarterly basis or as required. One-on-one meetings are also held with the external auditor as required.
- The Committee meets with the external auditor without management present twice a year or more frequently if required.

**Sustainability Committee****Michael Ullmer (Chair)**

Colin Carter  
Steve Dobbs  
David Ryan  
Nicola Wakefield Evans

- David Ryan was appointed to the Committee with effect from September 2016.

- Minimum of three Directors
- Majority of the Committee to be independent.
- Chair must be an Independent Director
- All requirements were met in the reporting period.

- Oversees the Group's Environment, Health and Safety function.
- Reviews the effectiveness of Group policies on corporate social responsibility.
- Monitors the activities and programs of the Lendlease Foundation.
- Assists the Board in its oversight of the Group's compliance with applicable regulatory requirements in relation to environmental matters, socially responsibility initiatives and health and safety issues.
- Reviews and monitors the way the Group and Regions conduct business and pursue developments and opportunities through their commitment to sustainable solutions.
- Reviews the effectiveness of Group policies and initiatives designed to ensure the well-being of employees and the workforce.
- Makes recommendations to the Board on the Sustainability Strategy.

- The Chair liaises with the Group Head of Sustainability and Safety on at least a quarterly basis or as required. The Safety and Sustainability functions supply the Committee with the information relevant to the Committee's function.

## Corporate Governance Statement continued

### 4.0 Risk Management, Internal Control and Integrity in Financial Reporting

#### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

- Risk and Audit Committee Charter
- Risk Management Policy

#### 4.1 Enterprise Risk Management

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

company is willing to accept to achieve its strategic goals and key performance targets to create securityholder value. Risk awareness, improvement and governance are key elements of the Lendlease approach. The objective of this approach is to enhance stakeholder value through continuous improvement in the Group's management of risk.

Accountability and responsibility for risk governance and management is held at various levels across the business including the Board and Board Committees, Group Leadership, Regional Leadership, Business Units and Specialist Functions such as Internal Audit, Risk and Centre of Excellence.

#### Our Risk Management Approach is supported by:

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

## 4.2 Risk Management Reporting

The Group Risk Function is responsible for keeping the Board's Risk Management and Audit Committee informed on a regular basis of material business risks. In the reporting period, the Committee has received regular reports on material risks facing Lendlease businesses worldwide and management has reported to the Board as to the effectiveness of Lendlease's management of its known material business risks.

Lendlease uses an online risk matrix to report and monitor risks in the following categories:

- Financial
- Legal / Regulatory
- Health & Safety
- Performance
- Environment & Community
- People
- Property / Business Continuity
- Information Technology

The categorisation drives functional accountability for managing the primary cause or consequence of the risk noting that all risks may impact our reputation or have a secondary effect.

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

Further information on the Group's approach to Risk Management can be found in the Annual Report on pages 58 to 59.

## 4.3 Key Risk Management Practices

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

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

## 4.4 Environmental and Social Sustainability Risks

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

Our Sustainability framework focuses our efforts around 12 material social, environmental and economic elements with a clear long term aspiration for each. To provide additional near term focus, the Group has established concrete 2020 performance targets for energy, water and waste.

### Our People: Training, Skills and Employment

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

leadership and development programs for our own people.

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

### Energy, Water and Waste

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

### Materials and Supply Chain

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

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

### Resilience and Adaptation

The Group recognises that the impacts of climate change are upon us. These climate change impacts are likely to increase in the future and pose an increased risk to the safety of communities and potential damage to real estate and infrastructure.

Lendlease recognises that we must reduce our contribution to human induced climate change and is committed to assessing the exposure of our operations to climate change impacts. The Group creates mitigation plans that build resilience into our communities and business, as well as designing projects to respond to the impacts of climate change.

Further information on sustainability risks and how these risks are managed by the Group can be found at [www.lendlease.com](http://www.lendlease.com) in the Sustainability section and in the Annual Report on pages 48 to 49.

Further information on other risks and how they are mitigated can be found in the Annual Report on pages 60 to 61.

## 4.5 Key Policies

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

## Corporate Governance Statement continued

### 4.6 Integrity in Corporate Reporting

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

For the year ended 30 June 2017, the Group CEO and Group CFO have declared in writing to the Board that in their opinion:

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

Since 30 June 2017, nothing has come to the attention of the Group CEO or the Group CFO that would indicate any material change to any of the statements made above.

The Group's senior management has also reported to the Board on the effectiveness of the management of material business risks for the year ended 30 June 2017 and this has been reviewed by the Board.

### 4.7 Internal Audit Function

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

### 4.8 External Auditor

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

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

#### Performance Management

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

management.

#### Selection, Appointment and Rotation

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

#### Provision of Non Audit and Other Services

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

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

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

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

The Board has considered the other assurance services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those assurance services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All other assurance services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The other assurance services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did

not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

- Apart from conducting the external audit of the Group and undertaking other assurance services, KPMG were not retained to undertake any other assignments of any kind for the Group.

#### Auditor's Independence

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

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act has been included in the Directors' Report at page 122 of the Annual Report.

#### Fees

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

#### Attendance at Annual General Meeting

The external auditor is required to attend the AGM and will be available to answer any questions on the conduct of any audits and the preparation and content of the auditor's report. Duncan McLennan will be in attendance at the 2017 AGM.

### 5.0 Governance Policies

#### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

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

#### 5.1 Securityholder Communications and Continuous Disclosure

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

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

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

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

#### Communications with Securityholders

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

The External Communications and Continuous Disclosure Policy is designed to facilitate this objective, and promotes effective communication with securityholders by ensuring that information

that may otherwise be important to a securityholder, such as information about the Group's activities, is available to investors in a timely and readily accessible manner.

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

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

- Introducing a webcast only format briefings for full and half year results;
- Scheduling formal site visits with investors as required;
- Introducing market briefing sessions with regional CEOs; and
- Introducing an Integrated Annual Report to more clearly communicate how we create value for our securityholders.

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

#### Annual General Meeting

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

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



## Corporate Governance Statement continued

### 5.2 Lendlease Core Values and Code of Conduct

#### Code of Conduct

The Core Values of Lendlease underpin how the Group does business, how it interacts with stakeholders, and how its people operate in the workplace. The Core Values are promoted across all of the Group's businesses and can be found in the Annual Report on page 11.

#### Code of Conduct

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

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

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

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

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

All employees of the Group are required to recertify their Employee Conduct Guide training on a regular periodic basis.

#### Guiding Principles

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

#### Code of Conduct Breach Reporting

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

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

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

### 5.3 Conflicts of Interest

Lendlease has systems and protocols in place to identify a conflict of interest and a framework for managing conflicts. A variety of measures have been adopted to manage conflicts of interest including Group policies, systems, lists and appropriate disclosures. Directors are required upon their appointment to disclose to Lendlease any interests or directorships which they have with other organisations and update this information if it changes during the course of the directorship. Directors and senior executives are also required to identify any conflicts of interest they may have in dealing with the Group's affairs and refrain from participating in any discussion or voting on these matters. Directors are required to raise with the Company Secretary

any matters that may give rise to a conflict of interest. Directors who have a conflict will not receive the relevant Board paper and are not present for the part of the Board meeting where the matter is considered.

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

### 5.4 Trading in Lendlease Securities

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

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

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

- the 6 week period commencing on the business day following the announcement of the annual results;
- the 6 week period commencing on the business day following the announcement of the half year results;
- the 6 week period commencing on the business day following the Annual General Meeting;
- a period during which Lendlease has a current prospectus or other form of disclosure document on issue under which persons may subscribe for Lendlease securities; or
- any other period determined by the Board, in advance, to be an open window period.

The policy requires Directors and Designated Executives to notify the Group General Counsel or Company Secretary prior to any dealings and Directors must also promptly provide details of any trade to the Company Secretary for disclosure to the ASX.

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

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

### 5.5 Political Donations

The Lendlease Group Political Donations Policy sets a firm and consistent standard across the Group that aims to ensure that public confidence is maintained in the Group and its relationships with governments and community leaders.

Lendlease does not make political donations, whether in cash or kind, to political parties or individuals holding, or standing for, elective office. Breaches of the Political Donations Policy are regarded as serious misconduct. The full policy is available on the Lendlease website.

## 5.6 Employee Transactions Policy

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

The key tenets of the Policy are as follows:

- No priority of release of product to employees before the public
- Benefits may be given to employees which may be reversed if they cease to be an employee:
  - Up to 50 per cent of the standard deposit rate
  - Up to an extra one month settlement time
  - A discount up to the amount of any agent's deposit otherwise payable, on the basis it is tax neutral to Lendlease
- Employee purchases within a particular category of product and within each stage release to be limited to 20 per cent by number
- No more than 2 purchases by an individual employee in any one calendar year
- Employee to hold any property purchased from Lendlease for 24 months post completion of acquisition

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

## 6.0 Diversity and Inclusion Governance

### Relevant governance documents (see [www.lendlease.com](http://www.lendlease.com))

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

### 6.1 Diversity at Lendlease

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

The Lendlease Board of Directors reports on Lendlease's gender diversity performance in accordance with the ASX Corporate Governance Principles and Recommendations. Lendlease has measurable objectives for gender diversity, shown below:

- Two out of eleven Board Directors are women;
- At a senior management level, three direct reports to the Group CEO are female; and
- For the year ended 30 June 2017, 31 per cent of our employees are women and 20.6 per cent of Senior Executive positions are held by women.

We define Senior Executive to be an employee who holds a position at Executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Global Function Heads.

The Group most recent 'Gender Equality Indicators' as defined in and published under the Workforce Gender Equality Act can be viewed at [www.wgea.gov.au](http://www.wgea.gov.au)

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

### 6.2 Diversity and Inclusion Policy

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

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

### 6.3 Diversity Governance

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

Further information on Diversity and Inclusion at Lendlease can be found in the Annual Report on page 46.