



# ASX Announcement

## 2014 Notice of Meetings and Proxy Form

15 October 2014

Attached are copies of the Notice of Meetings and Proxy Form for the 2014 Annual General Meeting of shareholders of Lend Lease Corporation Limited and general meeting of Unit Holders of Lend Lease Trust, which will be sent to securityholders today.

Also included in the Notice of Meetings is the Explanatory Statement in relation to a proposal to reduce the capital of Lend Lease Corporation Limited and apply the proceeds of the capital reduction to Lend Lease Trust.

The meetings will be held in the Ballroom, Four Seasons Hotel, 199 George Street, Sydney NSW on Friday 14 November 2014 commencing at 10.00am.

### ENDS

For further information, please contact:

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Lend Lease Corporation Limited ABN 32 000 226 228 and  
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983  
as responsible entity for Lend Lease Trust ABN 39 944 184 773 ARSN 128 052 595



## Notice of Meetings

Annual General Meeting of Lend Lease Corporation Limited and Meeting of Unit Holders of Lend Lease Trust

The Annual General Meeting of shareholders of Lend Lease Corporation Limited (the **Company**) will be held in conjunction with a general meeting of unit holders of Lend Lease Trust (the **Trust**) (together, **Lend Lease Group**) in the Ballroom, Four Seasons Hotel, 199 George Street, Sydney NSW, on **Friday, 14 November 2014** at 10:00am.



# CHAIRMAN'S LETTER

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15 October 2014

Dear Securityholder,

I am pleased to invite you to attend the 2014 Annual General Meeting (AGM) of Lend Lease Corporation Limited (LLC) and Meeting of Unit Holders of Lend Lease Trust (LLT). The AGM will be held in the Ballroom, Four Seasons Hotel, 199 George Street, Sydney on Friday 14 November 2014 commencing at 10.00am. Registration will be available from 9.00am.

The Notice of Meetings contains details of the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

At the AGM we will consider:

- the financial and statutory reports for 2014;
- the re-election of directors;
- the Remuneration Report;
- the approval of allocations of performance securities and deferred securities to the Managing Director & CEO; and
- a capital reallocation proposal.

After 14 years of service, Peter Goldmark will retire as a non-executive director of Lend Lease at the conclusion of the AGM. He will retire by rotation and is not seeking re-election. Peter is the longest serving member of the Board and his contributions to the Board during his tenure have been enormous. On behalf of the Board, I thank Peter for his commitment and hard work, and for the outstanding contribution that he has made during his time as a director.

Non-executive directors Colin Carter and Michael Ullmer will retire in accordance with Rule 6.1(f) of the Constitution and offer themselves for re-election.

Lend Lease securityholders will also be asked to approve a capital reallocation proposal in relation to the reduction of capital in LLC and the application of that capital to Lend Lease Trust. The capital reallocation will not reduce the number of securities on issue or change the number of securities held by securityholders.

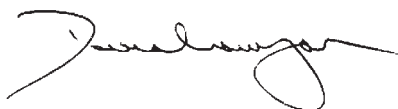
Further details on the capital reallocation proposal are included in the attached Notice of Meetings and Explanatory Statement which I urge you to read carefully. The Board and I unanimously support the capital reallocation resolutions and will be voting in favour at the AGM.

I also encourage securityholders who are entitled to vote at the meetings to submit written questions in advance of the meetings. Questions should relate to matters that are relevant to the business of the meetings and may be submitted on the form included with this Notice of Meetings, or on-line through [www.investorvote.com.au](http://www.investorvote.com.au). Questions must be received by Friday 7 November 2014. Time permitting, I will try to address as many of the more frequently raised topics as possible during the course of the meetings.

A live webcast of the meetings will be broadcast on the Group's website at [www.lendlease.com](http://www.lendlease.com). An archive of the webcast will be available at the same web address after the meetings.

Finally, the directors and Senior Executives would like to extend an invitation to securityholders to join them for light refreshments after the meetings.

Yours faithfully



**David Crawford AO**  
Chairman

# ITEMS OF BUSINESS

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## Financial Reports

1. The Directors' Report, the Financial Statements and the Independent Auditor's Report for the year ended 30 June 2014 will be laid before the meetings. The combined reports of the Company and the Trust for the year ended 30 June 2014 will also be laid before the meetings. No resolution is required for this item of business.

## Re-election of Directors

2. To consider and, if thought fit, to pass the following resolutions as separate ordinary resolutions of the Company:
  - a) that Mr Colin Carter being a Director of the Company who retires in accordance with Rule 6.1(f) of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.
  - b) that Mr Michael Ullmer being a Director of the Company who retires in accordance with Rule 6.1(f) of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.

## Remuneration Report

3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

That the Company's Remuneration Report for the year ended 30 June 2014 be adopted.

In accordance with section 250R of the Corporations Act the vote on resolution 3 will be advisory only.

## Approval of Allocations of Performance Securities and Deferred Securities to the Managing Director

4. To consider, and if thought fit, to pass the following resolutions as ordinary resolutions of each of the Company and Trust:

That approval is given to issue to the Managing Director of Lend Lease Group, Mr Stephen McCann:

  - a) Performance Securities; and
  - b) Deferred Securities,

on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meetings.

## Approving Capital Reduction of the Company and Lend Lease Trust Capitalisation

5. To consider, and if thought fit, to pass the following resolutions as ordinary resolutions of the Company:
  - a) That in accordance with the Corporations Act 2001 (Cth) (Act), the Company's constitution and for all other purposes:
    1. the issued share capital of the Company be reduced by \$400.5 million; and
    2. such reduction be effected and satisfied by the Company paying the Company's members who are registered as holders of ordinary shares in the Company on the Entitlement Date (as defined in the Explanatory Statement to this Notice of Meetings), \$0.69099769207 per fully paid ordinary share held by the member,

on the terms and conditions set out in the Explanatory Statement to this Notice of Meetings, and conditional upon the approval of resolution 5b below
  - b) That in accordance with clause 2.6 of the Company's constitution, approval is given for the Company to be appointed as agent for, and in the name of each member, to apply the amount of the reduction that each member is entitled to, in accordance with resolution 5a, as additional capital to the Lend Lease Trust pro rata in proportion to the number of units held by that member in the Lend Lease Trust in the manner contemplated by clause 5.8 (c) of the Lend Lease Trust Constitution, as further described in the Explanatory Statement to this Notice of Meetings.

# EXPLANATORY NOTES AND RELATED MATERIALS

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Securityholders are referred to the Explanatory Notes accompanying and forming part of this Notice of Meetings.

## **Voting Exclusion Statements**

### *Item 3 – Remuneration Report resolution*

The Company will disregard any votes cast on item 3:

- a) by or on behalf of a member of the key management personnel (KMP) disclosed in the Remuneration Report;
- b) by or on behalf of a closely related party (such as close family members and any companies the person controls) of the KMP; and
- c) as a proxy by a member of the KMP or a closely related party of a member of the KMP.

However, a vote will not be disregarded if it is cast as proxy for a person entitled to vote on item 3:

- in accordance with a direction on the Proxy Form; or
- by the Chairman of the meetings in accordance with an express authorisation to exercise the proxy even though item 3 is connected with the remuneration of the KMP.

### *Item 4 – Approval of Allocations of Performance Securities and Deferred Securities to the Managing Director*

The Company and Trust will disregard any votes cast on item 4 in any capacity by Mr McCann (being the only director eligible to participate in any of the Group's employee incentive schemes) or any of his associates. The Company will also disregard any votes cast on item 4 as a proxy by a member of the KMP or a closely related party of a member of the KMP. However, a vote will not be disregarded if it is cast as proxy for a person entitled to vote on item 4:

- in accordance with a direction on the Proxy Form; or
- by the Chairman of the meetings in accordance with an express authorisation to exercise the proxy even though item 4 is connected with the remuneration of the KMP.

## **Other information**

Further information concerning each item of business is set out in the Explanatory Notes which accompany and form part of this Notice of Meetings.

All items of business will be determined by poll.

By order of the Boards of Lend Lease Corporation Limited and Lend Lease Responsible Entity Limited as responsible entity of Lend Lease Trust.

**Wendy Lee**

Company Secretary  
15 October 2014

## BACKGROUND INFORMATION

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### Determination of Right to Vote

For the purposes of determining entitlement to vote at the meetings, stapled securities will be taken to be held by those registered as holders at 7.00pm on Wednesday, 12 November 2014. Transactions registered after that time will be disregarded in determining securityholders' entitlements to attend and vote at the meetings.

### Proxies

If you are unable to attend the meetings, you are encouraged to appoint a proxy to attend and vote on your behalf. You may appoint a person (either an individual or body corporate) to act as your proxy at the meetings by completing the attached Proxy Form. A securityholder entitled to attend and cast at least two votes may appoint not more than two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion of the securityholder's voting rights. If no proportion is specified, each proxy may exercise half of the securityholder's voting rights. A proxy need not be a securityholder of Lend Lease Group. A securityholder may direct the proxy how to vote in respect of each resolution. Any directions given to proxies must be followed. You are encouraged to direct your proxy how to vote on each resolution.

If the Chairman of the meetings is appointed, or taken to be appointed, as your proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to vote all available proxies in favour of all items of business. With the exception of the Chairman, the KMP (which includes each of the Directors) and their closely related parties will not be able to vote your proxy on item 3 (Remuneration Report) and item 4 (Approval of Allocations of Performance Securities and Deferred Securities to the Managing Director) unless you tell them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors), or one of their closely related parties, as your proxy, please ensure that you direct them how to vote on items 3 and 4.

If you intend to appoint the Chairman of the meetings as your proxy, you can direct him how to vote by marking the boxes for the relevant items (for example to vote "for", "against" or to "abstain" from voting). If you appoint the Chairman of the meetings as your proxy, or the Chairman of the meetings is appointed as your proxy by default, and you do not mark a box for items 3 and 4, then by completing and submitting the Proxy Form you will be expressly authorising the Chairman of the meetings to exercise the proxy in respect of items 3 and 4 even though these items are connected with the remuneration of the KMP.

To be valid, voting forms, proxies or electronic voting instructions must be received by the Company's share registry, Computershare Investor Services Pty Limited, in Sydney before 10.00am on Wednesday, 12 November 2014.

Voting forms may be submitted in one of the following ways:

- Online at [www.investorvote.com.au](http://www.investorvote.com.au); or
- Online at [www.intermediaryonline.com](http://www.intermediaryonline.com) for intermediary online subscribers (custodians) only; or
- By mail to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia; or
- By facsimile to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Where:

- a poll is duly demanded at the Annual General Meeting in relation to a proposed resolution;
- a securityholder has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that securityholder's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meetings will, before voting on the resolution closes, be taken to have been appointed as the proxy for the securityholder for the purposes of voting on that resolution and must vote in accordance with the written direction of the securityholder.

### Corporate Securityholders

A corporate securityholder wishing to appoint a person to act as its representative at the meetings must provide that person with an authority executed in accordance with the company's constitution and the Corporations Act 2001, authorising him or her to act as the company's representative. The authority must be sent to the Share Registry, Computershare Investor Services Pty Limited, in advance of the meetings, or handed in at the meetings when registering as a corporate representative.

**Voting by Attorney**

Where a securityholder appoints an attorney to act on his or her behalf at the meetings, the appointment must be made by a duly executed power of attorney. A securityholder entitled to attend and cast at least two votes may appoint not more than two attorneys. A securityholder may, in the power of attorney appointing an attorney, direct the attorney how to vote in respect of each resolution. Any directions given in this manner must be followed.

The powers of attorney appointing an attorney, or a certified copy of the powers of attorney, must be sent to the Share Registry, Computershare Investor Services Pty Limited and received by 10.00am on Wednesday, 12 November 2014. Attorneys should also bring a copy of the power of attorney to the meetings.

**Securityholder Questions**

Securityholders who are entitled to vote at the meetings may submit written questions to the Company, the Trust or the Auditor in advance of the meetings. Questions may be submitted on-line through [www.investorvote.com.au](http://www.investorvote.com.au) or on the form included with this Notice of Meetings.

Questions must be received by Friday, 7 November 2014. Questions should relate to matters that are relevant to the business of the meetings, as outlined in the Notice of Meetings and the attached Explanatory Notes or, if directed to the Auditor, must relate to the content of the Auditor's reports or the conduct of the audit of the Financial Reports for the year ended 30 June 2014.

Questions will be collated, and during the meetings the Chairman will seek to address as many of the more frequently raised topics as possible having regard to available time. Please note that answers will not be sent to enquirers on an individual basis. A list of qualifying questions to the Auditor will be made available to securityholders attending the meetings.

**Registration**

Registration will commence at 9.00am. For ease of registration, please bring your Proxy Form to the meetings.

# EXPLANATORY NOTES TO THE NOTICE OF MEETINGS

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## Item 1 – Financial Reports

As required by section 317 of the Corporations Act, the Annual Financial Report, including the Directors' Report, Independent Auditor's Report and the Financial Statements for the year ended 30 June 2014, will be laid before the meetings. There is no requirement for a formal resolution on this item. However, during this item of business, securityholders will be given a reasonable amount of time to ask questions about or make comments on the Annual Financial Report and on the management of the Company.

## Item 2 – To re-elect Directors

The following information is provided in respect of each candidate:

### a) C B Carter (*Independent Non Executive Director*)



Mr Carter, aged 71, joined the Board in April 2012. He is Chairman of the Nomination Committee and a member of the Personnel & Organisation Committee and Sustainability Committee.

#### *Skills, Experience and Qualifications*

Mr Carter is one of the founding partners of The Boston Consulting Group in Australia, retiring as a Senior Partner in 2001, and continues as an Advisor with that company. He has over 30 years of experience in management consulting advising on organisational, strategy and governance issues. His career has included major projects in Australia and overseas. Mr Carter has wide industry knowledge on corporate governance issues and has carried out board performance reviews for a number of companies. He has co-authored a book on boards, 'Back to the Drawing Board'. In 2014 Mr Carter was appointed by the Federal Government as Advisor to the Prime Minister's Department on the Empowered Indigenous Communities Project.

Mr Carter holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School, where he graduated with Distinction and as a Baker Scholar. He is a Fellow of the Australian Institute of Company Directors.

#### *Other Directorships and Positions (current and recent)*

- Non Executive Director of Wesfarmers Limited (appointed October 2002) (Mr Carter will be retiring from the Wesfarmers Limited Board at the conclusion of the 2014 Wesfarmers AGM)
- Non Executive Director of SEEK Limited (appointed March 2005)
- President of Geelong Football Club
- Director of World Vision Australia
- Director of The Ladder Project

#### *Recommendation*

The Board (with Mr Carter abstaining) unanimously recommends that securityholders vote in favour of Mr Carter's re-election.

### b) M J Ullmer (*Independent Non Executive Director*)



Mr Ullmer, aged 63, joined the Board in December 2011. He is Chairman of the Sustainability Committee and a member of the Nomination Committee and the Risk Management & Audit Committee.

#### *Skills, Experience and Qualifications*

Mr Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking and finance. He was the Deputy Group Chief Executive Officer of the National Australia Bank (NAB) from 2007 until he stepped down 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 and a Senior Fellow of the Financial Services Institute of Australia.

#### *Other Directorships and Positions (current and recent)*

- Non Executive Director of Woolworths Limited (appointed January 2012)
- Advisory Board of Nomura Australia (appointed September 2012)
- Deputy Chairman of Melbourne Symphony Orchestra (appointed February 2007)

- Trustee of National Gallery of Victoria (appointed December 2011)
- Chairman Schools Connect Australia (appointed November 2011)
- Former Executive Director of National Australia Bank (appointed October 2004, retired August 2011)
- Former Director of Bank of New Zealand (appointed September 2007, retired August 2011)
- Former Non Executive Director of Fosters Group Limited (appointed June 2008, resigned December 2011)

#### *Recommendation*

The Board (with Mr Ullmer abstaining) unanimously recommends that securityholders vote in favour of Mr Ullmer's re-election.

### **Item 3 – Remuneration Report**

The Company's Remuneration Report for the financial year ended 30 June 2014 is set out on pages 43 to 80 of the 2014 Annual Report and can also be found on the Company's website at [www.lendlease.com](http://www.lendlease.com). The Remuneration Report sets out the remuneration policy for the Company and discloses the remuneration arrangements in place for the Managing Director and CEO, key management personnel and the Non Executive Directors. The Remuneration Report meets Australian disclosure requirements.

Securityholders will be given a reasonable opportunity to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

We are pleased to report that we received 98.7% of votes cast in favour of our Remuneration Report at the 2013 Annual General Meeting (AGM). This was achieved after a comprehensive review of our approach to executive reward following some strong investor feedback in the prior period.

Some of the key changes made included:

- Agreeing a new contract with the CEO, including a reduction in the CEO's total target remuneration package (effective 1 September 2013);
- Changing the targeted remuneration mix for executives to place greater emphasis on Long Term Incentives (LTIs);
- Introducing a second hurdle, Return on Equity (ROE), for LTIs;
- Deferring a greater proportion of 'above target' Short Term Incentive (STI) awards for the CEO and Senior Executives; and
- Strengthening malus provisions for the CEO and Senior Executives that may be applied to both Deferred STI and LTI awards.

The Board has not made any further significant changes to our Executive Reward Strategy for the year ahead. We believe the Executive Reward Strategy updated in 2013 remains well suited to Lend Lease's business and appropriately considers the Group's activities, strategy, market practice, and securityholder perspectives while providing remuneration that motivates and retains key executive talent.

Full details of the remuneration arrangements are set out on pages 43 to 80 of the Remuneration Report.

#### *Recommendation*

The Board unanimously recommends that securityholders vote in favour of this Resolution.

### **Item 4 – Approval of Allocations of Performance Securities and Deferred Securities to the Managing Director**

Securityholder approval is being sought to allocate to the Managing Director and CEO (MD) of Lend Lease, Stephen McCann:

1. Performance Securities – comprising long term incentives seeking to align the interests of executives with securityholders over a three to four year period; and
2. Deferred Securities – comprising short term incentives rewarding achievement against agreed financial and non-financial targets and seeking to align the interests of executives and securityholders over a one and two year period.

It is intended that the above awards will be made to the MD on the following dates:

- a) Performance Securities – within 1 month of the meeting; and
- b) Deferred Securities – on or about 1 September 2015.

### **Why is securityholder approval being sought?**

ASX Listing Rule 10.14 requires that securityholders approve awards of securities issued to Directors. Securityholders' approval is required only if new securities are issued to a Director and not if securities are purchased on market. The intention of the requirement is to protect securityholders from dilution in the value of securities that may occur as a result of securities issued under employee incentive plans. No such dilution occurs if securities are purchased on market.

The Board of Directors (Board) may determine whether securities awarded will be purchased on market or issued. The Board's current intention is to purchase on market all Lend Lease securities required to satisfy the vesting of Performance Securities and Deferred Securities awarded as this would cause no dilution to securityholders' interests. However, the Board considers it good governance to seek approval from securityholders for awards made to the MD. Subject to securityholder approval being obtained, the Board reserves the right to issue new securities instead of buying on market.

In the event that the awards are not approved by securityholders, in order to meet the Company's contractual obligations under the MD's employment contract, it will be necessary for the Board to instead pay to the MD an amount in cash equivalent to the value of those awards and, to the extent that they are relevant, on the same terms as set out below (including the satisfaction of applicable performance hurdles and service conditions).

### **Background**

Each year the Board reviews and approves the remuneration of the MD. The MD's remuneration is set in accordance with the Executive Reward Strategy and with consideration of market benchmarks provided by an external remuneration consultant, presently PricewaterhouseCoopers. The MD's remuneration package includes:

- a) Fixed remuneration (salary, superannuation and benefits)
- b) Short term incentive (STI) payable in cash and Lend Lease securities subject to the achievement of key performance indicators
- c) The MD's right to Lend Lease securities as part of any STI award will be subject to service-based conditions and any such right will vest over a one and two year period (Deferred Securities)
- d) A long term incentive (LTI) in the form of Performance Securities which vest subject to achievement of two performance-based hurdles over a three and four year period.

#### **a) Performance Securities**

**Overview:** The MD's LTI arrangements involve an annual grant of 'Performance Securities' to the MD. The Performance Securities track the performance of Lend Lease securities and are subject to a performance-based hurdle over a three and four year period. Each vested Performance Security will generally be settled with one fully paid Lend Lease security (comprising one fully paid ordinary share in the Company stapled to one fully paid ordinary unit in Lend Lease Trust).

The terms of the MD's LTI arrangements provide for the Board, at its discretion, to settle any vesting in Lend Lease securities, cash or other benefits with equivalent value on vesting. The Board's current intention is to settle in securities.

**TSR Performance hurdle:** 113,708 of the Performance Securities will be subject to Lend Lease's Total Securityholder Return (TSR) compared to a comparator group of companies comprising the S&P ASX 100 Index subject to any inclusions or exclusions determined by the Board.

50% of these Performance Securities will be tested against the performance hurdle after three years and the remaining 50% will be tested against the performance hurdle after four years. If the performance conditions are not met at the time of testing, then those Performance Securities will lapse. There is no re-testing.

The table below shows how the vesting of each 50% tranche will occur based on Lend Lease's relative TSR ranking at the end of the relevant performance period.

<b>Percentile</b>	<b>Percentage of tranche that vests</b>
Below 50 <sup>th</sup> percentile	Nil vesting
At 50 <sup>th</sup> percentile	50% vesting
Greater than the 50 <sup>th</sup> percentile but less than the 75 <sup>th</sup> percentile	Prorated vesting (i.e. on a straight line basis) between 50% and 100% vesting
At or above 75 <sup>th</sup> percentile	100% vesting

The Board believes that relative TSR is an appropriate performance hurdle as it aligns the MD's interests with securityholder outcomes and provides a direct comparison of Lend Lease's performance against other listed companies.

**ROE performance hurdle:** 98,548 of the Performance Securities will be subject to Lend Lease's average Return on Equity (ROE) performance. ROE is a percentage derived from Lend Lease's annual statutory profit after tax divided by the weighted average equity for the year, as set out in Lend Lease's Annual Report. Assessment of ROE performance will be based on the average ROE performance over the relevant vesting period.

50% of these Performance Securities will be tested against the performance hurdle based on average ROE performance after three years and the remaining 50% will be tested against the performance hurdle based on average ROE performance after four years. If the performance conditions are not met at the time of testing, then those Performance Securities will lapse. There is no re-testing.

The table below shows how the vesting of each 50% tranche will occur based on Lend Lease's average % ROE performance over the relevant performance period.

Average % ROE performance	Percentage of tranche that vests
Below 11%	Nil vesting
At 11%	25% vesting
Greater than 11% but less than 15%	Prorated vesting (i.e. on a straight line basis) between 25% and 100% vesting
At or above 15%	100% vesting

ROE was selected as a second performance measure because many of Lend Lease's activities are capital intensive, for example, major urban redevelopment projects. The Board considers it appropriate to incentivise the MD (and other senior executives) to manage an appropriate portfolio of projects for the long term, with timely execution of capital recycling. This is reflected in the average ROE approach, focused on sustained performance over the performance period.

**Quantum of award:** During the year ending 30 June 2015, subject to shareholder approval, Mr McCann will be granted 212,256 Performance Securities.

This LTI grant is approximately 35% of Mr McCann's total target reward, in line with the new target remuneration mix agreed with Mr McCann for FY2015.

The dollar value of the LTI grant is \$2,000,000. This was divided into a number of Performance Securities applying the 'fair value' of Performance Securities as determined by the Board after considering information provided by an independent consultant based on the likelihood of vesting and other assumptions. In determining the 'fair value' of the Performance Securities, the Board took the volume weighted average price of Lend Lease securities on the ASX over the 20 trading days prior to 27 August 2014 of \$13.53 and then:

- discounted this by 35% for a TSR-tested Performance Security, resulting in a 'fair value' of \$8.7945; and
- discounted this by 25% for a ROE-tested Performance Security, resulting in a 'fair value' of \$10.1475.

In arriving at a discount of 35% for a TSR-tested Performance Security, the Board considered the implied percentage discount to the face value of a security using a Monte Carlo Simulation. This valuation model takes into account a range of factors to determine the value of a TSR-tested Performance Security, such as the time to vesting, the likelihood of vesting, the current price of the underlying securities, expected volatility of the security price and the distributions expected to be paid in relation to the securities. This approach is in line with the methodology used for accounting purposes. The actual fair value to be used for accounting expense purposes will be determined at the date of grant.

In arriving at a discount of 25% for a ROE-tested Performance Security, the Board considered a probabilistic analysis of the ROE hurdles being achieved for the purpose of estimating the potential discount to the face value of a security. Further, this discount was determined to be appropriate after the Board took extensive advice by external valuation experts.

The use of 'fair value' recognises that the value of a Performance Security is less than the value of the underlying security.

The Board determined the number of Performance Securities by:

- dividing \$1,000,000 (i.e. half of the dollar value of the LTI grant) by the 'fair value' of a TSR-tested Performance Security (\$8.7945), dividing the resulting number into two equal tranches (which will vest over 3 and 4 years respectively) and rounding up the resulting number for each tranche to the nearest whole security; and
- dividing \$1,000,000 (i.e. the other half of the dollar value of the LTI grant) by the 'fair value' of an ROE-tested Performance Security (\$10.1475), dividing the resulting number into two equal tranches (which will vest over 3 and 4 years respectively) and rounding up the resulting number for each tranche to the nearest whole security.

**Distributions:** For each Performance Security that vests, the MD will also be entitled to an amount equal to the distributions that would have been declared or paid on the Lend Lease securities referable to those Performance Securities in the period from the date of grant to vesting. This will (subject to Board discretion) be settled on the same basis as the relevant Performance Securities (that is, either in cash or in additional Lend Lease securities). The number of Lend Lease securities will be the additional amount divided by the closing price of a Lend Lease security on the trading day immediately preceding the relevant vesting date (rounded up or down to the nearest whole security). The eligibility to receive dividends has been taken into account in determining (increasing) the fair value, and accordingly the number of Performance Securities is less than if this had not been taken into account.

**Cessation of employment:** The treatment of any unvested Performance Securities at the time of cessation of employment depends upon the nature of the cessation. If Mr McCann resigns in circumstances which breach his non-compete obligations, or is terminated for cause, any unvested Performance Securities will lapse. In all other circumstances including where Mr McCann is terminated or resigns as a 'good leaver', Mr McCann's unvested Performance Securities will remain subject to the original performance conditions and will be tested at the original testing dates (subject to the forfeiture provisions described below).

**Malus and forfeiture:** Prior to vesting, in certain circumstances the Board may determine that Mr McCann will forfeit any right or interest in, or entitlements relating to, some or all of his Performance Securities. This includes if Mr McCann breaches any obligation to the Group or the Board reasonably determines that vesting of the Performance Securities would result in Mr McCann receiving a benefit that was unwarranted or inappropriate. The Board also retains the discretion to forfeit all or part of any unvested Performance Securities where Mr McCann resigns and a mutually co-operative separation cannot be agreed.

**Additional information:** The early vesting of the Performance Securities may be permitted by the Board in other limited circumstances such as a change in control of Lend Lease, in which case Mr McCann will be entitled to a pro-rata award or other amount as determined by the Board.

No amount is payable by Mr McCann upon the grant of these Performance Securities or to acquire Lend Lease securities at vesting. No loan will be provided to Mr McCann in relation to the LTI award.

Other than Mr McCann, no director (or associate of a director) is currently entitled to participate in the Group's LTI arrangements. No grants have been made to a director (or associate of a director) other than Mr McCann under the Group's LTI arrangements since the Company and the Trust were stapled to form the Lend Lease Group. In accordance with the approval obtained at the 2013, Annual General Meeting, Mr McCann was issued 280,136 Performance Securities at no cost on 1 September 2014. These will vest in September 2016 and 2017 subject to achievement of the performance hurdles as described in the Notice of AGM last year.

## **b) Deferred Securities**

**Overview:** Any award of STI may include a "Deferred Security" component which, subject to service-based conditions will give the MD a right to Lend Lease securities or cash. For FY2015, the Board has determined that awards up to target STI will be provided equally as cash and Deferred Securities. For 'above target' STI awarded to the MD, one-third will be paid as cash and two-thirds will be provided as Deferred Securities.

**Group CEO KPIs:** The MD's STI award is dependent on achievement against a scorecard of targets determined by the Board. Part of Mr McCann's FY2015 individual scorecard objectives are financial, including targets in relation to profit after tax. For commercial reasons, the specific details of these individual financial targets are not yet able to be disclosed. The remaining part of Mr McCann's scorecard includes goals in relation to the business strategy, people management and leadership, and operational efficiency. In addition to the above goals, the Board will also assess Mr McCann against Lend Lease's defined leadership capabilities, values and behaviours.

Subject to commercial sensitivities, the Board will provide further information on Mr McCann's scorecard and the Board's assessment in the FY2015 Remuneration Report. The 2014 Remuneration Report includes a detailed scorecard in respect of the FY2014 year.

**Target and Maximum STI Opportunity:** Mr McCann's target STI for FY2015 is \$1,750,000. In exceptional circumstances where the company and the MD have significantly over-performed, Mr McCann may be awarded up to 150% of his target or \$2,625,000. Although an award of this amount can only be made in exceptional circumstances, to allow for that possibility, approval is sought for this maximum amount of Deferred Securities, being Deferred Securities to the value of \$1,458,334, based on the formula provided below. The maximum possible amount will only be awarded if the company exceeds the budgeted profitability for FY2015 approved by the Board by a material amount and Mr McCann is also evaluated by the Board at the highest level on the objectives in his individual scorecard, leadership capabilities, values and behaviours.

**Maximum number of securities:** For FY2015, the Board has determined that awards up to target STI will be provided equally as cash and Deferred Securities. For 'above target' STI awarded to the MD, one-third will be paid as cash and two-thirds will be provided as Deferred Securities. The number of the Deferred Securities is calculated using the formula below:

$$DS = ((50\% \text{ of Target STI}) + (\text{two-thirds} \times \text{Above target STI})) / L$$

Where:

DS = the maximum number of Deferred Securities which could make up any award of STI to Mr McCann.

Target STI = the dollar value of the MD's target STI opportunity (including both cash and securities), being \$1,750,000.

Above target STI = the maximum additional dollar value that the MD can earn under his STI arrangements (including both cash and securities) as a result of significant over-performance, being \$875,000.

L = the volume weighted average price of Lend Lease securities traded on ASX over the twenty trading days prior to the release of the full year results of the Company for the year ending 30 June 2015 (or if the Board considers that this period does not reflect a realistic price having regard to the recent trading history, such other period as determined by the Board).

Based on the formula above, if Mr McCann receives a maximum STI award of \$2,625,000, the value of Deferred Securities will be \$1,458,334 being:

$$(50\% \times \$1,750,000) + (\text{two-thirds} \times [\$2,625,000 - \$1,750,000])$$

The formula represents the **maximum** number which could be granted. The actual number of Deferred Securities to be awarded to Mr McCann will be determined after consideration by the Board of achievement against the MD's scorecard, and his leadership capabilities, values and behaviours.

As an illustrative example, assuming that the Board's assessment of the MD's performance against agreed targets leads to a total STI award of \$2,250,000. This represents \$1,750,000 for target STI and an award of \$500,000 for above-target performance. \$1,208,334 would be delivered as Deferred Securities being 50% of \$1,750,000 and two-thirds of \$500,000. If the volume weighted average price of Lend Lease securities during the month prior to the grant date was \$13.00 per security, the number of Deferred Securities granted to Mr McCann would be 92,949 (that is, \$1,208,334 / \$13.00).

**Deferral Period:** In order to ensure continued alignment to securityholder interests and to support the retention of Mr McCann, the Deferred Securities will be subject to Vesting Conditions determined by the Board. Currently the Board has determined the following Vesting Conditions (subject to forfeiture as set out below):

- 50% of the Deferred Securities (Tranche 1) will vest one year after the grant date of the Deferred Securities (the grant date will be a date determined by the Board and is expected to be on or about 1 September 2015); and
- 50% of the Deferred Securities (Tranche 2) will vest two years after the grant date of the Deferred Securities.

**Cessation of Employment:** The treatment of any unvested Deferred Securities at the time of cessation of employment depends upon the nature of the cessation. If Mr McCann resigns in circumstances which breach his non-compete obligations, or is terminated for cause, any unvested Deferred Securities will lapse. In all other circumstances including where Mr McCann is terminated or resigns as a 'good leaver', Mr McCann's entitlement to Deferred Securities will continue until the original vesting date (subject to the forfeiture provisions described below).

**Malus and forfeiture:** Prior to vesting, the Board may determine that Mr McCann will forfeit any right or interest in, or entitlements relating to, some or all of his Deferred Securities where it transpires that vesting would provide Mr McCann with a benefit that was unwarranted, or inappropriate. The Board may exercise this discretion if, for instance:

- there has been a material misstatement in the Group's consolidated financial statements or those of any company in the Group including any misstatement which may be required to be disclosed to ASX or any relevant regulator or other authority; or
- Mr McCann engages in misconduct, or other dereliction of duty which the Board considers either has, had or may have a serious impact for the Group, whether financial, reputational, operational or otherwise.

The Board may delay vesting in order to review whether to exercise this discretion. The Board also retains the discretion to forfeit all or part of any unvested Deferred Securities where Mr McCann resigns and a mutually co-operative separation cannot be agreed.

**Distributions:** For each Deferred Security that vests, the MD will also be entitled to an amount equal to the distributions that would have been declared or paid on the Lend Lease securities referable to those Deferred Securities in the period from the date of grant to vesting. This will (subject to Board discretion) be settled on the same basis as the relevant Deferred Securities (that is, either in cash or in additional Lend Lease securities). The number of Lend Lease securities will be the additional amount divided by the closing price of a Lend Lease security on the trading day immediately preceding the relevant vesting date (rounded up or down to the nearest whole security).

**Additional information:** The early vesting of some or all of the Deferred Securities component of any STI award may be permitted by the Board in other limited circumstances such as a change in control of Lend Lease.

Other than Mr McCann, no director (or associate of a director) is currently entitled to participate in the STI (including the Deferred Securities component). No grants have been made to a director (or associate of a director) other than Mr McCann under the Group's STI arrangements since the Company and the Trust were stapled to form the Lend Lease Group. In accordance with the approval obtained at the 2013 Annual General Meeting, Mr McCann was allocated 94,902 Deferred Securities at no cost on 1 September 2014 in relation to the year ended 30 June 2014.

No loan will be provided to Mr McCann in relation to the STI award (including in respect of the Deferred Securities).

No amount is payable by Mr McCann upon grant of the Deferred Securities.

*Recommendation*

The Board (with Mr McCann abstaining) unanimously recommends that securityholders vote in favour of this Resolution.

**Item 5 – Approving Capital Reduction and Lend Lease Trust Capitalisation**

Please refer to the separate Explanatory Statement accompanying this Notice of Meetings.





# Explanatory Statement

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In relation to a proposal to reduce the capital of Lend Lease Corporation Limited and apply the proceeds of the capital reduction to Lend Lease Trust.

This document is issued by Lend Lease Corporation Limited ABN 32 000 226 228.

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## Important Notices

### What is this document?

This document is an Explanatory Statement issued by Lend Lease Corporation Limited (ABN 32 000 226 228) (**Company**) dated 15 October 2014 and provides shareholders of the Company with details of the Capital Reallocation Proposal.

This document also includes Tax Letters by each of PricewaterhouseCoopers, Winston & Strawn LLP and Linklaters.

### No investment advice

The information outlined in this Explanatory Statement does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs. It is important that you read this Explanatory Statement in its entirety before making any decision on how to vote on the Capital Reallocation Proposal. If you are in any doubt in relation to these matters, you should contact your investment, financial, taxation or other professional adviser.

### Defined terms

Capitalised terms used in this Explanatory Statement are defined in the Glossary in section 8. The Glossary also sets out some rules of interpretation which apply to this Explanatory Statement.

### Forward looking statements

Statements of intent in relation to future events should not be taken to be a forecast or prediction that those events will occur. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. The Company, Lend Lease Responsible Entity Limited (ABN 72 122 883 185), their respective officers, and any person named in this Explanatory Statement or involved in the preparation of this Explanatory Statement do not make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Any forward looking statements in this Explanatory Statement reflect views held by the Company at the date of this Explanatory Statement.

## Capital Reallocation Proposal

This Explanatory Statement sets out information in relation to resolutions 5a and 5b of the 2014 Notice of Meetings.

### Key Shareholder Actions

#### READ THIS DOCUMENT IN FULL

You should read this Explanatory Statement in full. It contains important information to assist you in your voting decision. If you have any questions about the Capital Reallocation Proposal, please contact the Share Registry, Computershare via either of the following numbers, +61 3 9946 4460 or on the toll free number 1800 230 300 (within Australia only), the Company via the Lend Lease Group website at [www.lendlease.com](http://www.lendlease.com) or Investor Relations at +61 2 9236 6464.

#### VOTE ON THE CAPITAL REALLOCATION RESOLUTIONS

It is important that you vote on the Capital Reallocation Resolutions. The Capital Reallocation Proposal will not proceed unless it is approved by a greater than 50% majority of the votes cast by the Company's shareholders attending the meeting in person or by proxy.

#### DIRECTORS' RECOMMENDATION

**The directors consider the Capital Reallocation Proposal to be in the best interest of the Company's shareholders and unanimously recommend that you vote in favour of the Capital Reallocation Proposal.**

#### YOUR VOTE IS IMPORTANT

If you are unable to attend the Lend Lease Group Annual General Meeting (**AGM**) on 14 November 2014, you may appoint a proxy to vote on your Shares on your behalf. If you wish to appoint a proxy, you need to complete the proxy form enclosed with this Explanatory Statement and return it to the address indicated on the form by no later than 10:00am on 12 November 2014.

### Important Dates

#### SYDNEY TIME AND DATE 2014

#### EVENT

10:00 AM  
WEDNESDAY  
12 NOVEMBER

Closing date and time for receipt of completed proxy forms for the Lend Lease Group AGM

7:00 PM  
WEDNESDAY  
12 NOVEMBER

Date and time for determining eligibility to vote at the Lend Lease Group AGM

10:00 AM  
FRIDAY  
14 NOVEMBER

The Lend Lease Group AGM

20 NOVEMBER

Entitlement Date for participating in the Capital Reduction

21 NOVEMBER

Implementation date:

- the Company's capital is reduced by \$400.5 million
- the amount of the Capital Reduction is applied as additional capital to Lend Lease Trust

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## WHAT IS THE PURPOSE OF THIS EXPLANATORY STATEMENT?

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The Company's shareholders are being asked to approve a capital reallocation through a reduction in the capital of the Company and the application of that capital to Lend Lease Trust (**Capital Reallocation Proposal**). This Explanatory Statement provides information to shareholders about the Capital Reallocation Proposal.

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## WHAT IS THE BACKGROUND TO THE CAPITAL REALLOCATION PROPOSAL?

The Lend Lease Group became a stapled group in November 2009, when each ordinary Share in the Company (**Share**) was stapled to one Unit issued by Lend Lease Trust (ARSN 128 052 595) (**LLT**).

LLT was established to allow the Lend Lease Group the flexibility to acquire and hold passive assets in a more efficient way. At the time, LLT was established with nominal capital on the basis that the Company would seek to capitalise LLT at appropriate times in the future when potential investment opportunities for LLT had been identified.

In July 2012, LLT made a \$500.0 million commitment to invest in Lend Lease International Towers Sydney Trust (**LLITST**). This investment resulted in a 25% indirect interest in the ownership of commercial towers (known as Tower 2 and Tower 3) at the Barangaroo South development in Sydney, Australia. LLT's commitment to LLITST is guaranteed by the Company.

In November 2012, the Company reallocated \$500.3 million of capital to LLT in order to provide LLT with a capital base to pursue the holding of passive assets and access the intended benefits of the stapling.

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## WHAT IS THE REASON FOR THE CAPITAL REALLOCATION PROPOSAL?

Since the capital reallocation in November 2012, the Company has investigated and, where appropriate, presented various investment opportunities to LLT.

In line with LLT's intended purpose to further invest in passive assets, LLT invested \$225.0 million in Australian Prime Property Fund Commercial (APPFC) and \$239.1 million in Australian Prime Property Fund Industrial (APPFI) in financial year 2014. APPFC and APPFI are wholesale property investment vehicles managed by a subsidiary of the Company.

In April 2014, LLT announced it had entered into an agreement to reduce its co-investment in LLITST from 25% to 15% via a sale to international pension fund APG. This sale has reduced LLT's commitment to LLITST from \$500.0 million to \$300.0 million. LLT has invested \$62.1 million of the \$300.0 million commitment to LLITST at 30 June 2014. The remainder of the \$300.0 million commitment from LLT to LLITST will be contributed progressively over the next two years.

The above investments by LLT have fully utilised its available capital and have required the draw down on a loan from the Company to provide additional funding. The loan facility of \$300.0 million was drawn down to \$72.0 million at 30 June 2014.

Also in April 2014, the Company announced that the Lend Lease Group will commence the development and funding of 100% of the Barangaroo South commercial building known as Tower 1, via existing capital sources. The development activities in relation to the Barangaroo South development, including Tower 1, are managed by a subsidiary of the Company. The Lend Lease Group intends to introduce co-investors into Tower 1 at an appropriate time in the future. In line with the intended benefits of the stapling, LLT may invest in Tower 1 in the future.

The Company is now proposing to reallocate additional capital to provide LLT with a capital base to hold further passive assets. More detail on the reasons for the Capital Reallocation Proposal is set out in section 3 'Rationale for the Capital Reallocation Proposal'.

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## HOW WILL THE CAPITAL REALLOCATION PROPOSAL OCCUR?

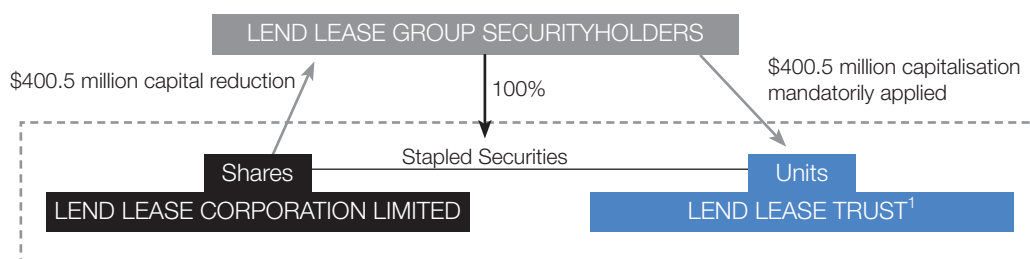
The reallocation of capital from the Company to LLT involves the following two steps:

1. the reduction of the Company's share capital by \$400.5 million in aggregate (the **Capital Reduction**); and
2. the application of that amount as additional capital to LLT by the Company as agent for each member (the **LLT Capitalisation**).

The Capital Reduction and LLT Capitalisation cannot occur without the approval of the Company's shareholders (by ordinary resolution). Resolution 5a seeks shareholder approval to implement the Capital Reduction. Resolution 5b seeks shareholder approval to implement the LLT Capitalisation. Neither the Capital Reduction nor the LLT Capitalisation will occur unless both resolutions are approved.

The Capital Reallocation Proposal will not result in the payment of any amount directly to shareholders nor the issue or cancellation of any Shares or Units.

Set out below is a diagram that shows the relationship between the Company, LLT and the Lend Lease Group securityholders and the impact of the Capital Reallocation Proposal:



1. The responsible entity of LLT is Lend Lease Responsible Entity Limited, a wholly owned subsidiary of the Company.

More detail on the two steps is set out in section 2 'Implementing the Capital Reduction and LLT Capitalisation'.

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## 2 Implementing the Capital Reduction and LLT Capitalisation

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### WHAT DOES THE CAPITAL REDUCTION INVOLVE?

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The Capital Reduction involves an 'equal' reduction of the Company's issued share capital. Under the Corporations Act 2001 (Cth) (**Act**), this means that the reduction will apply to each holder of Shares, in proportion to the number of Shares they hold, and on the same terms.

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### HOW MUCH IS THE CAPITAL REDUCTION?

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The Capital Reduction will involve the return of an aggregate amount equal to \$400.5 million on 21 November 2014 and will apply to the registered holders of Shares as at the Entitlement Date (20 November 2014, being the record date for participation in the Capital Reduction).

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### HOW WILL THE CAPITAL REDUCTION AFFECT MY SHARES?

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The Company has 579,596,726 Shares on issue. The Capital Reduction will reduce the capital referable to each Share by \$0.691<sup>1</sup>.

The Capital Reduction will not affect the number of Shares on issue, or change the number of Shares held by each shareholder of the Company. Accordingly, it will not affect the control of the Company.

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### WHAT DOES THE LLT CAPITALISATION INVOLVE?

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The LLT Capitalisation involves the Company on behalf of members applying the proceeds of the Capital Reduction as additional capital to LLT. All proceeds of the Capital Reduction will be applied to LLT. No member will receive a cash distribution and all members will be treated equally.

The proceeds will be applied pro rata in proportion to each member's respective holding of existing Units in LLT. The members may authorise the Company to do this (by ordinary resolution) pursuant to clause 2.6 of the Company's constitution.

Together the Capital Reduction and the LLT Capitalisation make up the Capital Reallocation.

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### HOW WILL THE LLT CAPITALISATION OCCUR?

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Upon receipt of the proceeds from the Capital Reduction, Lend Lease Responsible Entity Limited (as trustee of LLT) will apply those funds to pay up further capital on the members' existing Units in LLT. This will occur on a pro rata basis across all existing Units. The Board of Lend Lease Responsible Entity Limited (as trustee of LLT) has resolved to apply the proceeds of the Capital Reduction in this way.

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### HOW WILL THE LLT CAPITALISATION AFFECT MY UNITS?

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The amount of capital referable to existing Units will be increased by an amount equal to the reduction of capital on existing Shares (i.e. \$0.691<sup>1</sup> per Share).

The LLT Capitalisation will not affect the number of Units held by each member. No additional Units will be issued to any member, nor will any member acquire any additional rights in LLT or the Company, other than the entitlement to additional issued capital referable to each Unit of LLT.

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1. The cents per Share and cents per Unit of capital referable to existing Shares and Units have been rounded to three decimal places. The unrounded amount is \$0.69099769207.

### 3 Rationale for the Capital Reallocation Proposal

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#### **EFFICIENT STRUCTURE TO HOLD PASSIVE ASSETS**

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The Capital Reallocation will assist LLT to fund its passive assets. The key benefits of holding passive assets through LLT include the following:

- more predictable distributions on income generated from passive assets;
- yield enhancement from income streams from passive assets; and
- enhanced cash position of members where distributions are treated as tax-deferred (see attached Tax Letters for further detail on taxation implications).

The anticipated benefits outlined above will occur over time where passive assets held by LLT are not yet earning distributable income (such as LLITST during the development phase of Barangaroo South).

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#### **FUTURE OPPORTUNITIES AND INVESTMENTS**

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With an established global development pipeline of \$37.7 billion and funds under management of \$16.3 billion, the Company will continue to assess the appropriate funding structure for its investment opportunities and may present investment opportunities to LLT.

The LLT capitalisation will provide LLT with access to further capital to make these investments.

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## 4 Financial Impacts of the Capital Reallocation Proposal

The financial information<sup>1</sup> set out in the corresponding table shows:

- the Pre Capital Reallocation statements of financial position of the Lend Lease Group (excluding LLT), plus the standalone financial position of LLT and the Consolidated Lend Lease Group. The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Lend Lease Group's financial report. The statement of financial position of LLT has been set out separately to demonstrate the impact of the Capital Reallocation Proposal on the individual financial position of LLT; and
- the Post Capital Reallocation pro forma statements of financial position representing the Pre Capital Reallocation financial information adjusted for the impact of the Capital Reallocation Proposal, assuming the transaction had occurred on 30 June 2014. The financial impact of the pro forma adjustments is to transfer \$400.5 million of cash from the Company to LLT, with a corresponding increase in the equity of LLT and decrease in the equity of the Company. There is no net financial impact on the consolidated net assets or equity of the Lend Lease Group as a result of the Capital Reallocation Proposal.

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1. The financial information in this section does not contain all of the disclosures usually provided in a consolidated financial report prepared in accordance with Australian Accounting Standards. Further financial information and disclosures, including detail on key accounting policies for the Lend Lease Group can be found in the financial reports of the Lend Lease Group which can be obtained from the Investor Centre at [www.lendlease.com](http://www.lendlease.com).

	Pre Capital Reallocation June 2014 A\$ million			Post Capital Reallocation June 2014 A\$ million		
	Lend Lease Group (excluding LLT)	LLT	Consolidated	Lend Lease Group (excluding LLT)	LLT	Consolidated
<b>Current Assets</b>						
Cash and cash equivalents	1,667.5	48.3	1,715.8	1,267.0	448.8	1,715.8
Loans and receivables <sup>1</sup>	1,830.7	18.6	1,777.3	1,830.7	18.6	1,777.3
Inventories	1,345.6	-	1,345.6	1,345.6	-	1,345.6
Other financial assets	50.4	-	50.4	50.4	-	50.4
Other assets	43.5	-	43.5	43.5	-	43.5
<b>Total current assets</b>	<b>4,937.7</b>	<b>66.9</b>	<b>4,932.6</b>	<b>4,537.2</b>	<b>467.4</b>	<b>4,932.6</b>
<b>Non Current Assets</b>						
Loans and receivables	622.7	11.1	633.8	622.7	11.1	633.8
Inventories	1,785.9	-	1,785.9	1,785.9	-	1,785.9
Equity accounted investments	497.1	80.9	578.0	497.1	80.9	578.0
Investment properties	4,832.0	-	4,832.0	4,832.0	-	4,832.0
Other financial assets	504.5	467.6	972.1	504.5	467.6	972.1
Deferred tax assets	251.3	-	251.3	251.3	-	251.3
Property, plant & equipment	360.3	-	360.3	360.3	-	360.3
Intangible assets	1,323.7	-	1,323.7	1,323.7	-	1,323.7
Defined benefit plan asset	7.6	-	7.6	7.6	-	7.6
Other assets	74.5	-	74.5	74.5	-	74.5
<b>Total non current assets</b>	<b>10,259.6</b>	<b>559.6</b>	<b>10,819.2</b>	<b>10,259.6</b>	<b>559.6</b>	<b>10,819.2</b>
<b>Total assets</b>	<b>15,197.3</b>	<b>626.5</b>	<b>15,751.8</b>	<b>14,796.8</b>	<b>1,027.0</b>	<b>15,751.8</b>
<b>Current Liabilities</b>						
Trade and other payables	3,992.9	41.2	4,034.1	3,992.9	41.2	4,034.1
Resident liabilities <sup>2</sup>	3,195.5	-	3,195.5	3,195.5	-	3,195.5
Borrowings and financing arrangements <sup>1</sup>	-	72.0	-	-	72.0	-
Provisions	254.6	-	254.6	254.6	-	254.6
Current tax liabilities	51.4	-	51.4	51.4	-	51.4
Other financial liabilities	40.0	-	40.0	40.0	-	40.0
<b>Total current liabilities</b>	<b>7,534.4</b>	<b>113.2</b>	<b>7,575.6</b>	<b>7,534.4</b>	<b>113.2</b>	<b>7,575.6</b>
<b>Non Current Liabilities</b>						
Trade and other payables	722.3	-	722.3	722.3	-	722.3
Provisions	82.3	-	82.3	82.3	-	82.3
Borrowings and financing arrangements	2,347.0	-	2,347.0	2,347.0	-	2,347.0
Defined benefit plan liability	39.5	-	39.5	39.5	-	39.5
Other financial liabilities	59.6	-	59.6	59.6	-	59.6
Deferred tax liabilities	56.7	-	56.7	56.7	-	56.7
<b>Total non current liabilities</b>	<b>3,307.4</b>	<b>-</b>	<b>3,307.4</b>	<b>3,307.4</b>	<b>-</b>	<b>3,307.4</b>
<b>Total liabilities</b>	<b>10,841.8</b>	<b>113.2</b>	<b>10,883.0</b>	<b>10,841.8</b>	<b>113.2</b>	<b>10,883.0</b>
<b>Net Assets</b>	<b>4,355.5</b>	<b>513.3</b>	<b>4,868.8</b>	<b>3,955.0</b>	<b>913.8</b>	<b>4,868.8</b>
<b>Equity</b>						
Issued capital	1,618.2	504.7	2,122.9	1,217.7	905.2	2,122.9
Treasury securities	(116.1)	-	(116.1)	(116.1)	-	(116.1)
Reserves	24.4	-	24.4	24.4	-	24.4
Retained earnings	2,824.0	8.6	2,832.6	2,824.0	8.6	2,832.6
External non controlling interests	5.0	-	5.0	5.0	-	5.0
<b>Total Equity</b>	<b>4,355.5</b>	<b>513.3</b>	<b>4,868.8</b>	<b>3,955.0</b>	<b>913.8</b>	<b>4,868.8</b>

1. \$72.0 million loan between a related party in the Lend Lease Group and LLT has been eliminated in the Consolidated Statement of Financial Position.

2. Resident liabilities are required to be classified as current liabilities under Australian Accounting Standards as residents may depart at any time; however, the history of the Lend Lease Group's retirement villages is that residents stay for an average period of 11 years in independent living units and six years in serviced apartments.

## 5 Advantages and Disadvantages of the Capital Reallocation Proposal

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### ADVANTAGES OF THE CAPITAL REALLOCATION PROPOSAL

As set out in section 3 above, LLT was established to provide the Lend Lease Group the flexibility to hold passive assets in a more efficient structure.

The tax transparent nature of LLT will allow it to distribute earnings from passive assets to members on a pre-tax basis. Distributions from LLT on a pre-tax basis should enhance the yield from passive assets. Depending on the circumstances of individual members, distributions of income or capital gains by LLT may also result in more efficient tax outcomes for the member.

The enhanced yield on passive assets is contingent on LLT earning distributable income on its investments. In the context of LLT's investment in LLITST, it is not anticipated that distributable income associated with rent will flow until completion of Towers 2 and 3 at Barangaroo South, targeted for financial year 2016. In the interim, distributable earnings in LLT will be sourced from income from its investments in APPFC and APPFI and short-term investment of its surplus cash which may include cash deposits with financial institutions.

The Capital Reallocation Proposal reallocates capital from the Company to LLT providing it with additional capacity to make further investments in passive assets and allow members to access the benefits described above. If LLT were to borrow the necessary funds, any interest paid would reduce the income otherwise distributable by LLT.

A hypothetical example showing the indicative impact of the benefits of holding a passive asset in LLT funded from the Capital Reallocation Proposal proceeds versus holding a passive asset in the Company is shown in Appendix A.

LLT may pay distributions which include tax-deferred amounts. Tax-deferred amounts arise from non-cash expenses, such as depreciation, thereby sheltering income earned by LLT. For tax-deferred distributions to give full access to yield enhancements for members, members should have a tax cost base in their Units that is greater than the tax-deferred distribution amounts.

The Australian tax consequences of receiving tax-deferred distributions are discussed in the attached Tax Letter from PricewaterhouseCoopers.

Members should seek their own professional tax advice referable to their own circumstances and to their own jurisdictions.

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### DISADVANTAGES OF THE CAPITAL REALLOCATION PROPOSAL

The Capital Reallocation Proposal reallocates capital from the Company to LLT.

The range of investment options available to LLT is limited to passive assets and other eligible investments. However, the holding of such assets is consistent with the Lend Lease Group's strategy to target to earn circa 20% to 30% of its earnings from recurring earnings streams, including from the ownership of passive assets. LLT is an efficient vehicle for the holding of these assets.

Following the Capital Reallocation, the Company (viewed separately) would have less cash with which to pursue investments. On completion of the Capital Reallocation however, there will be no change in the total funds available for the Lend Lease Group to pursue its investments.

Some general observations on tax implications for members in Australia, the US and the UK, are set out in the attached Tax Letters from PricewaterhouseCoopers, Winston & Strawn LLP and Linklaters respectively. The tax consequences for members will be dependent on their individual circumstances, including the jurisdiction in which they are resident. In certain jurisdictions there may be adverse tax consequences to individual members. Members should seek their own professional tax advice referable to their own circumstances and to their own jurisdictions.

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**WHAT HAPPENS  
IF THE CAPITAL  
REALLOCATION  
PROPOSAL IS NOT  
APPROVED?**

If the Capital Reallocation Proposal is not approved, there will be no change to the Lend Lease Group's capital structure at this stage. New passive investment opportunities may continue to be pursued through the Company rather than LLT. In this case, the benefits of the stapling, as described above may not be fully accessed in respect of future investments.

The Company has guaranteed LLT's obligations in relation to its remaining commitments to LLITST. If the Capital Reallocation Proposal is not approved, the Company will continue to lend funds to LLT, if required, for LLT to meet its remaining LLITST commitments.

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**HOW WILL  
THE CAPITAL  
REALLOCATION  
PROPOSAL  
AFFECT THE LEND  
LEASE GROUP'S  
DISTRIBUTION POLICY?**

It is intended that distributions from LLT after the LLT Capitalisation will continue to be based on the operating income of LLT as outlined in clause 10.4 of the LLT Constitution.

Distributions from LLT may be off-set to some extent by some reduction in the amount distributed from the Company. The directors of the Company separately assess its dividend pay-out ratio from time to time in light of prevailing circumstances and will continue to do so.

The Lend Lease Group's current distribution policy is to pay-out between 40% and 60% of statutory profit after tax.

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**WHAT ARE THE  
STATUTORY  
REQUIREMENTS TO  
IMPLEMENT THE  
CAPITAL REDUCTION?**

Under the Act, a company can reduce its share capital if the reduction:

- (a) is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders under section 256C of the Act.

Having considered these matters, the directors of the Company consider that the Capital Reduction:

- (a) is fair and reasonable to the Company's shareholders as a whole; and
- (b) does not materially prejudice the Company's ability to pay its creditors.

Shareholders will be treated equally under the Capital Reduction. The holders of Shares in the Company also hold Units in LLT in the same proportions. The effect of the Capital Reallocation is simply to reallocate capital across the Lend Lease Group as contemplated at the time the stapling was established and in accordance with the constitutions of the Company and LLT. The Capital Reallocation does not affect control of the Lend Lease Group in any way.

The Company has assessed its financial position having regard to its obligations, liabilities and commitments and considers that the Capital Reduction does not materially prejudice the Company's ability to pay its creditors. In making this assessment, the Company has considered the classification of resident liabilities in relation to retirement villages as shown in the Lend Lease Group Statement of Financial Position (refer section 4 'Financial Impacts of the Capital Reallocation Proposal'). Resident liabilities are required to be classified as current liabilities under Australian Accounting Standards as residents may depart at any time. The history of the Lend Lease Group's retirement villages is that residents stay for an average period of 11 years in independent living units and six years in serviced apartments. Accordingly for this purpose the Company has assessed the likely maturity of these liabilities on a basis consistent with this historical profile.

Accordingly, the directors of the Company consider that the requirements of the Act are satisfied in relation to the proposed Capital Reduction.

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## 7 Recommendation and Notice

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### DIRECTORS' RECOMMENDATION

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The directors of the Company unanimously recommend that the Company's shareholders vote in favour of the Capital Reduction and LLT Capitalisation.

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### VOTING INTENTION OF DIRECTORS

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As at 15 October 2014, the directors of the Company hold in aggregate 957,011 Shares in the Company out of a total of 579,596,726 Shares in the Company on issue (0.165%). The directors support the Capital Reallocation Proposal and intend to vote all of their Shares in the Company in favour of the Capital Reallocation Proposal.

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### CONSENTS AND DISCLAIMERS

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Each of PricewaterhouseCoopers, Winston & Strawn LLP and Linklaters has given and has not, before the date of issue of this Explanatory Statement, withdrawn its consent to:

- be named in this Explanatory Statement as taxation adviser to the Company in relation to the Capital Reallocation Proposal;
- the inclusion of their respective Tax Letters in the form and context in which they are included in this Explanatory Statement.

Each of PricewaterhouseCoopers, Winston & Strawn LLP and Linklaters:

- does not make, or purport to make, any statement in this Explanatory Statement other than those statements included in their respective Tax Letters; and
  - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Statement other than as described in this section with their consent.
- 

### NO OTHER MATERIAL INFORMATION

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Other than as set out in this Explanatory Statement and noted below, there is no other information known to directors of the Company which they consider may reasonably be expected to be material to a shareholder in deciding whether or not to vote in favour of the Capital Reduction and LLT Capitalisation.

As contemplated by the Act, this Explanatory Statement does not disclose information where it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to the Company's shareholders.

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## Definitions

<b>Act</b>	Corporations Act 2001 (Cth).
<b>AGM</b>	the annual general meeting of the Company, to be held at 10:00am on 14 November 2014 at the Ballroom, Four Seasons Hotel, 199 George Street, Sydney NSW.
<b>Capital Reallocation Proposal or Capital Reallocation</b>	the reduction in the capital of the Company and the application of that capital to Lend Lease Trust as described in this Explanatory Statement.
<b>Capital Reallocation Resolutions</b>	resolutions 5a and 5b to be considered by the Company's shareholders at the AGM, which relate to: <ul style="list-style-type: none"> <li>– the Capital Reduction; and</li> <li>– the LLT Capitalisation.</li> </ul>
<b>Capital Reduction</b>	the reduction of the Company's share capital by \$400.5 million in aggregate.
<b>Company</b>	Lend Lease Corporation Limited (ABN 32 000 226 228).
<b>Entitlement Date</b>	the record date for participation in the Capital Reduction in accordance with the ASX Listing Rules.
<b>Lend Lease Group</b>	the stapled group comprising the Company, its subsidiaries and LLT.
<b>LLITST</b>	Lend Lease International Towers Sydney Trust.
<b>LLT or Lend Lease Trust</b>	Lend Lease Trust (ARSN 128 052 595).
<b>LLT Capitalisation</b>	the application of the amount of the Capital Reduction as additional capital to LLT by the Company as agent for each member.
<b>LLT Constitution</b>	the constitution of LLT dated 12 November 2009.
<b>member</b>	a holder of stapled securities in the Lend Lease Group.
<b>Notice of Meetings</b>	the notice to convene the AGM on 14 November 2014 to consider and, if thought fit, pass various resolutions, including the Capital Reallocation Resolutions.
<b>Share</b>	an ordinary share in the Company.
<b>Tax Letters</b>	the taxation related letters prepared by each of PricewaterhouseCoopers, Winston & Strawn LLP and Linklaters as included in the Attachments.
<b>Unit</b>	an ordinary unit in LLT.

## Interpretation

Headings and boldings are inserted for convenience and do not affect the interpretation of this Explanatory Statement and unless the contrary intention appears:

- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- the singular includes the plural and vice versa;
- the word person includes an individual, a firm, a body corporate, an unincorporated association or an authority;
- mentioning anything after includes, including, for example, or similar expression, does not limit what else might be included;
- a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- a reference to a time is a reference to the time in Sydney, New South Wales;
- a reference to any thing (including any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to any one or more of them;
- a reference to a part, clause, annexure, exhibit or schedule is a reference to a part and clause of, and an annexure, exhibit and schedule to, this Explanatory Statement; and
- a reference to \$, A\$ or cents is to Australian currency unless denominated otherwise.

### Hypothetical example showing potential impact of the Capital Reallocation Proposal

The example below illustrates the potential impact of the Capital Reallocation Proposal on the net operating income of the Lend Lease Group for a full year. This example is based on the hypothetical acquisition of a fully complete \$100.0 million property investment earning rental income (based on the assumptions set out below). This hypothetical example is not intended to be a forecast or estimation of actual performance of LLT's investments.

Profit & Loss (\$ millions)	Pre Capital Reallocation			Post Capital Reallocation		
	Lend Lease Group (excl LLT)	LLT	Consolidated	Lend Lease Group (excl LLT)	LLT	Consolidated
Net operating income before tax	7.0	-	7.0	-	7.0	7.0
Tax	(2.1)	-	(2.1)	-	-	-
<b>Net operating income after tax</b>	<b>4.9</b>	<b>-</b>	<b>4.9</b>	<b>-</b>	<b>7.0</b>	<b>7.0</b>

Income earned by the Company is taxed at the Company level. Distributions made by the Company (dividends) are taxed in the shareholders' hands and may benefit from franking when credits are available and attached to those dividends.

Income earned by LLT is generally not taxed at the trust level. Distributions made by LLT are taxed in the members' hands in accordance with their individual circumstances.

#### Assumptions

- The funding structure under each scenario is as follows:
  - Pre Capital Reallocation – The Company funds the investment from cash
  - Post Capital Reallocation – LLT is capitalised by \$100.0 million through a capital reduction from the Company, funded by the Company from cash. LLT funds the \$100.0 million investment from cash
- Company tax rate is 30%
- The property investment is tenanted with 7% earnings yield
- The example does not:
  - examine the impacts on distribution policy, franking credits which may be distributed from the Company before the Capital Reallocation or on any carried forward losses in the Company
  - include transaction costs, operating costs, capital expenditure or depreciation and amortisation
  - take into account the impact of tax-deferred distributions which should arise as an ordinary consequence of LLT's investment in passive assets. Tax-deferred distributions will arise if and when LLT distributes rental income against which tax depreciation and other tax allowances have been claimed. These allowances may result in LLT having more cash arising from its investment than net income for tax purposes. Such cash distributed to members is received on a tax-deferred basis (see section B of the PricewaterhouseCoopers Tax Letter)



The Directors  
Lend Lease Corporation Limited

The Directors  
Lend Lease Responsible Entity Limited  
as trustee for Lend Lease Trust

30 The Bond  
30 Hickson Road  
MILLERS POINT NSW 2000

10 October 2014

Dear Sirs

## ***Capital Reallocation – Australian Taxation Implications***

We have been engaged by Lend Lease Corporation Limited and Lend Lease Responsible Entity Limited as trustee for Lend Lease Trust to provide a general summary of the Australian tax consequences for members arising as a result of the Capital Reallocation. This summary has been prepared for inclusion in the Explanatory Statement dated on or about 15 October 2014 to be issued by Lend Lease Corporation Limited in respect of the Capital Reallocation.

The information contained in this document does not constitute "financial product advice" within the meaning of the Corporations Act 2001 (Cth) (**Corporations Act**). The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product.

This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient of the Explanatory Statement. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should also consider seeking specific professional advice on the taxation implications of holding or disposing of the securities, as well as the implications of the Capital Reallocation, taking into account their own individual circumstances.

This summary is based on existing law and established interpretations as at the date of this letter. This summary does not address the consequences that arise for members that hold their securities on revenue account or as trading stock.

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The summary does not apply to members that are subject to the taxation of financial arrangement (**TOFA**) rules in Division 230 of the Income Tax Assessment Act 1997 in relation to gains and losses on their securities.

Each member holds stapled securities in Lend Lease, which consist of a Unit in Lend Lease Trust (**LLT**) and a Share in Lend Lease Corporation Limited (**the Company**) (together, a **Stapled Security**). Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for Australian tax purposes.

The terminology and definitions used in this letter is consistent with that of the Explanatory Statement containing this letter.

### ***A. Proposed Capital Reallocation Steps***

The Capital Reallocation will involve a reduction of capital by way of a capital distribution to the shareholders of the Company, which will then be compulsorily applied as a further capital contribution in respect of each member's unit in LLT.

#### ***1 Class Ruling***

In order to remove any doubt, the Company has applied to the Australian Taxation Office (**ATO**) for a class ruling for the benefit of members. The Class Ruling will be issued by the ATO after implementation of the Capital Reallocation. We understand that the Class Ruling, once issued, will confirm the tax treatment of the Capital Reallocation as set out below.

#### ***2 Treatment of distribution of capital***

The distribution of capital by the Company should not be included in a member's assessable income as dividend income.

#### ***3 Cost base of Shares in the Company***

As a result of the Capital Reduction, the cost base and reduced cost base in a member's existing Shares in the Company should be reduced by an amount equal to the capital distribution received in respect of the Shares. This will be relevant for the purpose of calculating a member's net capital gain or loss on a later disposal.

#### ***4 Immediate capital gains***

##### ***Australian tax resident members***

To the extent that the Capital Reduction per Share exceeds the cost base in a Share, a member will make an immediate capital gain equal to that excess. This capital gain will be disregarded if the relevant Share was acquired on or before 19 September 1985. If a member is an individual, a complying superannuation entity, or a trustee and acquired Shares for Capital Gains Tax (**CGT**) purposes at least 12 months prior to the date of the Capital Reduction, the amount of the member's capital gain is reduced by the relevant CGT discount. If the member's capital gain is calculated in this way, the cost base used in the capital gain calculation cannot be indexed.

If a member who is an individual or a trustee applies the CGT discount method, the member's taxable capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years) will be reduced by 50% (or 33<sup>1</sup>/<sub>3</sub>% if the member is a complying superannuation entity).



#### *Non-Australian tax resident members*

To the extent that the Capital Reduction per Share exceeds the cost base in a Share, a member will make an immediate capital gain equal to that excess. This capital gain will be disregarded if the relevant Share was acquired on or before 19 September 1985 or if the Share is not taxable Australian property (**TAP**). A Share should be TAP where:

- the member has held more than 10% of the Company's issued capital at the date of disposal or throughout a 12 month period that began no earlier than 24 months before the date of disposal and ended no later than the date of disposal; and
- more than 50% of the market value of the Share consists of taxable Australian real property (direct and indirect interests in Australian real property, including leases of Australian land).

Based on the current register of members, no non-resident member meets these requirements. Accordingly, there should be no CGT implications for any non-resident members in relation to the reduction to the cost base in existing Shares.

### **5**      *Cost base of Units in LLT*

As a result of the LLT Capitalisation, the cost base and reduced cost base in each Unit in LLT will be increased by an amount equal to the Capital Reduction, which will affect the capital gain/loss made on the disposal of the Units.

If a member does not make a capital gain in respect of the Shares as a result of the Capital Reduction, the sum of the decrease in the cost base and reduced cost base in the Shares in the Company should be equal to the sum of the increase in the cost base and reduced cost base in the Units in LLT. Accordingly, the overall cost base of each Stapled Security should remain the same.

If a member does make an immediate capital gain in respect of the Shares as a result of the Capital Reduction, the overall cost base of each Stapled Security should increase by the amount of the gross capital gain (i.e. before the application of the CGT discount, if available).

## **B.    Other**

### **1**      *Treatment of distributions from LLT*

LLT is a "flow through" trust under Division 6 of the Income Tax Assessment Act 1936 and should not generally be liable for income tax as it is intended that the members will be presently entitled to all of the income of LLT.

#### *Australian tax resident members*

Members are liable to pay tax on the full amount of their share of the taxable income of LLT in the year in which entitlement arises. A member's share of the taxable income of LLT must be included in that member's assessable income for the relevant income year.

Distributions from LLT may include various components, including, for example, a tax deferred component. Tax deferred distributions are generally not assessable when received unless and until the total tax deferred amounts received by a member exceed the cost base of the units in LLT. For CGT purposes, amounts of tax deferred distributions received reduce the cost base of the Units for the



member and affect the member's capital gain/loss on disposal of the Units. A member will make an immediate capital gain to the extent a tax deferred distribution is more than the member's cost base of the Units in LLT.

The capital gain component of a distribution by LLT must be included in the member's calculation of their net capital gain. Where the distributed capital gain includes a discounted capital gain component, the member is required to gross up that amount by the discount applied by LLT (i.e. 50%). The nominal capital gain (i.e. the whole amount of the gain prior to discounting) is then included in the calculation of the member's net capital gain. The member may be entitled in their own right to a CGT discount as an individual, trustee of a trust, or a complying superannuation entity.

#### *Non-Australian tax resident members*

Distributions from LLT consisting of dividends, royalties and interest will be subject to withholding tax (generally at a rate of 30% for dividends and royalties and 10% for interest). The rate of withholding tax may be reduced when distributions are paid to residents of countries with which Australia has entered into a tax treaty.

LLT is a Managed Investment Trust (**MIT**) as defined in Subdivision 12-H of the *Tax Administration Act 1953*. On this basis tax will be withheld from distributions to non-resident members in respect of Australian sourced income (other than dividends, royalties or interest) as follows:

- to the extent that a trust distribution includes an Australian sourced taxable component, tax will be withheld at 15% where the member is a resident in an Exchange of Information (**EOI**) country as defined for the MIT provisions (i.e. included in the regulations).
- to the extent that a trust distribution includes an Australian sourced taxable component that is attributable to payments from a clean building MIT, tax will be withheld at 10% where the member is a resident in an EOI country.
- if the member is not a resident in an EOI country, the rate is 30%.

Non-Australian tax resident members should not be required to lodge an Australian tax return in respect of a trust distribution that is subject to MIT withholding tax. This is because MIT withholding tax is a final tax. Distributions by LLT of foreign sourced income will not be subject to taxation in Australia.

The Australian Government announced in the 2014 Federal Budget that the start date for a new tax system for MITs will be deferred by 12 months to 1 July 2015. No exposure draft legislation has been released for public comment in respect of this proposal and therefore the impact of the proposed changes for members is not known. Members should monitor the progress of the proposed new regime and should obtain their own advice regarding its impact, considering their individual circumstances.

## **2 Disposal of stapled securities**

#### *Australian tax resident members*

The disposal of a Stapled Security involves the disposal of two separate assets, being the Unit in LLT and the Share in the Company. Where a member holds the Stapled Security on capital account, the disposal will have CGT implications for the member. Broadly, the member must include any realised capital gain or loss on the disposal of their Unit and Share in the calculation of their net capital gain or loss for the year. The tax consequences must be worked out separately for each Unit and Share.



A member will derive a capital gain on the disposal of the Share and Unit to the extent that the capital proceeds on disposal exceed the CGT cost base. A member will incur a capital loss on the disposal of the Share and Unit to the extent that the capital proceeds on disposal are less than the CGT reduced cost base.

The capital proceeds received on the disposal of a Stapled Security must be apportioned between the Unit and Share on a reasonable basis. The basis of such apportionment will be impacted by the Capital Reallocation. The CGT cost base of each Unit and Share will include the amount paid to acquire the Stapled Securities, together with any capital costs of acquisition or disposal, allocated to each Unit and Share on a reasonable basis. The cost base of each Unit in LLT will be reduced by any tax deferred distributions or returns of capital made by LLT. In addition, as outlined above, as a result of the Capital Reallocation, the respective cost bases of each Unit and Share will need to be adjusted for the Capital Reduction.

All capital gains and capital losses arising in a year, including distributions of capital gains, are added together to determine whether a member has derived a net capital gain or incurred a net capital loss in that year. If a member derives a net capital gain in a year, this amount is, subject to the comments below, included in the member's assessable income. If a member incurs a net capital loss in a year, this amount is carried forward and is available to offset capital gains derived in subsequent years, subject to certain tests where relevant.

If the member is an Australian tax resident individual and has held the Stapled Security for 12 months or more at the time of disposal and there is a net capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years), a discount factor of 50% may be available to that individual. If the member is a complying superannuation entity the discount factor that may be available is 33<sup>1/3</sup>%.

#### *Non-Australian tax resident members*

Where a non-resident member holds their Stapled Security on capital account, the disposal of the Stapled Security will have CGT implications only where either the Share or Unit constitutes TAP (refer to comments at section 3). As outlined above, based on the current register of members, no Shares or Units held by non-residents should meet the requirements to be considered TAP. Accordingly, there should be no CGT implications for any non-resident members on disposal of their Stapled Securities.

### **3 Other matters**

#### *GST*

No GST should be payable by members in respect of the Capital Reallocation.

\* \* \* \* \*

Yours faithfully

Ernest Chang  
Partner



North America Europe Asia

200 Park Avenue  
New York, NY 10166  
T +1 212 294 6700  
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October 10, 2014

The Directors  
Lend Lease Corporation Limited

The Directors  
Lend Lease Responsible Entity Limited as trustee for Lend Lease Trust

Level 4, 30 The Bond  
30 Hickson Road  
MILLERS POINT NSW 2000

Re: U.S. Federal Income Tax Consequences of Capital Reduction and Lend Lease Trust Capitalization

Ladies and Gentlemen:

We have been asked by Lend Lease Corporation Limited (the “Company”) to summarize certain United States (“U.S.”) Federal income tax consequences to the U.S. persons owning shares of the Company (the “Shares”) and units of Lend Lease Trust (“LLT”; such units constituting the “Units”) arising from a proposed reallocation of capital from the Company to LLT, as described in detail in the Explanatory Statement to which this letter is attached. Each such U.S. person is referred to herein individually as a U.S. Shareholder and collectively as the U.S. Shareholders.

The Company is seeking approval to reallocate capital to LLT, by way of the following transactions: (i) the reduction of the Company’s share capital through a payment to those shareholders registered as holders of ordinary shares on the Entitlement Date, including the U.S. Shareholders (the “Capital Reduction”); and (ii) the application of such amount to LLT by the Company, as agent for each such shareholder, pro rata in proportion to the number of Units held by each such shareholder in LLT (the “LLT Capitalization,” and together with the Capital Reduction, the “Capital Reallocation Proposal”).

Capitalized terms not defined herein have the same meanings assigned in the Explanatory Statement.

**This summary does not discuss all material tax consequences to any particular U.S. Shareholder nor any tax considerations that may be relevant to certain types of U.S. Shareholders subject to special treatment under U.S. Federal income tax laws. Further, this summary does not discuss any state or local tax laws. The tax consequences of the Capital Reallocation Proposal to a U.S. Shareholder will depend on each U.S. Shareholder’s particular circumstances. U.S. Shareholders are advised to consult their own tax advisors with respect to the application of the U.S. Federal income tax laws to the Capital Reallocation Proposal in their particular circumstances.**

The following summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations promulgated thereunder, current administrative rulings, judicial decisions and other applicable authorities, all of which are subject to change or new interpretation, both prospectively and retroactively, and such changes or interpretation, as well as changes in the facts as they have been represented to us or assumed by us, could affect the discussion herein. For purposes of the discussion herein, we have assumed that the Capital Reallocation Proposal will occur on or before December 31, 2014.

**I. U.S. Federal Income Tax Consequences of the Capital Reduction**

**A. Dividend Income**

For U.S. Federal income tax purposes, the Capital Reduction should result in a deemed dividend distribution (“Dividend”) from the Company to U.S. Shareholders to the extent the Capital Reduction is made out of the Company’s current and accumulated earnings and profits, as computed under U.S. Federal income tax principles (“E&P”). For this purpose, the current E&P of the Company will be determined as of the close of its taxable year (*i.e.*, June 30, 2015) and without regard to the amount of E&P of the Company at the time of the distribution.

Each U.S. Shareholder shall be required to include in gross income its respective share of the Dividend. With regard to dividends denominated in foreign currencies, the amount of dividend income that must be included in the income of a U.S. Shareholder is equal to the U.S. dollar value of any payment made to such U.S. Shareholder, determined using the spot rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into U.S. dollars.

To the extent the current and accumulated E&P of the Company is greater than the amount of the Capital Reduction, each U.S. Shareholder’s tax basis in the Shares should remain the same. If the Capital Reduction exceeds the Company’s current and accumulated E&P, each U.S. Shareholder’s pro rata share of such excess should be treated as a non-taxable return of capital to the extent of the U.S. Shareholder’s basis in its ordinary shares. Distributions in excess of such basis should be treated as amounts received on the sale or exchange of such ordinary shares, resulting in the recognition of capital gain.

The Capital Reduction will be in the amount of \$400,500,000. Based on the Company’s most recently published financial statements, it would appear that the Company’s accumulated E&P is in excess of such amount and thus that all of the Capital Reduction should be taxable as a Dividend for U.S. Federal income tax purposes.

**B. Applicable Tax Rates**

**1. U.S. Federal Income Tax Rates**

Generally, the U.S. Federal income tax rate applicable to a dividend depends on the status of the taxpayer receiving the dividend. Subject to the discussion set forth below, the following tax rates will apply to U.S. Shareholders depending on their status:

- Non-corporate U.S. Shareholders will generally recognize “qualified dividend” income, subject to tax at a rate up to 20 percent rate.
- Corporate U.S. Shareholders will generally recognize ordinary income subject to tax at the applicable marginal income tax rate up to 35 percent.
- Tax-exempt U.S. Shareholders (e.g., pension funds, individual retirement accounts and charities) generally will not be subject to tax with respect to their dividend income, provided that such dividend income does not constitute “unrelated business taxable income” (“UBTI”) of such tax-exempt U.S. Shareholder.

As stated above, a Dividend that a non-corporate U.S. Shareholder receives from the Company in a taxable year beginning on or after January 1, 2014 will be subject to a maximum U.S. Federal income tax rate of 20% if the dividend is a “qualified dividend.” Dividends shall be so treated if the non-corporate U.S. Shareholder has held the ordinary share on which the Dividend is paid for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, disregarding for this purpose any period during which the non-corporate U.S. Shareholder has entered into any of certain specified hedging transactions.

Additionally, in order for a dividend paid by a foreign corporation to constitute a “qualified dividend”, (i) either (a) the shares with respect to which such dividend is paid must be readily tradable on an established securities market in the United States, or (b) such foreign corporation must be eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Secretary of Treasury determines is satisfactory for this purpose and that includes an exchange of information program, and (ii) such foreign corporation must not have been, in the year prior to the year the dividend is paid, and must not be, in the year the dividend is paid, a passive foreign investment company (“PFIC”).

The income tax treaty between Australia and the United States (the “Treaty”) satisfies the requirements of clause (i)(b) and the Company believes it is eligible for the benefits of the Treaty. Whether or not the Company is a PFIC must be determined annually at the close of each taxable year. Based on its business results for the taxable year ended June 30, 2014 and the composition of its assets, the Company believes that it was not a PFIC for U.S. Federal income tax purposes for the taxable year ended June 30, 2014 and expects that it will not be a PFIC for the taxable year ended June 30, 2015, although there can be no assurance in this regard.

Dividend income that is not “qualified dividend” income is subject to tax as ordinary income. Ordinary income of a non-corporate U.S. Shareholder is generally subject to tax at marginal income tax rates, with a highest marginal rate of 39.6 percent.

A corporate U.S. Shareholder will be subject to U.S. Federal income tax on its Dividend income at the marginal income tax rate applicable to such corporation’s ordinary income, with a highest marginal rate of 35 percent.

A tax-exempt U.S. Shareholder generally will not be subject to U.S. Federal income tax on its portion of the Dividend. However, if such Dividend income constitutes UBTI,

it may be subject to U.S. Federal income tax. In general, passive income earned by a tax-exempt U.S. Shareholder should not constitute UBTI, unless funds are borrowed to acquire such passive income-producing assets. UBTI is generally subject to tax in the same manner as income recognized by a taxable corporation, with a highest marginal rate of 35 percent.

## **2. Tax on Net Investment Income**

Any Dividend paid by the Company to a high-income non-corporate U.S. Shareholder also should be subject to the tax on “net investment income”. The net investment income tax applies at a rate of 3.8 percent on the lesser of (i) a taxpayer’s “net investment income” for the tax year or (ii) the excess of the taxpayer’s modified adjusted gross income (“AGI”) for the tax year over the “threshold amount.” The “threshold amount” is (i) \$200,000 for an unmarried individual; (ii) \$250,000 for a married joint-filing couple; or (iii) \$125,000 for a married taxpayer filing a separate return.

Generally, for purposes of the net investment income tax, “net investment income” is a taxpayer’s investment income reduced by properly allocable deductions. For this purpose, investment income includes gross income from dividends derived from a trade or business which is a passive activity with respect to the taxpayer. We have assumed that each non-corporate U.S. Shareholder does not materially participate in the Company’s business. As such, the Dividend income that a non-corporate U.S. Shareholder receives from the Company should be treated as dividend income from a passive activity with respect to such non-corporate U.S. Shareholder. Accordingly, each non-corporate U.S. Shareholder should be subject to the 3.8 percent net investment income tax on the Dividend income received by such U.S. Shareholder, in addition to the ordinary U.S. Federal income tax on such Dividend income..

## **II. U.S. Federal Income Tax Consequences of the LLT Capitalization**

### **A. Deemed Capital Contribution – Tax Basis Adjustment**

For U.S. Federal income tax purposes, the LLT Capitalization should be treated as if each U.S. shareholder made a capital contribution to LLT in an amount equal to the Capital Reduction deemed received by such U.S. Shareholder. A U.S. Shareholder, regardless of its status, should not recognize any gain as a result of the LLT Capitalization. Moreover, a U.S. Shareholder’s tax basis in its LLT Units should be increased by the amount of the Capital Reduction treated as a deemed capital contribution by such U.S. Shareholder to LLT.

The Company’s shares have been stapled with Units issued by LLT (together, a “Stapled Security”). As a consequence, a Company share and an LLT Unit that together comprise a Stapled Security may not be traded separately from each other. Accordingly, upon the disposition of a Stapled Security, the consideration received will be allocated between the Company share and LLT Unit that comprise the Stapled Security based on their relative fair market values for purposes of determining the gain or loss recognized upon such disposition for U.S. Federal income tax purposes.

If a U.S. Shareholder sells a Stapled Security, the U.S. Shareholder’s gain or loss with respect to a Unit will be equal to the difference between the amount realized on the sale of the Unit and the U.S. Shareholder’s adjusted tax basis in the Unit, as adjusted by the LLT

Contribution. The Stapled Securities are traded on the Australian Stock Exchange, an established securities market; therefore, for purposes of determining gain or loss in respect of the sale of the Units for a currency other than U.S. dollars, a cash-basis U.S. Shareholder is required to compute the amount realized with respect to the stock or securities (as determined on the trade date) by translating the units of foreign currency received into U.S. dollars at the spot rate on the settlement date of the sale while an accrual-basis U.S. Shareholder may elect whether to translate the units of foreign currency received into U.S. dollars at the spot rate on the trade date for the sale or on the settlement date of the sale. Subject to the PFIC rules discussed below, any such gain or loss will be capital gain or loss if the Unit was held as a capital asset, and will be long-term or short-term depending on whether the Unit has been owned for the long-term capital gain holding period (more than one year).

For an individual U.S. Shareholder, capital gain recognized on the sale or other disposition of a Unit held for more than one year will generally be taxed at a maximum rate of 20 percent. Capital gain for a Unit held for one year or less will be taxed at the rates applicable to ordinary income. For corporate U.S. Shareholders, long-term capital gains and short-term capital gains are taxable at the same rates as ordinary income, generally at a highest marginal rate of 35 percent. U.S. Shareholders must aggregate capital gains and losses for each taxable year. In the event a U.S. Shareholder realizes a net capital loss for any year, there are limitations on the ability to deduct such capital loss. Capital losses generally may be used only to offset capital gains.

A high-income non-corporate U.S. Shareholder's gain on the sale or other disposition of a Unit held for more than one year generally also should be subject to the 3.8 percent tax on net investment income

## **B. PFIC**

### *1. In General*

In general, a foreign corporation is a PFIC if (i) 75 percent or more of its gross income for the taxable year is passive income or (ii) the average percentage of assets it held during the taxable year which produce passive income or which are held for the production of passive income is at least 50 percent. Passive income includes both rents and the net gains from the sale of property which gives rise to rental income. If LLT is considered a PFIC, a U.S. Shareholder investing directly or indirectly in LLT must pay U.S. Federal income tax on certain distributions from, or gain from the disposition of, the Units at ordinary income tax rates, with an interest charge on the deemed tax deferred as if the gain was earned pro-rata over the U.S. Shareholder's holding period for the Units. For a taxable U.S. Shareholder, such consequences would generally be materially worse than the tax consequences described above. Based on its past and anticipated future income and the nature of its operations, LLT currently expects that it has been and will continue to be treated as a PFIC for U.S. Federal income tax purposes.

The adverse tax consequences of PFIC characterization, described above, to a taxable U.S. Shareholder may be mitigated if the U.S. Shareholder makes an election to treat LLT and any entity in which LLT directly or indirectly owns an equity interest that also is a PFIC (a "PFIC Subsidiary") as a qualified electing fund ("QEF"). However, in order to make

such election for LLT or any PFIC Subsidiary, the U.S. Shareholder must receive from LLT or such PFIC Subsidiary, as applicable, certain information regarding LLT or the PFIC Subsidiary and provide such U.S. Shareholder with access to the books and records of LLT or the PFIC Subsidiary.

Due to the number and nature of its investments, LLT has not previously compiled and expects for future years that it will not compile the information necessary and permit the access to its books and records (and the books and records of any PFIC Subsidiary) required to submit a PFIC Annual Information Statement for LLT or any PFIC Subsidiary to U.S. Shareholders.

## 2. *Reporting Requirements*

In general, a U.S. Shareholder who directly or indirectly owns an interest in a PFIC must complete the relevant portions of Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) for each PFIC unless a *de minimis* exception applies. Such reporting generally is required for tax years of a U.S. Shareholder ending on or after December 31, 2013 even if (i) no transaction occurs with respect to the PFIC that otherwise would require reporting on Form 8621 and (ii) the U.S. Shareholder is not making any election with respect to the shares of such PFIC. Failure to comply with these requirements, if applicable, could result in the imposition of penalties and in the extension of the statute of limitations applicable to the U.S. Shareholder's Federal income tax return for the relevant tax year in which such failure occurs.

Under the *de minimis* exception, a U.S. Shareholder that does not otherwise engage in a transaction with respect to the PFIC that must be reported on Form 8621 and is not making an election with respect to the shares of such PFIC will not be required to file a Form 8621 with respect to the stock of a PFIC it owns directly (or indirectly other than PFIC stock owned through another U.S. person or through another PFIC) if the value of such stock on the last day of the U.S. Shareholder's taxable year is \$25,000 or less (or \$50,000 or less in the case of married couple filing a joint return). Such a U.S. Shareholder also is not required to file a Form 8621 with respect to the stock in a PFIC it owns indirectly if the value of such stock on the last day of the U.S. Shareholder's taxable year is \$5,000 or less.

As the value of a U.S. Shareholder's LLT Units is expected to increase by reason of the LLT Capitalization, a U.S. Shareholder that otherwise would have qualified for the *de minimis* exception to Form 8621 reporting may cease to qualify for such exception as a result of the LLT Capitalization. **U.S. Shareholders are advised to consult their own tax advisors with respect to the U.S. Federal income tax reporting required as a result of their owning shares of a PFIC.**

## 3. *Tax Exempt U.S. Shareholders*

In general, income to a tax-exempt U.S. Shareholder is exempt from U.S. Federal income tax unless such income is treated as UBTI. Passive income is generally excluded from UBTI unless such income is derived from debt-financed property. Accordingly, a tax-exempt U.S. Shareholder should not be subject to U.S. Federal income tax with respect to its LLT Units

under the PFIC regime, unless the Shareholder's acquisition of the Units is debt-financed, within the meaning of the UBTI provisions.

A tax-exempt U.S. Shareholder generally is exempt from Form 8621 filing requirements unless income derived by such tax-exempt U.S. Shareholder with respect to the stock of a PFIC would be taxable to the tax-exempt U.S. Shareholder.

Very truly yours,

*Winston & Strawn LLP*

Winston & Strawn LLP

## Linklaters

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Direct Fax +44 207 456 2222  
mark.kingstone@linklaters.com

The Directors  
Lend Lease Corporation Limited  
30 The Bond  
30 Hickson Road  
Millers Point NSW 2000

The Directors  
Lend Lease Responsible Entity Limited (as  
trustee of the Lend Lease Trust)  
Level 4  
30 The Bond  
30 Hickson Road  
Millers Point NSW 2000

10 October 2014

Dear Directors

### United Kingdom Taxation

Unless otherwise stated, terms used in this letter are defined in the same way as they are in the Explanatory Statement.

We have been asked by the Company and LLT to provide a general summary of certain limited aspects of the UK tax treatment of the Capital Reduction and the LLT Capitalisation which we provide below.

The following paragraphs, which are intended as a general guide only, are based on United Kingdom ("UK") tax legislation and the practice of HM Revenue & Customs ("HMRC") (which may not be binding on HMRC) as at the date of this letter. They do not constitute tax advice and should not be relied on as such. They relate only to the position of shareholders in the Company ("**Shareholders**") who are the beneficial owners of their Company shares and their units in LLT, who hold their Company shares and their units in LLT as an investment (other than under a personal equity plan or an individual savings account) and who are resident, and if an individual, domiciled, only in the UK for taxation purposes. They do not apply to shareholders or unit holders to whom "split year" treatment applies or who have (or are deemed to have) acquired their shares or units by virtue of an office or employment, or shareholders or unit holders who are or will be officers or employees of the Company, LLT or a company forming part of the Lend Lease group.

If you are in any doubt as to your taxation position, you should consult an appropriate professional adviser immediately.

### ***Tax Consequences of the Capital Reduction***

#### *Income*

##### *Individuals*

The Capital Reduction should not give rise to a liability to UK tax on income for Shareholders within the charge to UK income tax. As such, Shareholders within the charge to UK income tax should be subject to tax in respect of the Capital Distribution in accordance with the provisions described in the section below (*Capital – Individuals and Corporates*).

##### *Corporates*

Based on the corporate history of the Company, and whilst the position is not free from doubt, it is our view that no amount of the Capital Reduction should be treated as an income distribution for UK corporation tax purposes. As such, Shareholders within the charge to UK corporation tax should be subject to tax in respect of the Capital Reduction in accordance with the provisions described in the section below (*Capital – Individuals and Corporates*), and not in accordance with the rules relating to company distributions.

##### *Individuals and Corporates*

The HMRC confirmation that the LLT Capitalisation can form part of the cost base of units (see “*Tax Consequences of the LLT Capitalisation*” below) is based on the premise that no part of the Capital Reduction constitutes an income distribution for UK tax purposes.

#### *Capital – Individuals and Corporates*

Shareholders who are within the charge to UK tax will, except in the circumstances set out in the following paragraph, be treated as making a part disposal of their Company shares which may, depending on such a Shareholder's individual circumstances (including the availability of exemptions, reliefs or allowable losses), give rise to a liability to UK tax on capital gains.

If a Shareholder's share of the Capital Reduction is small in comparison with the value of such Shareholder's Company shares, such Shareholder will not be treated as having disposed of the shares in respect of which such share of the Capital Reduction was received. Instead, an amount equal to such share of the Capital Reduction will be deducted from the base cost of the relevant Shareholder's Company shares.

Under current HMRC practice, any cash payment of £3,000 or less or (if greater) which is 5 per cent. or less of the market value of a Shareholder's holding of Company shares will generally be treated as small for these purposes.

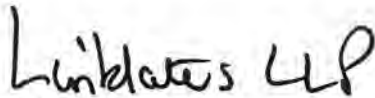
Other than for companies with a relevant currency other than sterling, for capital gains tax purposes, all amounts (including acquisition costs and disposal proceeds) are required to be translated into sterling at the relevant time so that, for example, gains may arise solely by reference to fluctuations in exchange rates.

### ***Tax Consequences of the LLT Capitalisation***

## Linklaters

As stated in the Explanatory Statement and in accordance with Clause 5.8(c) of the LLT Constitution, Lend Lease Responsible Entity Limited as trustee of LLT will treat the LLT Capitalisation as if it were payment in full of an instalment on a partly paid unit. HMRC confirmed in 2012 to Ernst & Young LLP (as UK taxation advisers to the Company and LLT) in relation to a similar capitalisation of LLT that took place in 2012 (the "**2012 LLT Capitalisation**") that as a result, and based on the specific facts of the 2012 LLT Capitalisation, the 2012 LLT Capitalisation could form part of the base cost of the units in LLT in computing any capital gain or allowable loss arising on their subsequent disposal. HMRC has stated that there have been no relevant technical changes since the 2012 LLT Capitalisation and that there is no objection to the same approach being taken to the current LLT Capitalisation. Holders of units in LLT should note that HMRC could at a later date reverse its position, in which case the LLT Capitalisation would not form part of such base cost.

Yours sincerely

A handwritten signature in black ink that reads "Linklaters LLP". The signature is written in a cursive, flowing style.

Linklaters LLP

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# Lend Lease

Lend Lease Corporation Limited ABN 32 000 226 228  
and  
Lend Lease Trust ARSN 128 052 595

## Lodge your vote:



### Online:

[www.investorvote.com.au](http://www.investorvote.com.au)



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 LLC  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:00am on Wednesday 12 November 2014

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

**Appointing a proxy:** If you wish to appoint the Chairman of the Meetings as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meetings please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meetings will be your proxy. If your named proxy attends the meeting but does not vote on a poll on an item of business in accordance with your voting directions, the Chairman of the Meetings will become your proxy in respect of that item.

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of Lend Lease Group.**

**Voting restrictions applying to key management personnel:** If you appoint a member of the key management personnel of Lend Lease Corporation Limited (which includes each of the Directors) or one of their closely related parties as proxy, the KMP will not be able to cast your votes on items 3 and 4 unless you direct them how to vote or the Chairman of the Meetings is your proxy.

If you appoint the Chairman of the Meetings as your proxy or the Chairman of the Meetings is appointed as your proxy by default, and you do not mark a voting box for items 3 and 4 then by signing and returning this form you will be expressly authorising the Chairman of the Meetings to exercise the proxy in respect of the relevant item even though the item is connected with the remuneration of the KMP of the Company. The Chairman of the Meetings intends to vote all available proxies in favour of each item of business.

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**GO ONLINE TO VOTE,  
or turn over to complete the form**

Samples/000001/000001/i

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Lend Lease Group hereby appoint



the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meetings. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meetings, as my/our proxy to act generally at the Meetings on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Lend Lease Corporation Limited and General Meeting of Lend Lease Trust to be held in the Ballroom, Four Seasons Hotel, 199 George Street, Sydney NSW on Friday 14 November 2014 at 10:00am and at any adjournment or postponement of the meetings.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meetings as my/our proxy (or the Chairman becomes my/our proxy by default), by signing and returning this form, I/we expressly authorise the Chairman to exercise my/our proxy on Items 3 and 4 (except where I/we have indicated a different voting intention below) even though the relevant item is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meetings is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on an item by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2 a) Re-election of Mr Colin Carter as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 b) Re-election of Mr Michael Ullmer as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Allocations of Performance Securities and Deferred Securities to the Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval for Capital Reduction of the Company and Lend Lease Trust Capitalisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meetings intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

LLC

999999A

Computershare +