

Serious surgery in the hope of returning LendLease to match fit condition.

Company/ASX Code	LendLease Group/LLC
AGM time and date	10.00 am (AEDT) 15 November 2024
Location	Wesley Theatre, Wesley Conference Centre, 200 Pitt Street, Sydney
Registry	Computershare
Type of meeting	Hybrid meeting*
Monitor	Peter Gregory
Pre-AGM Meeting	With Chair, Michael Ullmer; Chair- elect, John Gillam; and Rem Chair, Elizabeth Proust.

Monitor Shareholding: The individual(s) involved in the preparation of this voting intention have a shareholding in this company.

*Securityholders who are unable to attend in person will be able to fully participate (submit questions in writing and vote during the meeting). Questions can also be asked at the meeting by phone. Details for remote participation are in the Notice of Meeting.

1. How we intend to vote

No.	Resolution description	
2a	Election of John Gillam as a Director	For
2b	Re-election of Nicholas Collishaw as a Director	For
3	Remuneration Report	Against
4	Approval of Allocation of Market-Priced Options to the Managing Director	Against
5	Approval of Allocation of Performance Rights to the Managing Director	For
6	Provisional Takeover Rules	For
7	Conditional Board Spill Meeting Resolution	Against

2. Summary of Issues and Voting Intentions for AGM

- On 27 May 2024, LendLease announced a strategy update that simplifies the business, focuses on its strengths and releases less productive capital. The sustained restoration of securityholder value is dependent on this being the right strategy and its execution being effective and efficient.
- Chair Michael Ullmer will retire as a director and be replaced by Chair-elect John Gillam who is standing for election as a director at the AGM. John is charged with leading Lendlease through a period of significant change.

- Short term adjustments to the remuneration plan are intended to closely align management and securityholders through a focus on security prices. These may not be consistent with the long-term interests of individual shareholders.
- LendLease is a business that has some complexity to it, and the messaging from the company has not really told the story in understandable terms. It is important to bring the market, securityholders and employees along the transformation journey by telling the story well, frequently and a way that resonates with all stakeholders.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	-1,502	-232	-99	222	-310
UPAT (\$m)	263	257	276	377	206
Share price (\$)	5.41	7.75	9.11	11.46	12.37
Dividend (cents)	16.0	16.0	16.0	27.0	33.0
Simple TSR (%)	-28.1	-13.2	-19.1	-5.2	-2.3
EPS (cents)	-220	-33.7	-14.4	32.3	-51.4
CEO total remuneration, actual (\$m)	2.13	3.77	3.83	4.14*	3.61

*For 11 months of the year as the CEO left on 31 May 2021 and includes termination payments of \$1.9 million

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Securityholders have experienced a negative Total Shareholder Return for the past 4 years, with FY24 value loss of \$2.18 or 28% per security being the most disappointing.

While the Board has, during this year, been developing and implementing strategies to improve future outcomes for securityholders, the active intervention of a few large securityholders appears to have accelerated and perhaps intensified this process.

On 27 May 2024 LendLease announced a strategy update that is planned to improve securityholder value and position the Group for profitable future growth by:

- Simplifying the organisational structure and right size its cost base,
- Pivoting to focus onto its market-leading Australian business and international investments platform,
- Recycling \$4.5 billion of capital by completing transactions already announced and underway, exiting international construction and accelerating capital release from its offshore development projects and assets.

The ASX announcement describing the [LendLease strategy update](#) is available here.

To enable the successful implementation of this strategy LendLease has appointed a CEO for each of the core segments of Investment, Development and Construction Business replacing the previous regional structure.

A separate Capital Release Unit has been created under the direct leadership of Managing Director, Tony Lombardo to manage the release of \$4.5 billion of capital to maximise embedded value from:

- \$2.8 billion of assets that are intended for sale,
- the divestment of international Construction operations, and
- the release of capital from international Development.

Funds released will provide for debt reduction to strengthen the balance sheet together with a reduction in gearing to a target range of 5% to 15% by the end of FY26 (down from 10% to 20%). And an intended return of capital to securityholders of \$500 million through an on market buy-back.

It is noteworthy that there is a \$1.7 billion difference between FY24's NPAT and UPAT. This is largely due to restructuring costs and impairments to provide for the strategy update implementation. During the pre AGM meeting it was asked if there likely to be any additional future costs incurred. The monitor was advised that to date everything is going to plan. Note that many of the planned initiatives have already been completed including:

- Sale of 12 communities to Stockland. Further community sales are progressing,
- Establishment of the Asia Pacific Life Science JV with Warburg Pincus,
- US Military Housing sale announced,
- Sale of the US East Coast Construction,
- Removal of Regional Management Structure,
- \$60 million pre tax savings in FY24,
- And \$513 million of goodwill impaired, primarily from the 1999 acquisition of Bovis Constructions.

Michael Ullmer, as Chair, introduced a practice of, each year providing a video report for securityholders. [This 10 minute video gives security holders a valuable insight](#) into his perspective on FY24 together with his reflections on his time as Chair.

Governance and culture

With the magnitude of the changes from the strategy update the LendLease leadership will need to be conscious of the impact this may have on individuals and actively manage implementation so that the company culture is protected and even enhanced through a greater confidence in the future of the company.

Key board or senior management changes

Michael Ullmer who joined the Board in December 2011 and has been Chair since November 2018 will retire from the Board at the end of the FY24 AGM.

John Gillam has joined the Board as Chair-elect and will be standing for election as a director at the AGM.

Nicola Wakefield Evans has been a member of the Board since September 2013 and will be retiring at the FY24 AGM. It is expected she will be replaced when John Gillam, with the Board, has determined the skills and experiences required for the Board going forward.

Wendy Lee, long term Company Secretary has resigned.

Changes to personnel as a result of the new business structure include:

- Justin Gabbani appointed as CEO Investment Management effective 1 July 2024.
- Tom Mackellar appointed as CEO Development effective 1 July 2024.
- Dale Connor appointed as Group COO/CEO Construction effective 1 July 2024.
- Penny Ransom appointed as Chief Investment Officer effective 1 July 2024.
- Other executives in international locations have or are departing as part of the sale of assets and restructuring.
- Frank Krile ceased as Group CRO effective from 31 July 2024

Sustainability/ESG

LendLease has a strong history of environmental achievements. While a key achievement stated for LendLease was a 53% reduction in scope 1 & 2 emissions since 2020, at the pre AGM meeting we discussed the validity of this measure and suggested that an intensity measure is more appropriate for LendLease to use. This is particularly so considering the significant nature of business changes that LendLease is undertaking. This is under consideration.

4. Rationale for Voting Intentions

Resolution 2a Election of John Gillam as a Director (for)

John Gillam brings a breath of experience and skills to the Board at a time of significant change for LendLease.

Having been CEO of Bunnings, he has overseen this business through a period of growth that included the store and business expansion, cultural unification and building of the BWP trust. As Chair of CSR John worked with the Board and management, also through a period of change, that delivered significant profit improvement and ultimately achieved sale of the business at an attractive value for securityholders.

In the pre AGM discussion, Michael Ullmer described the rigorous process the Board carried out in selecting a new Chair and made the point that, rather than have a Chair who was a specialist in aspects of Lendlease's businesses, it was more important to have as Chair, a person who would unite and lead the business through this period of change. The Board assessment is that "John is a highly experienced chairman who brings deep strategic and commercial acumen and a strong track record of operational delivery and execution in both executive and non-executive roles working for some of Australia's largest companies."

John has had some exposure to property, through Wesfarmers and CSR that give him an overall appreciation of Lendlease's businesses, but importantly for securityholders will be his capability to focus the team of talented people who lead LendLease, on operational delivery and execution to deliver the outcomes we expect.

At the pre AGM meeting the monitor met with John and discussed how he would manage his other obligations. He committed to giving priority to the needs of LendLease and stated that he was able to adjust his private commitments as needed.

Resolution 2b Re-election of Nicholas Collishaw as a Director (for)

Nick Collishaw is standing for his second term as a Lendlease director. His background, skills and experience are clearly laid out in the Notice of Meeting. His time with Mirvac has given him valuable hands-on experience that is relevant for Lendlease's renewed focus on Australia. He has been an active contributor to Board Committees of LendLease and does not have external commitments that will distract him from the needs of our company.

Resolution 3 Remuneration Report (against)

Following the remuneration report strike at last year's AGM and continued poor results in FY24, the Board has taken a strong stance with FY24 and FY25 remuneration in seeking to drive, in its view, absolute focus of the company leadership to deliver for securityholders.

In making our decision on how to vote undirected proxies on this resolution, we have considered our guidelines which state "The most important element of any remuneration structure is to attract and retain superior executive talent which operates in an environment with long-term financial alignment with shareholders".

FY24

There were no in-role fixed remuneration increases for KMP, and none are proposed for FY25.

For any replacement/new KMP appointments, the fixed remuneration quantum will be reduced by 17-25%. This is consistent with LendLease no longer being an ASX50 company.

The Board has exercised its discretion to suspend KMP's FY24 entitlement to any short-term award (STA) award to align it with the experience of securityholders. For the Managing Director this means, at 58% of target, \$1.045 million of forgone income that would have been received had the Board not taken this action. In the context of the overall remuneration package, it is not clear why the board exercised discretion to this extent. The results achieved by LendLease have been clearly disappointing and the performance as measured by the Scorecard has been below target. It is acknowledged in the Remuneration Report that "It has been a challenging year for LendLease, with rising costs, industry shifts and a persistent market downturn impacting the global sector and slowing the pace of capital recycling". It is believed that these factors have impacted all participants within the industry.

The FY24 long-term award (LTA) remained in place, however, as the performance testing did not meet the threshold levels, no LTA awards vested.

Therefore, for FY24 KMP only received their fixed remuneration. ASA guidelines state STIs should not be paid beyond target remuneration levels unless a financial gateway is met, but in this case all variable remuneration has been set to zero. Does this indicate an underlying issue with LendLease's executive talent? If yes, we expect the board to act. If no ASA considers the zero STA decision to be harsh, and that applying a discount or awarding the non-financials component of the STA of around 30% of target would be fair. It has alignment with shareholder experiences and serves as a balanced demonstration of LendLease wanting to retain talented people.

FY25

This is a summary, refer to Appendix 1 for details.

Fixed remuneration will not change in FY25.

The LTA will be simplified to have two equally weighted measures of Relative TSR and Statutory Return on Equity. The measurement is over a 3 year period with the earned equity being delivered in quarters at the end of year 3, 4, 5 and 6. While ASA would prefer the measurement period to be 4 years, we are satisfied, given the staged delivery of the award, with the LTA.

The STA suspension will continue for FY25 and will be replaced with, at this stage, a single year Transformation Award (TA) focused solely on security price recovery. The full TA details are in Appendix 1.

In short summary, the TA is based on security price appreciation, above a hurdle level, over the combined FY25 and FY26 period. It is open ended and time limited.

Security price appreciation (combined with distributions) has long been a central part of the ASA's remuneration guidelines, as this provides clear alignment with securityholders needs and we expect this, as it is with LendLease, to be one of the LTA measures.

However, we are concerned with security price being $\frac{3}{4}$ of the variable remuneration measures (TA, plus half of the LTA). An opportunity has been lost to use the right mix of mostly quantifiable performance STA metrics that are clearly tied to the executive team driving the company to meet the strategic goals. That will lead to clarity of purpose throughout the organisation, rigorous management of priority outcomes, profitable growth, and the building of market confidence in LendLease that will lead to long term sustainable security price improvement.

With the LendLease TA format we have other specific concerns:

- It appears that the replacement/suspension of the STA scorecard with the TA for FY25 may be the result of a few large shareholder who are motivated to achieve a quick gain on their holding and then exit. While all investors are seeking a positive outcome, many loyal and long term investors want to know that they will not see a temporary increase that will satisfy some who will then sell triggering a security price slide.
- There is a planned \$500 million buyback which can be expected to reduce the number of shares on issue by around 10%. It would be expected that this will have a similar positive effect on the security price independent of any improvement of management performance.
- Security prices can vary and are often influenced by external factors especially over the shorter term, that are completely beyond the influence of management. This is particularly the case where investors have lost confidence due to a series of poor results and need time, and evidence to believe that a recovery is sustainable. There is likely to be a lag between LendLease management delivering and security price really improving. While it is not possible to predict there may be disadvantageous variability in security prices or they may not improve enough in the TA timeframe to have hard working and driven executives who are getting runs on the board appropriately rewarded for their efforts, thus not having the TA doing its job of attracting and retaining talented executives.
- The TA is open ended and may involve a substantial amount of money. This can become a temptation for short term actions to secure reward that might not be optimal in the longer term for LendLease security holders.
- The challenge for the LendLease leadership team now is twofold. To implement the capital recycling which is a responsive to opportunity activity, while at the same time driving the future business model forward. The latter is based around the efficient and effective

management of a longer business cycles. There will be competing priorities that may be influenced by the TA to not sufficiently focus on the long game.

For the reasons outlined above ASA is not satisfied that the TA is the right way to deliver in the best interests of individual securityholders and will vote undirected proxies against this resolution.

Resolution 4 Approval of Allocation of Market-Priced Options to the Managing Director (against)

This resolution refers to the allocation of Market Priced Options to the Managing Director for the FY25 Transformation Award if the security price exceeds hurdles as described in Appendix 1.

As ASA is not supporting the introduction of the TA, undirected proxies will also be voted against this resolution.

Resolution 5 Approval of Allocation of Performance Rights to the Managing Director (for)

This resolution provides for the allocation of Performance Rights for achievement of Relative TSR and Statutory Return on Equity hurdles after 3 years. Refer to Appendix 1 for details.

Resolution 6 Provisional Takeover Rules (for)

ASA considers this is a non-controversial special resolution. It is to insert the constitutional provision, which require securityholders to vote on whether a proportional bid is allowed to proceed. We prefer full takeover offers, and this provision allows securityholders a say on any controlling securityholder who only bids for a proportion of each securityholder's interest.

Resolution 7 Conditional Board Spill Meeting Resolution (against)

Given the circumstances of a new Chair being appointed and the current implementation of the May 2024 LendLease strategy update it will not be in the best interests of securityholders to have a disruptive Board Spill interrupt the company's momentum.

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Appendix 1

The FY25 Remuneration plan for LendLease has these elements for the Managing Director and his direct reports (KMP):

Fixed remuneration

- Fixed remuneration that will remain fixed at the levels applicable at the start of FY24 for the Managing Director. This will apply to all who were KMP at the time of the announcement of the strategy update.
- For individuals new to a KMP role they will have a fixed remuneration quantum that is 17-25% lower than previously applicable. This is consistent with Lendlease no longer being a ASX50 company.

Transformation Award

A Transformation Award (TA) will be used in place of the suspended normal STA structure. The TA makes security options available to executives with vesting being based on achievement of significant security price growth over a two year period ending following the release of the FY26 results. These how it will operate:

- The “starting price” is the security price over the 20 days prior to the release of full year results for the year ended 30 June 2024. This price is \$6.1282 per security, and this is the price used as the basis for calculating the value of the award that is made to an executive.
- The performance period ends following the release of the FY26 results. The absolute “performance price” will be based on a security 20 day VWAP during a 3 month period following FY26 results. [Which 20 days has not been defined]
- The “vesting point” has been established as the price at which option vesting commences. This is 10% CAGR over two years from the starting price, and this is \$7.4151 per security.
- It is the difference, subject to the vesting point price being met, between the starting price and the performance price which determines the value of each option to an executive.
- The “at target price” is 16% CAGR over two years from the starting price. This is \$8.2461.
- The “grant size” is the number of options the executive can receive. This is determined by dividing the STA at target amount by the at target price. In the case of the Managing Director his STA at target is \$1.8 million. This divided by the at target price (\$8.2461) to yield 849,899 options.
- At conclusion of performance period and the entitlement is known the executive has two options to receive the benefit
 - The executive can convert the option into securities by converting his options into securities by paying for this at the starting price of \$6.1282 per security.
 - Or a net settlement method will be offered whereby the executive can receive securities to the value of the net benefit. That is performance price minus starting price times the number of options.
- The number of options granted can be reduced in circumstances where the Board considers that delivery of the reward would result in a benefit that is unwarranted or inappropriate. Page 11 of the Notice of Meeting describes some such circumstances.
- Board discretion in relation to safety will apply in line with existing protocols.

- There are no restrictions applying to securities converted from TA options and these securities can be immediately sold on market.
- There is no upper limit on the TA. In this context and to give some indication of possible outcomes, the following chart shows how the Managing Director could be rewarded depending on the security price at the end of the two year performance period. This does not reflect likely outcomes, only possibilities.

Starting price	Performance price	Vesting point	Net benefit per security	Managing director outcome			STA reference
				Number of options	Total net benefit	% of target STA (\$1.8m)	
\$6.13	\$7.40	\$7.42	\$0.00	849,899	\$0	0%	
\$6.13	\$7.42	\$7.42	\$1.29	849,899	\$1,097,900	61%	Threshold
\$6.13	\$8.25	\$7.42	\$2.12	849,899	\$1,800,000	100%	Target STA
\$6.13	\$9.10	\$7.42	\$2.97	849,899	\$2,525,730	140%	Max STA
\$6.13	\$11.50	\$7.42	\$5.37	849,899	\$4,565,487	254%	
\$6.13	\$13.50	\$7.42	\$7.37	849,899	\$6,265,285	348%	

Long Term Award (LTA)

LendLease for FY24 had 3 equal measures:

- Relative Total Shareholder Return,
- Average Operating Return on Equity,
- And CAGR% in Investments Return on Invested Capital.

For FY25 this is changing to 2 equal measures:

- Relative Total Shareholder Return,
- And Statutory Return on Equity

No explanation has been provided for the above changes.

Although it is noted that the LTA structure has changed 3 times in 3 years as the FY23 structure was:

- Relative Total Shareholder Return,
- Average Operating Return on Equity,
- And Funds Under Management.

LendLease do not disclose, for commercial reasons, the quantum of internal measures used in the Long Term Awards.