Australian Shareholders' Association

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Has Lendlease put its sorry record of write-downs behind it?

Company/ASX Code	Lendlease (LLC)
AGM date	Friday November 12, 2021
Time and location	10am https://web.lumiagm.com/386892974
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Ben Ferry
Pre AGM Meeting?	Lendlease Chair Michael Ullmer, Elizabeth Proust Chair of People and Culture Committee and Wendy Lee Company Secretary

Please note any potential conflict as follows: An individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Is Lendlease is a real investment opportunity of latent value ready to be unlocked or a value trap that kept stumbling.

Strike last year led to major remuneration changes real reduction CEO pay and increased clarity

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

When will be the year that Lendlease ceases to have major write downs!

Not this year, with $400M in provisions and restructuring charges announced. The provisions relate to legacy engineering projects. The restructuring is primarily related to reshaping the Australian operations so it is organised as one operation with clear lines of responsibility, which is the structure Lendlease uses in its overseas operations.

After the initial costs, the Group will generate an annualised $160M saving from staff reduction and reduced office requirements arising from this restructure.

The Group has already highlighted that they will also in future have a $210 -$260M tax impairment as three of their major urban development's; Brisbane Showgrounds, Waterbank (Perth) and Deptford Landings (London), would have on completion not generated the profits that Lendlease expects from such major urbanisation projects. Whilst maintaining the master development role the Company will sell off parts of the project to other developers.

Unfortunately the sale of the Engineering Division has experienced further complications with legal action being initiated to secure the final $47M from Acconia. Hopefully the recently announced $130 M sale of the Services Division will take place with no drama and it appears no write-downs.

The further provisions for Engineering and the need to make material change of strategy on a few developments resulted in the recently departed CEO taking responsibility, as he was in charge of the Company and although entitled to it, received no short term incentive. In a highly unusual and very much appreciated gesture of responsibility the Chairman said in that case he will take a 20% cut in his salary for the year.

Moving forward, In Shanghai the Group recently opened as a pilot project the first stage of Ardor Gardens a large retirement complex. Which after the official opening is seeing pleasing sales. At this stage all the money in the project is Lendlease's but they will now use the success to bring in Capital partners for this and the ongoing stages.

This is in line with new *modus operandi*, Lendlease is increasingly moving toward. Win big long term major projects, take them through planning and at least partial development stage, then get in Capital partners, selling down their stakes to roughly 10%, then making their ongoing revenue from the full management rights that they continue to hold.

Lendlease is now confident that by the year 2024 they will book $8B in finished projects and what's more that pace will be retained. After taking out the developments mentioned earlier. Lendlease has an estimated end value in its development pipeline of more than AUD 110 billion. Of this, more than AUD 100 billion are urbanisation projects, of which approximately half have master planning approval. Lendlease estimates that 90% of its targeted development production from 2020 to 2025 already has master planning approval, bestowing a high likelihood that the projects will proceed. There are of course risks to this, including community opposition to projects, construction cost blowouts and a myriad of others.

In the other major business area; Communities is poised to generate much improved results being a beneficiary of the restructure, with tighter management controls. The much maligned Retirement although now picking up well, will see Lendlease further reduce their ownership. The management of US military housing may see some of its ongoing revenue stream on sold.

Although a major developer of Build-to-Rent overseas, the Company still says with current laws it really doesn't make financial sense in Australia.

Lendlease has produced one of the most informative reports we have read this year. Among all the interesting information there is a very unusual, but fascinating table on page on page 41. showing each country where they have major operations, then the Company's Engagement score and how it compares to each country's benchmark.

The Company provides a considerable amount of detail as it lays out their goals and steps to reach most of the various aspects of ESG. Importantly they have a target of Net Zero Carbon by 2025 with absolute Zero carbon by 2040.

ASA was shown one of, if not the best, Board Skill Matrix that we have seen, shortly it will be on their website and next year look out for it in the Annual Report.

On June 1 Company insider Tony Lombardo took over as Global CEO from the long serving Stephen McCann.

(As at FYE)	2021	2020	2019	2018	2017
NPAT ($m)	222	(310)	467	792.80	758.6
Share price ($)	11.50	12.37	13.00	19.81	16.65
Dividend (cents)	27	33	42	69	66
Simple TSR (%)	6	(2)	(33)	24	38
EPS (cents)	32.5	(51.8)	80	137	135.2
CEO total remuneration, actual ($m)	4.137*	3.609	6.547	7.977	8.654

*For 11 months as the CEO left on May 31, 2021. Include termination payments $1.9M

For 2021, the CEO's total actual remuneration was **41.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Item 2(a)	**Re-election of Elizabeth Mary Proust AO as a Director**
ASA Vote	**For**

Elizabeth Proust has had a diverse career holding leadership roles in the public and private sectors. 30 years. Elizabeth spent eight years at ANZ Group Before joining ANZ, Elizabeth was Secretary (CEO) of the Department of Premier and Cabinet (Victoria) and Chief Executive of the City of Melbourne

Ms. Proust is Chairman of Cuscal Limited and off SuperFriend.

Ms Elizabeth Proust's Statement "As a Non Executive Director of this tremendous organisation and Chairman of the People & Culture Committee, I am passionate about the development of our talented workforce across all our geographies and have continued to oversight these programs, despite the challenges of COVID. A particular focus this year has been leading, in conjunction with the Board Chairman, Michael Ullmer, the response to the strike received at the 2020 AGM. With the changes implemented following discussions with our stakeholders, I believe the new remuneration framework addresses the concerns raised by our securityholders and supports the strategy and future success of Lendlease."

Elizabeth Proust was appointed to the Board in 2018 and she holds 68,061 shares.

ASA will be voting their non-directed proxies in favour of her re-election.

Item 2(b)	Re-election of Michael James Ullmer AO as a Director
ASA Vote	**For**

Michael Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking, finance and professional services. He was the Deputy Group Chief Executive Officer of National Australia Bank (NAB) from 2007 until he retired in August 2011. He joined NAB in 2004. Prior to NAB, Michael was at Commonwealth Bank of Australia, initially as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking.

Statement from Mr Michael Ullmer "It is a great honour to serve on the Board of Lendlease, and support the organisation in realising its purpose to create value through places where communities thrive. I have been Chairman for the last three years, over which time we have embarked on a significant strategic reset, disposed of the underperforming Engineering business, commenced delivery of bold new sustainability targets, and transitioned to a new CEO. Throughout this time, the Group has continued to build its significant global development pipeline in targeted gateway cities, and the recent organisational restructure will support the acceleration of production and strong growth of our investments platform. As we continue to navigate the impacts of COVID-19, and having taken the tough decisions that were necessary, I look forward to the support of securityholders so that I can continue to lead the Board as we strive to realise the long term value that is embedded in our business."

Mr. Ullmer has 125,000 securities and has he was appointed a Director in 2011 It is assumed that this is swill be his last term on the board. Mr Ullmer has been Chair for the last 3 years.

ASA will be voting its non-directed proxies in favour of his re-election

Item 3	Adoption of Remuneration Report
ASA Vote	**For**

A Strike against the Remuneration Report has resulted in substantial changes, all for the better;

Removal of the no hurdle retention payment.

50% of STA is now awarded in deferred equity. A very clear STA scorecard with well reported results in each area with the promise that next year the STA scorecard will have less items so there will be increased focus and real measurement of the items.

Clear LTA structure with meaningful hurdles aligned with shareholder interests.

Total CEO Remuneration reduced by 27%

Outgoing CEO lost STA and Chair in a much appreciated but very unusual gesture slashed his salary by 20% for the year.

Due to the raft of changes made ASA will be voting their undirected proxies in favour.However in future we will probably votes against if it dosen't correct the short term approach . In particular the long term awards are only measured over 3 years, which is much too short for a Company whose main non-investment business is 10 year or longer projects and at the maximum the award for the STA is more than it is for the fixed remuneration..

Further details of the Remuneration Structure are in Appendix 1

Item 4	**Approval of Allocation of Performance Rights to the Managing Director**
ASA Vote	**For**

This resolution is for a maximum of 265,417 Performance rights which at grant date were valued at $3,200,000 which is 178% of Fixed Remuneration.

The number of security rights that will vest as no cost shares over 4 to 6 years will depend on the performance as measured over three year on the following hurdles;

With equal weighting for Relative Total Securityholder Return (TSR), Core Operating Return on Equity (ROE) and Compound Annual Growth Rate (CAGR) % in Funds Under Management (FUM).

Details of how the LTA will be awarded are found in Appendix 1

Item 5	**Renewal of proportional takeover rules**
ASA Vote	**For**

A proportional takeover offer is a takeover offer where the offer made to each securityholder in the Company is only for a proportion of that securityholder's shares .The provisions prohibit the registration of transfers of shares under a proportional takeover bid unless a resolution is passed by securityholders approving the bid.

This is the renewal of a standard provision that ASA always votes in favour

Item 6	**Spill motion (contingent resolution)**
ASA Vote	**Against**

There has been a number of very good changes to the Remuneration structure, although there is a few improvements still required.

ASA virtually never votes in favour of spill motions as we think it is draconian measure that even if successful doesn't necessarily resolve the issues with the remuneration structure.

Appendix 1

The STI is measured against a balanced scorecard made up of 50% financial and 50% non-financial Items. In 2021 the individual items are listed, explained why they are included and the performance against them is shown.

The CEO technically qualified for an STI, but this was reduced to zero because of additional provisions relating to the Engineering business. Plus there will need to be further right downs on overvalued developments.

From 2022 STI is paid 50% in cash and 50% in deferred equity

The amount of the LTI from 2022 has been substantially reduced.

The LTI is measured over 3 years and then vests from 4 to 6 years

Relative TSR: One-third of the Performance Rights will be determined by Lendlease's TSR performance compared to a comparator group of companies comprising the S&P ASX 100 Index, subject to any inclusions or exclusions determined by the Board. Being equivalent to 50% of this group gains 40% of this award and this continues in a straight line to 70% at which point it is 100%.

Core Operating ROE: One-third of the Performance Rights will be determined by Lendlease's Core Operating ROE performance. The hurdle rates are kept secret for some because of the fear that analysts would take this as market guidance.

Growth in Funds Under Management: One-third of the Performance Rights will be determined by Lendlease's percentage growth in Funds Under Management. Again trust me, the numbers known in advance would breech commercial secrecy

2022 projected remuneration

CEO rem. Framework for FYXX	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.8	33.3%	1.8	24%
STI - Cash	.9	16.7%	1.25	16.7%
STI - Equity	.9	16.7%	1.25	16.7%
LTI	1.8	33.3%	3.2	42.6%
Total	5.4	100	7.5	100

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

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