

# CORPORATE GOVERNANCE STATEMENT

## Commitment to Governance

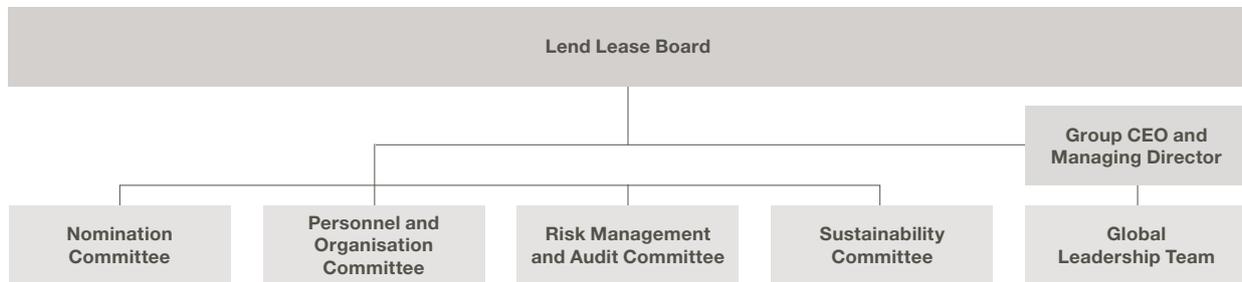
This statement sets out the principle features of Lend Lease's corporate governance framework and main governance practices.

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

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

ASX Listed Entities are required to report on the extent to which the Company followed the governance recommendations set by the ASX Corporate Governance Council during the reporting period. In March 2014, the ASX Corporate Governance Council issued a third edition of its Corporate Governance Principles and Recommendations (Principles). Throughout the reporting period, the Group considers that the corporate governance framework complied fully with both the second and third editions of the Principles. The Group has early adopted, and this statement reports its compliance with the third edition of the Principles.

This Corporate Governance Statement reflects the corporate governance and other related policies and practices in place for the Group as at 30 September 2014 and has been approved by the Lend Lease Board. Copies of all the governance documents can be found in the corporate governance area of the Lend Lease website at [www.lendlease.com](http://www.lendlease.com)



## 1. Board and Management Roles and Responsibilities

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

- Board Charter
- Board Committee Charters

### 1.1 Board Responsibilities

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

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

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

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

### 1.2 Role of the Group CEO and Senior Management

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

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

The management structure of Lend Lease consists of the Group CEO and the Global Leadership Team (GLT).

The GLT comprises the Group Chief Financial Officer, the Group Chief Risk Officer, the Group CEO International Operations, the Group General Counsel, the Group Head of Corporate Affairs, the Group Head of Human Resources and the CEOs of the five regions – Property Australia, Construction & Infrastructure Australia, the Americas, Europe and Asia. The GLT is responsible for managing the Group's performance and key business issues in line with the Group's long term strategy. A written agreement is in place between the Group and each Senior Executive setting out the terms of their appointment.

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

### Review of CEO and Senior Management

The Board sets goals for the Group CEO which are contained in a scorecard. The Group CEO is responsible for setting goals for the GLT in consultation with the Personnel and Organisation Committee. Scorecards for the Group CEO and GLT generally reflect short and medium goals and long term strategic initiatives. They tend to be categorised as financial and non financial and include financial

performance, health & safety, delivery of key projects, embedding operational excellence and investing in people. Short Term Incentives (STI) outcomes are based on both the individual's performance against their personal goals and based on the performance of the Group.

The Board has a rigorous process for the setting of scorecards at the start of the year and the evaluation of scorecards at the end of the year. The Group CEO and the Personnel and Organisation Committee conduct a detailed review of the performance of the GLT against these goals on an annual basis at the end of each financial year. In addition, each member of the GLT also conducts a performance evaluation of their own performance. A review of the performance of all members of the GLT was conducted in the financial year and was in accordance with the procedure described above.

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

### Remuneration

The Board conducted a comprehensive review of the Group's Executive Reward Strategy in 2013. The Group's Executive Reward Strategy, which consists of a framework and policy for governing how key Senior Management are remunerated, supports the achievement of Lend Lease's strategy of 'Restore, Build, Lead' to achieve long term sustainable growth for the Group. As a result of the review, changes were announced before the 2013 AGM which included:

- Agreeing a new contract with the Group CEO;
- Changing the targeted remuneration mix for Senior Executives to place greater emphasis on Long Term Incentives (LTI);
- Introducing a second hurdle, Return on Equity (ROE) for LTI;
- Deferring a greater proportion of 'at target' STI awards for the CEO and Senior Executives; and
- Strengthening malus provisions for the Group CEO and Senior Executives in respect of both Deferred STI and LTI awards.

The Board has not made any further significant changes to our Executive Reward Strategy for the year ahead. The Board believes that 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.

The Board has comprehensively outlined the Executive Reward Strategy and framework in the Remuneration Report. The Remuneration Report explains how performance has been linked to reward outcomes at Lend Lease. Further information is set out in the Remuneration Report on page 44.

### 1.3 Meetings

The Board meets as often as necessary to fulfil its role and Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. There are eight scheduled Board meetings each year and additional meetings are held as required. During the year, 15 meetings of the Board were held. Further details on the number of Board and Committee meetings held during the financial year and the attendance of Directors at those meetings can be found in the Directors' Report on page 17 of this Annual Report. The number of Directors required to constitute a quorum is three.

The Board program is formulated to reflect the geographic spread of the Lend Lease businesses. During the year, five scheduled Board meetings were held in Australia and one each in Europe, the Americas and Asia. These meetings run over two or three days. The Group's Senior Management are invited to attend and present at Board meetings where appropriate. In addition to the formal meetings, Non Executive Directors attend business briefings and project site visits in each of the regions where they meet so that a deeper understanding can be gained of the activities and operations within each region.

### Lend Lease Board Regional Visitation Program

#### 1. Asia

- Jem (October 2013)
- Amgen Singapore (October 2013)
- Board networking forum supporting employee diversity and regional top talent (October 2013)

#### 2. Australia

- Sunshine Coast University Hospital (April 2014)
- RNA Development (April 2014)
- Barangaroo (April 2014)
- Lexington Gardens and Waterford Retirement Villages (January 2014)
- The Library at the Dock, Victoria Harbour (October 2014)
- Board networking forum supporting employee diversity and regional top talent (February 2014)

#### 3. United States

- National September 11 Memorial and Museum (June 2014)
- One57 Development (June 2014)
- Hickam Communities (June 2014)
- Palm Island Communities (June 2014)
- Board networking forum supporting employee diversity and regional top talent (June 2014)

#### 4. Europe

- Elephant & Castle (July 2013)
- The International Quarter, Stratford (July 2014)
- Kings Gate and The Zig Zag Building, Kings Gate (July 2014)
- Board networking forum supporting employee diversity and regional top talent (July 2013 and 2014)



# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 1. Board and Management Roles and Responsibilities continued

### 1.4 Independent Decision Making

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

## 2. Structure and Composition of the Board

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

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

### 2.1 Composition and Membership

The Board consists of nine Directors of which eight are independent. The Group's Managing Director and Chief Executive Officer, Stephen McCann, is the only executive on the Board. Membership of the Board as at 30 September 2014 comprises:

- David Crawford, AO – Chairman and Independent Non Executive Director
- Stephen McCann – Group Chief Executive Officer (CEO) and Managing Director
- Colin Carter, AM – Independent Non Executive Director
- Phillip Colebatch – Independent Non Executive Director
- Peter Goldmark – Independent Non Executive Director
- Jane Hemstritch – Independent Non Executive Director
- David Ryan, AO – Independent Non Executive Director
- Michael Ullmer – Independent Non Executive Director
- Nicola Wakefield Evans – Independent Non Executive Director

Profiles of the Directors including their skills, experience and expertise relevant to their position as well as the period they have held office as a Director can be found in the Directors' Report on page 18 of the Annual Report.

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

### 2.2 Independent Directors

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

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

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

The Board assesses the independence of each Director each year and at any time on disclosure by a Director of any new interests or relationships. The Board considers that all the Non Executive Directors are independent and have remained so throughout the year. In the case of Jane Hemstritch, the Board noted that she is also a Director of the Commonwealth Bank of Australia Limited, which is a substantial shareholder of the Group. Having regard to all the circumstances, including the portfolio nature of the Bank's shareholding in the Group and the fact that investments of this nature would be unlikely to be considered by the Bank's Board, the Directors (other than Ms Hemstritch) determined that it was not in any way likely to materially interfere with, or reasonably be perceived to materially interfere with, the exercise of her unfettered and independent judgement as a Director of the Group. Executive Director, Stephen McCann, Group CEO and Managing Director, is not considered to be an independent Director due to his integral involvement in the day-to-day management of the Group's businesses.

### 2.3 Chairman of the Board

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

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

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

### 2.4 Company Secretary

Appointed by the Board, the Company Secretary works with the Chairman of the Board to monitor and enhance corporate governance processes and to ensure that Board policies and procedures are followed. The Company Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. Details of the experience and qualifications of the Company Secretary are set out in the Directors' Report on page 21 of the Annual Report.

### 2.5 Retirement and Re-election of Directors

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

## 2.6 Selection and Appointment of New Directors

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

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

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

Board succession is constantly under review. During the year, there were changes in the composition of the Board. Nicola Wakefield Evans was appointed to the Board in September 2013 and Gordon Edington retired in November 2013.

## 2.7 Induction and Briefing Programs

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

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

## 2.8 Board Performance Assessment

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

### Internal Review and Assessment

The review process includes interviews with the Directors and Senior Management, and may involve interviews with key stakeholders. The review generates recommendations to ensure the Board continues to operate effectively with the requisite mix of skills and experience, and appropriate procedures.

The Chair of the Nomination Committee, acting in consultation with other Board members, is responsible for conducting an annual evaluation of the Group CEO and the Chairman of the Board.

The process of conducting reviews includes a formal assessment by each of the Directors to cover matters such as Board contribution and

performance, interaction between management and between Board members, and consideration of relevant skills, structure and conduct during Board meetings.

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

- Jane Hemstritch was appointed to the position of Chairman, Personnel and Organisation Committee;
- Colin Carter was appointed as a member of the Personnel and Organisation Committee; and
- Nicola Wakefield Evans was appointed as a member of the Sustainability Committee.

### External Review

The Miles Group was engaged to undertake an external review of the Board, commencing in January 2014. The main areas of focus were:

- Role of the Board;
- Size, composition and experience of the Board;
- Procedures and practices of the Board;
- Meeting arrangements and meeting discipline;
- Relationship with Management;
- Individual Director effectiveness; and
- New challenges.

The findings of the review are being considered by the Board and appropriate action will be taken where required.

## 2.9 Directors' Remuneration

Details of the Group's Remuneration Policy and the remuneration of Directors is contained in the Remuneration Report at page 44. The structure of Non Executive Director remuneration is clearly distinguished from that of other Senior Executives. One of the key distinctions is that performance-based components do not form part of Non Executive Directors' remuneration.

### Retirement Benefits Plan

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

Further details of the retirement plan for Non Executive Directors are provided in the Directors' Report on page 73 of the Annual Report.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 3. Board Committees

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

- Audit and Risk Committee Charter
- Personnel and Organisation Committee Charter
- Sustainability Committee Charter
- Nomination Committee Charter

### 3.1 Overview of Board Committees

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

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

The four permanent Committees of the Board are:

#### Nomination Committee

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

Membership, composition and key responsibilities of these Committees is set out in the accompanying table.

#### Personnel and Organisation Committee

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

#### Risk Management and Audit Committee

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

#### Sustainability Committee

The Committee assists the Board in monitoring the decisions and actions of management in achieving Lend Lease's aspiration to be a sustainable organisation, with a particular focus on health and safety, environmental issues, and engagement with the community.

### Nomination Committee

MEMBERS	<p><b>Colin Carter (Chair)</b></p> <p>Phillip Colebatch David Crawford Peter Goldmark Jane Hemstrich David Ryan Michael Ullmer Nicola Wakefield Evans</p>
CHANGES SINCE LAST REPORT	<ul style="list-style-type: none"> <li>▪ Gordon Edington ceased to be a member of the Committee on his retirement in November 2013.</li> <li>▪ Nicola Wakefield Evans was appointed as a member of the Committee in September 2013.</li> </ul>
COMPOSITION	<ul style="list-style-type: none"> <li>▪ Minimum of three Non Executive Directors.</li> <li>▪ Chairman must be an independent Director and not the Chair of the Board.</li> <li>▪ <i>All requirements were met in the reporting period.</i></li> </ul>
MAIN AREAS OF RESPONSIBILITY	<ul style="list-style-type: none"> <li>▪ Reviews size and composition of the Board.</li> <li>▪ Identifies and evaluates Board candidates.</li> <li>▪ Evaluates the performance of the Board and the performance of any Directors standing for re-election at an AGM.</li> <li>▪ Establishes processes for the review of Board succession planning.</li> <li>▪ Reviews continuing education and development plan for Non Executive Directors.</li> </ul>
INTERACTION WITH MANAGEMENT	<ul style="list-style-type: none"> <li>▪ The Committee has unrestricted access to Senior Management of the Group. The Committee reviews and recommends, in co-operation with management, a process for the induction and education of new Directors and a continuing education and development plan for all Non Executive Directors.</li> </ul>

## Personnel and Organisational Committee

**Jane Hemstritch (Chair)**

Colin Carter  
David Ryan

## Risk Management and Audit Committee

**David Ryan (Chair)**

Phillip Colebatch  
Michael Ullmer

## Sustainability Committee

**Michael Ullmer (Chair)**

Colin Carter  
Peter Goldmark  
Nicola Wakefield Evans

- Phillip Colebatch ceased to be a member and Chairman of the Committee in December 2013.
- Jane Hemstritch was appointed Chairman of the Committee in January 2014.
- Colin Carter was appointed a member of the Committee in January 2014.

- Gordon Edington ceased to be a member of the Committee on his retirement in November 2013.

- Gordon Edington ceased to be a member of the Committee on his retirement in November 2013.
- Nicola Wakefield Evans was appointed a member of the Committee in January 2014.

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

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

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

- Reviews and makes recommendations to the Board on contractual arrangements for the Group CEO and Global Leadership Team (GLT).
- Reviews and makes recommendations to the Board on remuneration programs and performance targets for the Group CEO and GLT and assessment of performance against these targets.
- Monitors and advises the Board on succession planning for the Group CEO and members of the GLT.
- Reviews and approves the strategies and practices for people management.
- Reviews and makes recommendations to the Board on the remuneration framework for Non Executive Directors.
- Reviews and makes recommendations to the Board on remuneration and required disclosures.
- Reviews the effectiveness of Group policies on workplace diversity and equal opportunity.

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

- Oversees the Group's Environment, Health & Safety function.
- Reviews the effectiveness of Group policies on corporate social responsibility.
- Monitors the activities and programs of Lend Lease Foundation.
- Assists the Board in its oversight of the Group's compliance with applicable regulatory requirements in relation to environmental matters, socially responsible initiatives and health and safety issues.

- The Chairman of the Committee liaises regularly with the Group Head of Human Resources on matters related to the Committee to ensure that the Committee is appropriately briefed on matters relating to employees.

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

- The Chair liaises with the Group Head of Sustainability and Group Head of Environment, Health & Safety at least quarterly or as required. These function heads supply the Committee with the information relevant to the Committee's function.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 4. Risk Management, Internal Control and Integrity in Financial Reporting

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

- Risk and Audit Committee Charter
- Risk Management Policy

### 4.1 Enterprise Risk Management

Risk Management is a critical oversight responsibility of the Board. In 2014, a Group Chief Risk Officer (CRO) role was created. The role reports to the CEO and the CRO is empowered to lead and support the business in the management of risk. The CRO also has a separate reporting line to the Risk Management and Audit Committee.

The Group uses an Enterprise Risk Management approach to identify, evaluate, address, monitor, quantify and report material business risks to the Risk Management and Audit Committee. The objective of this approach is to enhance stakeholder value through continuous improvement in the Group's management of risk. The Group's Corporate Risk Management is led by the CRO. Corporate Risk Management liaises with regional CEOs and risk specialists on both business specific and enterprise wide risks. Corporate Risk Management's objective is to assist the Group's businesses to further develop their risk management processes. Its role includes:

- Advising on and implementing risk treatment strategies at Group level;
- Assisting management to embed Enterprise Risk Management;
- Assisting Group businesses to implement and maintain effective risk management practices;
- Maintaining effective early warning reporting systems; and
- Consolidating information for presentation to the Risk Management and Audit Committee.

### 4.2 Risk Management Reporting

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

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

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

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

The risk matrix defines the risk tolerance of Lend Lease by setting thresholds for impact and likelihood and defining the material business risks required to be reported to the Board.

### 4.3 Key Risk Management Practices

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

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

### 4.4 Environmental and Social Sustainability Risks

In 2014, Lend Lease signed up to the United Nations Global Compact, aligning the Group's approach to the UN's global principles on issues such as human rights, labour, the environment and anti-corruption. In addition, 100 per cent of our major urban development projects have achieved or are targeting green certification. Further information on environmental and social sustainability risks and how these risks are managed by the Group are described in the 2014 Securityholder Review on page 23 and can be found at [www.lendlease.com](http://www.lendlease.com)

### 4.5 Key Policies

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

### 4.6 Integrity in Financial Reporting

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

For the year ended 30 June 2014, the Group CEO and Group CFO have declared in writing to the Board that:

With regard to the financial reports of the consolidated entity comprising Lend Lease Corporation Limited and its consolidated entities ('the Consolidated Entity');

- The Consolidated Entity's financial records have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
- The Consolidated Entity's financial report present a true and fair view of the Consolidated Entity's financial position and performance and comply with relevant Accounting Standards.

With regard to risk management and the internal compliance and control systems of the Consolidated Entity, the statements made with respect to the integrity of the Consolidated Entity's financial reports for the year ended 30 June 2014 are founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risk.

Since 30 June 2014, nothing has come to the attention of the Group CEO or the Chief Financial Officer that would indicate any material change to any of the statements made above.

The Group's Senior Management has also reported to the Board of Lend Lease on the effectiveness of the management of material business risks for the year ended 30 June 2014.

#### 4.7 Internal Audit Function

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

#### 4.8 External Auditor

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

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

##### Performance Management

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

##### Selection, Appointment and Rotation

The Risk Management and Audit Committee is responsible for making recommendations to the Board as to the selection, re-appointment or replacement of the auditor and the rotation of the lead audit partner. The lead partner is rotated every five years. The current audit engagement partner is Stuart Marshall, who was appointed with effect from 1 July 2011.

##### Provision of Non Audit and Other Services

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

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

- Bookkeeping, preparation of, and other services in relation to, accounting records and financial statements;
- Design and implementation of financial information systems or financial controls;

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

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

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

- All other assurance services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- The other assurance services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards; and
- Apart from conducting the external audit of the Group and undertaking other assurance services, KPMG was not retained to undertake any other assignments of any kind for the Group.

##### Auditor's Independence

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

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the *Corporations Act* has been included in the Directors' Report at page 84 of the Annual Report.

##### Fees

Fees paid to the auditor during the financial year are detailed in the Directors' Report.

##### Attendance at Annual General Meeting

The external auditor is required to attend the AGM and be available to answer any questions on the conduct of any audits and the preparation and content of the auditor's report. Stuart Marshall will be in attendance at the 2014 AGM.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 5. Governance Policies

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

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

### 5.1 Securityholder Communications and Continuous Disclosure

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

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

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

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

#### Communications with Securityholders

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

The External Communications and Continuous Disclosure Policy is designed to facilitate this objective, and promotes effective communication with securityholders by ensuring information that may otherwise be important to a securityholder, such as information about the Group's activities, is available to investors in a timely and readily accessible manner.

The Policy ensures that any announcements made on the ASX are posted on the Lend Lease website as soon as practicable following confirmation of receipt by the ASX.

The Lend Lease website is the key information dissemination point to the broader market and includes all announcements made to the market, copies of current and past annual and half year reports and other presentations or market briefings made to analysts or investors. The Investor Relations team has a program to facilitate effective communication with investors including:

- Briefings for full and half year results and presentations made to analysts or investors which are also webcast live and made available on the website;
- An annual investor day which is webcast live; and
- Hosting a visitation program for analysts and investors to Lend Lease sites.

Throughout the year, Investor Relations engages in domestic and international roadshows to meet with existing and potential securityholders. In addition, securityholders can contact the Investor Relations team or the share registry at any time, either by telephone or electronically. Contact details are available on our website and in all communications sent to securityholders by the share registry.

#### Annual General Meeting

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

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

### 5.2 Lend Lease Core Values and Code of Conduct

#### Core Values

The Core Values of Lend Lease underpin how the Group does business, how it interacts with stakeholders, and how its people operate in the workplace. The Core Values are promoted across all of the Group's businesses and are as follows:

<b>Respect</b>	<b>Be dedicated to relationships.</b> We respect all people, their ideas and cultures.
<b>Integrity</b>	<b>Be true to our word.</b> Integrity is non negotiable. We leave a positive impact through our actions and behaviours.
<b>Innovation</b>	<b>Be challenging in our approach.</b> We strive to find the best solution. We think outside the box and dare to do things differently.
<b>Collaboration</b>	<b>Be one team.</b> We work together to achieve more through our unified culture and shared knowledge.
<b>Excellence</b>	<b>Be exceptional in everything we do.</b> We seek, and are committed to operating safely, achieving outstanding performance and the best outcomes.
<b>Trust</b>	<b>Be open and transparent.</b> We earn and instil trust by being accountable at every level and in all of our interactions.

#### Code of Conduct

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

Employees are encouraged to apply the following Lend Lease test, when in doubt as to whether any action might breach the Code of Conduct: *'Would I be willing to see what I'm doing or about to do described in detail on the front page of a national newspaper to be read by family and friends?'*

Employees must not undertake any action that fails the Lend Lease test even if it is not expressly prohibited by the Code of Conduct.

The Code is supported by various global, regional and local business unit policies and procedures. Completion of the Employee Conduct Guide e-learning training program is mandatory for all employees.

All employees of the Group are required to recertify their Employee Conduct Guide training on an annual basis.

### Code of Conduct Breach Reporting

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

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

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

### 5.3 Conflicts of Interest

Lend Lease has systems and protocols in place to identify a conflict of interest and a framework for managing conflicts. A variety of measures have been adopted to manage conflicts of interest including Group policies, systems, lists and appropriate disclosures. Directors are required upon their appointment to disclose to Lend Lease any interests or directorships which they have with other organisations and update this information if it changes during the course of the directorship. Directors and Senior Executives are also required to identify any conflicts of interest they may have in dealing with the Group's affairs and refrain from participating in any discussion or voting on these matters. Directors are required to raise with the Company Secretary any matters that may give rise to a conflict of interest. Directors who have a conflict will not receive the relevant Board paper and are not present for that part of the Board meeting where the matter is considered.

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

### 5.4 Trading in Lend Lease Securities

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

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

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

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

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

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

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

Directors, Designated Executives and employees must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lend Lease securities, including margin loan arrangements in respect of such securities.

### 5.5 Political Donations

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

Lend Lease will not make any donations whether in cash or in kind to political parties or individuals holding or standing for public office. Lend Lease does however participate in public policy debate and policy development on issues that may impact the Group's businesses and the interests of securityholders, employees and other stakeholders. At times, we do pay fees for Group employees to attend functions which involve discussion of issues relevant to the Group. Employees are required to obtain the prior approval of their Regional CEO before attending any function on behalf of Lend Lease which has political objectives. Where the function is primarily a political fundraiser or where the amount paid for attending the event is in excess of a reasonable value, these are considered to be donations and are not permitted under the Policy.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## 6. Diversity and Inclusion Governance

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

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

### 6.1 Diversity at Lend Lease

At Lend Lease, diversity and inclusion is defined as 'all the ways in which we differ'. Diversity of experience, diversity of thought and a collaborative environment leads to innovation. To be the leading international property and infrastructure group and achieve our vision to create the best places, we need a culture and an environment that embraces and respects difference, and where we attract, retain and enable the most talented people to perform.

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

- Two out of nine Board Directors are women;
- At a senior management level, two direct reports to the Group CEO are female; and
- For the year ended 30 June 2014, 31 per cent of our employees are women and 21 per cent of senior executive positions are held by women.

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

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

### 6.2 Diversity and Inclusion Policy

The Board has a Diversity and Inclusion Policy which is available on the Lend Lease website. The Board fully supports diversity and inclusion and has a key role in shaping and supporting Lend Lease's diversity and inclusion agenda. The Personnel and Organisation Committee is responsible for overseeing the Group's diversity strategy and its progress towards achieving the Group's measurable objectives.

The Board plays an active role in Lend Lease's diversity and talent agenda and hosts regular networking forums with groups of high potential and diverse employees. During the reporting period, these were conducted in each region and are a key part of the strategy in developing and retaining our pool of diverse talent. The forums involve presentations and Q&A sessions from high potential and diverse employees, roundtable sessions and formal networking dinners.

### 6.3 Diversity Governance

During the year, Lend Lease established a Global Diversity & Inclusion Council of executives from across the Group and agreed three global focus areas to achieve market leadership: flexibility, parental leave and supporting carers. These are in addition to existing regional diversity and inclusion goals. Diversity councils are steering committees that facilitate a diverse, collaborative and inclusive culture. They provide the opportunity for discussion on ways to increase diversity and achieve best practice in terms of diversity policies. The diversity councils also oversee the activities of regionally based Employee Resource Groups. These have been set up to represent a wide range of diversity types such as age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.