

## Lend Lease 2007 Annual General Meeting

### Summary of discussion on resolutions and Shareholders' Questions & Answers

A number of shareholders have sent in questions ahead of today's Annual General Meeting and these cover a range of topics, including Company strategies, sustainability and the Remuneration Report. Most of those topics have been addressed in the presentations by Greg Clarke and me, or will be addressed when specific resolutions are put to the meeting.

I now open the floor to general questions or comments.

**Shareholder # 1:** I live at Terrigal, obviously on the Central Coast, for those of you who are not familiar with it.

My question is simply: How can Lend Lease claim to be an ethical company when people such as myself and family, we were tenants at Erina Fair for 20 years and have been totally destroyed by the greed of Lend Lease and we are not the only ones but there are a lot of people that need compensation from Lend Lease.

**David Crawford:** I endeavoured in my opening comments to set out the basis of the protest which is outside today and which forms part of your question.

I will, however, ask Mr Ross Taylor, the Chief Operating Officer, to respond to your question, but I do note that this is an Annual General Meeting and we should be dealing with matters that are appropriate to be dealt with at the Annual General Meeting and this should not become the forum for trying to settle commercial disputes.

But Ross, would you care to make some observations.

**Ross Taylor:** Firstly, I would like to say that I have worked in Lend Lease for many years, 20 years in fact, and one of the reasons I work in Lend Lease is it is a just, fair and ethical company, and that is whether we are dealing with big corporations, individuals or small businesses. We have dealt with a lot of these sorts of people and businesses over my time here, and I wouldn't be here if I didn't earnestly believe in this. It is actually a core value of this organisation.

What I think we are dealing with here is a highly emotive series of claims and accusations which we have been well aware of and which we do not accept. I want to give you some sense as to why that is my firm belief.

Firstly, Ms Howarth, who has been running this campaign which David mentioned earlier in his introduction, has a personal claim which she is discussing with us or has against us for some \$2 million and she is choosing to engage with us on this campaign through quite a sensational media based campaign.

I am quite comfortable and convinced that we have dealt with this fairly and justly and I just want to give you a bit more detail as to why I think that.

As David alluded to in his opening, firstly, with this tenancy, when we came in we actually provided a significant fit-out contribution to the tune of \$1 million to that tenancy, which is broadly the majority of that fit-out allowance.

The restaurant worked and succeeded well for the first few months and then got into difficulties. Through that we gave Ms Howarth and her partner two years to reposition the offering, so we didn't charge any rent for the remainder of that period. So for two years she paid and her partner paid three months rent.

After that, when it was obvious it wasn't going to be able to reposition, we actually then forgave her the rest of the lease obligations that were going out in front of that, as well as we forgave bank guarantees.

Beyond that, it was actually a situation where we then brought in another restaurateur who actually altered their pitch and that has gone very, very successfully, to the point that that tenancy has now taken an additional tenant space in that area. So you can see the benefit to that restaurant of changing its pitch and being able to run a restaurant that is more suitable to the market up there.

There are various other assertions that we have seen in the media - that is the way we are being communicated to right now - and the point I would make vis-a-vis your comment as well as some of the other ones. A retail shopping centre is a very small community, it is like a small town, and we have tenant managers / leasers who live in that town day in day out and talk to the tenants day in day out. I don't know what all your experiences of small towns are, but when you are in a small town gossip rules generally, and it is not usually on positive news, it is on any bad news and anything like that. So we usually would expect to hear lots of noise and lots of gossip from our tenants if some of the assertions that have been made in the media are actually happening, and the facts are we are not. In fact, the feedback we are getting from our small town of tenants through our leasing staff is they would actually prefer for this to stop because they are now worried that the noise from the assertions and the hype and the misinformation surrounding it is actually potentially going to hurt what they are doing.

If I then step back to Erina in macro and some of the facts, because I think that is the best way to deal with this, and David alluded to some of these in his opening statement - This centre from when it opened, with some 320 tenancies, has seen revenue through the tenants, that is the revenue the tenants are making, grow some 40% and seeing the footfall in the centre increase some 16%. So a centre that is not performing would not have those background metrics.

Equally, and David mentioned this, the turnover of the tenants in this centre has been some 6% per annum. There are probably right now two tenancies that are not occupied that are being changed over. These are not the hallmarks of a badly performing centre. As David also mentioned, if at Lend Lease we were restaurant experts, shop clothing experts, retail operator experts, we would do it ourselves. We are not. We are the ones that put shopping centres in the right place and market them, but it is the tenants that take the position in these centres, each run their businesses, suited to their market and suited to their opportunity, and we can't start taking entrepreneurial risk for those tenants.

When I step right back from it, through all the hype and the emotion of this, I am quite comfortable, when I look at the deals we have done with Ms Howarth and others, and yourself, that they are very fair and very reasonable, and it is something that as an organisation we take very seriously and it does go from the bottom to the top of organisation on these issues to make sure we are doing that.

**David Crawford:** Thanks very much, Ross.

**Shareholder # 2:** Good morning, Mr Chairman. I am Joanne Howarth and I am leading the push for the Erina Fair Tenants' Action Group.

I wouldn't be here today - this is very unpleasant for all of us and I wouldn't be here today had we had some reaction from Lend Lease.

I have been trying now to meet with Mr Clarke for more than 12 months. Mr Clarke refuses to meet with us and to discuss these issues. I have written individually to each of the Directors to try to appeal to their sense of justice.

I did not have an up-market restaurant in Erina. I was a restaurateur, and I am a very accomplished business woman, having had 15 years' experience. Lend Lease enticed me and misled me into this restaurant precinct.

It has got fundamental design flaws. It is a black hole and there was no traffic, and what Mr Chairman failed to tell you today is that eight out of the ten tenants in this particular area all went broke within a period of two years.

Now, I feel very passionately - I started to speak out to obtain justice for myself and I have subsequently been approached, and I am overwhelmed by the fact that there are more than 80 businesses, and I can give you case studies, I can give you names, I can give you instances, I can give you all the of the details. There have been three attempted suicides in Erina, there are people who have suffered marriage breakdown, mental breakdown, there are people that can't feed their children.

What I am here today to do is to expose this conduct that is systematically destroying small business. When organisations like Lend Lease go ahead and increase the size of the shopping centre, as they did in Erina, by 134% and yet the traffic increases by only 4%, it is simple maths that the people can't survive there. And I am here to expose this and to urge Lend Lease, if they are the good corporate citizens that they represent, look at this situation. You need to review what you are doing and you need to compensate people.

I have lost my home and everything I worked for for the last 15 years. Lend Lease by their silence, they think that I will go away. Okay, I won't go away. We have got litigation funding and we have got potentially a class action that will affect all shared shareholders.

My problem can be solved today for less than \$2 million and I urge the shareholders, fellow shareholders, to stand up for what is right and to support me in this fight for justice.

Thank you.

**David Crawford:** Thank you, Ms Howarth. In giving you the opportunity to state your case, I think we have demonstrated that we are prepared to listen. We have said, both in the opening comments and in the response from Ross Taylor, that we have been very considerate of the interests of our tenants and the interests of our clients. We do bend over backwards. We believe fundamentally in acting in a very moral and upright way, and we also believe in acting ethically and in looking after the interests of shareholders.

You have heard earlier about the concessions that have been made to Ms Howarth and her partner and we believe that we have done the appropriate thing. I referred earlier to the ACCC being asked to rule on this issue and finding that Lend Lease has not got anything to be accountable for.

I respect the right of Ms Howarth or any tenant, or any other party who deals with Lend Lease, if they are unable to get the satisfaction to which they believe they are entitled, that they can commence legal action. That is not a course of action which we prefer because we prefer to try and reach a common sense settlement. But the Annual General Meeting is not the place to try and negotiate a commercial settlement.

We have said to Ms Howarth that if she would care to come and meet with the executives of the Company, they would be prepared to continue to talk with her. That offer remains open.

I suggest we now get on to the business of the Annual General Meeting.

**Shareholder # 3:** Mr Chairman, would you be able to expand a bit more on the expansion of your activities into the Middle East and Japan please, a bit more specificity about those activities?

**David Crawford:** That is one out of left field for me, bearing in mind our earlier discussions, but I welcome the question.

**Shareholder # 3:** It is just that the expansion, the Middle East and Japan were mentioned in the earlier addresses, and I would just like to know something about it because it hadn't previously arisen. Thank you.

**David Crawford:** I will ask Greg to respond to that.

**Greg Clarke:** Thank you, Chairman. Thanks for the chance to answer the question.

We have a business in which, as we pointed out, you can never rely on your current markets providing the necessary long-term growth, and we have tried to build Lend Lease's pipeline where we have an \$80 billion backlog globally.

There are some significant growth economies in the world where we are under-represented, specifically in Asia. There is Japan, China and India. We have a task force led by a member of my global management team, David Hutton. He is a 22-year Lend Lease employee. We are looking at potential entry strategies for those large Asian markets, which we think would balance well with our home markets of the UK, Singapore, Australia and the USA.

We are looking at Retail and Communities opportunities, because certainly in India and China there is a growing middle class with disposable incomes that want better places to live, better places to shop, as those economies industrialise. But rather than trying to intercept the China or India that we see today, we try to figure out what China and India will look like in five, ten, fifteen years time, so if we can see appropriate growth opportunities, we can partner, invest and learn and generate longer term earnings from the longer term growth in those economies.

**Shareholder # 3:** Do I take it that that applies to Japan and the Middle East which was mentioned in the earlier address?

**Greg Clarke:** We don't actually have expansion plans in the Middle East. David in his speech mentioned Japan, India and China. We do have an office in the Middle East, principally located in Dubai, but managing sub-offices in Oman, Qatar, Bahrain and Abu Dhabi City, but that is a fee for service business. We just do management consulting work, helping people to manage construction projects. We don't invest our balance sheet there. So we won't be building large business units there which would have access to the Lend Lease shareholders' balance sheet.

**Shareholder # 4:** One of the things I haven't seen in the report or your comments is any mention of expansion by mergers or acquisitions. In the history of Lend Lease a great deal of growth came from taking over other companies and introducing Lend Lease / Dusseldorf stated corporation ideals. Has Lend Lease given up the idea of expansion by acquisitions or mergers?

**David Crawford:** The short answer to your question is no. I take your point that there is nothing in the written distributed material about that. I did sneak something into my comments when I talked about our funding, taking our gearing up to a ratio of between 30% and 40% and I added "subject to no capital or merger activities", but that is the only reference I had in there.

The real answer to your question is no, we haven't turned our mind off to that. We have been working, as you know, for the last five years, in getting our balance sheet into order, ensuring that we get our strategy right and our implementation of our strategy right and working to get the operations in the different locations in which we operate properly structured, and, as you saw, we had a couple of not so good results on contracts in the UK.

We have in more recent times, you might recall, only two years ago, acquired Crosby Homes in the UK and that has been a very successful operation. We are certainly open to that but we believe in two things: Organic growth, and you heard about the integrated model that we have, it is really starting to pay off and we need to continue with that, but we must at all times be alive to opportunities, and one of the issues which we as a Board are very conscious of is with the so-called sub-prime issue in the US.

There will be many opportunities, we believe, that will emerge because of organisations that have over geared themselves, over borrowed and are going to struggle to either refinance or meet the increasing interest costs, and we are looking and ready to look at any opportunities that might present themselves where they make sense to our integrated model.

**Shareholder # 4:** I noticed you used a figure of 15.6% for your gearing. I would just like to suggest to you that is a nonsense number, that what you have done is perform the cardinal error of dividing oranges by apples. I don't take exception to the actual ratio you have selected for your gearing.

What you have done is you have gone to your balance sheet, you have worked out your gross debt and then you have divided it by the total asset figure on the balance sheet. Now, unfortunately, the balance sheet basically represents the balance sheet for the consolidated entity. It doesn't in general include the assets and the debt from the joint ventures and the associates, except for one item, which is actually the net assets from the joint ventures and the associates, and those net assets are added to the assets of the consolidated entity to give you the total assets on the balance sheet.

So what you have done is you have taken the debt correctly, but you haven't divided by assets that are supporting that debt. You have divided by the assets plus some more, which is the net assets. So you haven't done it consistently.

You could fix it up in several ways, but the way I think you ought to fix it up is to include in your gross debt the gross debt from the joint ventures and the associates and then use the total assets in the consolidated entity and the total assets from the joint ventures and associates and take that ratio. That would much better represent your actual gearing.

**David Crawford:** Can I say I think I understand the point you are making, but can I also say part of the difficulty, and this is a difficulty that most people trying to read financial accounts have, is that under AIFRS we are required in certain circumstances to bring items onto our balance sheet, and for example the debt that might be associated with some of the joint venture operations might be non-recourse debt. So we have to look at it on an item by item basis.

I would be more than delighted after the meeting, if you came down and had a very interesting and I am sure esoteric discussion with the auditors and with the Chairman of the Risk Management and Audit

Committee and see if you can reach a consensus on how you think it should be presented to better answer your question.

**Shareholder # 5:** Good morning, Mr Chairman. I am a shareholder but today I also represent the Australian Shareholders' Association. I hold proxies from 369 shareholders for a total of some 960,000 shares. I have one question now and another question I will ask a little bit later.

You and also Mr Clarke made reference to the expansion of Lend Lease operations internationally, which from the shareholders' perspective looks very bright, but when I look at the recent movement in the Australian dollar and I begin to think about what impact this may have on profits that actually flow back into Australia and therefore back to shareholders, I would like to know, as you look out for the next two to five years and see the opportunities, whether you have also incorporated or considered the possibility that the dollar might rise a bit further and what impact this might have on profits that the company can report?

**David Crawford:** Thank you, it is a very relevant question for our operations or in fact for any other company operating out of Australia and reporting its results in Australian dollars when a lot of the income or assets are being held in other jurisdictions with different currencies.

The bottom line I think to your question is that corporations like ours have to operate in the real world. Therefore, we have got to be as efficient as possible and we have got to take account of all the risks that can impact upon our reported earnings, and one of those risks is the exchange value risk.

We don't hedge because we are not currency speculators. We are in the property business. However, we do try and structure our businesses such that we have what is termed a natural hedge by borrowing the amounts we borrow in foreign currencies and by having assets located in those countries where there are foreign currencies, so we can offset, if you like, the impact of a change in the exchange ratio.

Unfortunately, I am incapable of projecting which way the dollar might go. I suspect with your accent you may have a view that you would like it to go one way rather than the other, which might be slightly different from mine, but the bottom line is if either of us knew which way it was going to go, we wouldn't be sitting here at an AGM, we would be in Majorca as millionaires. But it is a real issue we have to manage.

If there are no further questions I will now continue with the formal business of the meeting.

## **Agenda Item 2 – Election of Directors**

The following resolutions relate to the election of Directors and we are happy for shareholders to ask questions of those being nominated, and as the first resolution relates to my re-election as a Director of the company, I will hand over to my fellow Director Mr Peter Goldmark to chair this part of the meeting and the resolution. Thank you, Peter.

### **2(a) Election of David Crawford as a Director**

**Peter Goldmark:** Thank you, David, and good morning, ladies and gentlemen.

It is my great pleasure to propose to this meeting the re-election of David Crawford, the Chairman of this Board. David joined the Board in July 2001 and he was elected as Chairman in May 2003.

Those of you who attend these meetings will have seen the confidence, the scope and the range of David's grasp of the issues that face this company. Let me just expand a little bit on that from the benefit of the

point of view of those of us who have served with him on this Board.

We have been through some very difficult times as well as some successful times, and I want you to understand that the steadiness of judgment of this man, his fairness, his openness, both to criticism and to unorthodox ideas, has really helped us come together at the senior management and at the Board level, and this is also an individual of absolutely unshakeable integrity. It is also my happy pleasure to report to you that thank God he has a sense of humour as well.

I think you can tell from my tone of voice that those of us on the Board really take great pride as well as pleasure in unanimously endorsing his election.

I am going to ask David to say a few words.

**David Crawford:** Thank you very much, Peter, and good morning ladies and gentlemen again, and I stand at your mercy.

Thank you very much for those kind words, Peter, and for the support you and the rest of my colleagues have given me over the many years that I have been in this role.

As Peter said, we came together, most of us, in some difficult times, but I think you are starting to see the results of the hard work of both the Board and the senior management team working in your interests.

I have found the job rewarding, difficult, challenging but rewarding. I have been honoured to be a Director, I have been honoured to be your Chairman. In saying I have enjoyed it, I am looking forward to continuing in this role for as long as you will have me, but I am certainly looking forward to the next three years if you will re-elect me. Thank you very much.

*Motion was carried*

**David Crawford:** Thank you very much, ladies and gentlemen. I look forward to continuing to work with the Board, the management and you, and of course reporting to you at this time next year, although I suspect we might be in a different location.

## 2(a) Election of Gordon Edington as a Director

We now turn to Agenda Item 2(b) relating to the re-election of Gordon Edington as a Director.

Gordon joined the Board in late 1999 and is one of our UK based non-executive directors. He has wide-ranging experience in property and provides the Board with particular insights into property in the UK market, where we are seeing much of Lend Lease's future growth potential.

Gordon is an enthusiastic and hands-on Director who often embarks on extensive site visits to further his grass roots knowledge of our businesses. He is absolutely focused on safety and drives our executives to achieve world class performance. He is a member of the Risk Management and Audit Committee and the Sustainability Committee, and the Board unanimously endorses his re-election.

Gordon, will you now please say a few words.

**Gordon Edington:** Good morning. I was last re-elected three years ago and at that time I said to you as a fellow shareholder, and I quote, "I have a great incentive, if you will allow me, to help build up a company

and continue to grow the value of my and your investment".

Now, we all know that share price is not the only indicator of a company's performance, but it's pretty important, isn't it? I was looking back and on 11 November 2004 the share price, as many of you will remember, probably quite painfully, was \$11.70. It has been over \$20. I am not sure what it is today, around \$19. So that is what, a 60% increase over that three year period, and the dividends haven't been too bad either. So I, as a shareholder, am content with that performance and I hope that you are too.

Of course a whole range of things drive a company's performance - the right strategy, the right people, the right organisational structure, the right systems, the right processes and so on. But even then, a straight drive for financial performance will not make a company remarkable.

It is delivering on the value based things that will make the company great and I care a lot about those softer issues, things like: trying to ensure that Lend Lease people are treated fairly; supporting young managers to reach their full potential; encouraging an ethnically diverse culture; making sure that Lend Lease is a place where women can thrive; being considerate about our impact on the environment; being concerned about those in the communities where we work who are a lot less fortunate than we are; and, critically, caring about people on our construction sites who we want to come home at the end of the day in the same condition as they left their families in the morning. And I see my part of the role as helping us to ensure that we don't just talk those values, that we actually deliver on them.

Effective boards need a collegiate culture and directors with a mixture of different skills and talents so that the whole is greater than the individuals added together. I believe that under David's leadership that has been achieved, and I am very proud to be part of that team.

As you can hear, I am based in London, and the UK is a very exciting place for Lend Lease at the moment with projects like the Olympic Village in our sights, and of course doing these large deals is easy on the back of a strong balance sheet. What isn't quite so easy is doing smart deals, and I will continue to commit my time and energy in helping to ensure that as a Board we make the right judgment calls on those very large and complex projects.

I will also do all I can to ensure that we keep to our stated values, and if we do that, we really are on the springboard that will cause us to become a truly remarkable Australian company.

Thank you.

*Motion was carried*

### **Agenda item 3 – Remuneration Report**

**David Crawford:** I now turn to Agenda Item 3 relating to consideration of the Remuneration Report set out in our Annual Report, which was sent with the notice of meeting to shareholders who requested it. The Annual Report is also posted on our website.

Following feedback from shareholders last year, we made a number of changes to our Remuneration Report to make it more understandable and transparent. As I noted earlier, this is a non-binding vote. However, it provides an excellent opportunity for us to understand your views as the shareholders of Lend Lease. We have already discussed a number of aspects of the report, but are there any further questions?

**Shareholder # 5:** Chairman, I just might add that despite my accent I have been here for over 30 years

and I notice that you have an international Board, which I am very pleased about. I do have a question with regard to the Remuneration Report.

Shareholders are keenly focused on company performance and certainly many in this room were very pleased at the performance this year. They also look to see that rewards for senior executives are clearly tied to performance. We understand that Lend Lease has recently revised its performance criteria for both short and long-term incentives.

In 2007, while overall the Company result was very good, the net profit for the Company's Project Management and Construction business unit dropped some 57% from \$134 million to just \$57 million. I am aware of the points that Mr Clarke made. Nevertheless, I would like to ask these questions.

Is the business unit performance reflected in the remuneration rewards for relevant senior executives? And the point I wish to make here, Mr Chairman, is whether the remuneration policy reported in the Directors' report is presented transparently to shareholders?

**David Crawford:** The answer to the first question is yes, simply, but the answer to your second question, I sometimes struggle myself when I sit down to read remuneration reports and I know in your role with the Shareholders Association you continue to review and do review many companies' remuneration reports.

We are, as are most other companies, trying to work out how to ensure that we are giving as much relevant information to our shareholders on what is contained in the Remuneration Report, such that they are able to read it and understand it without having to carry home a book that is that thick.

Now, we believe that what we have put in the report is transparent and spells out accurately what the position is, but we also welcome comments if we can present it better. So if you have got some suggestions, we would certainly like to take that up.

Some of the changes which we made in the Remuneration Report and in the structuring of the remuneration have taken account of comments and observations we have received from shareholders and investors over the last few years. So we are certainly an open book. So if you have got some suggestions, please let us know what they are.

**Shareholder # 5:** If I may, I would like to ask a follow-up question.

**David Crawford:** Sure.

**Shareholder # 5:** Is it possible that the reporting and the rewards for executives are a little bit out of sync with the rewards being reported in the 2007 report relating back to performance of executives in the 2006 year? And, if that is the case, is there any mechanism that is available for the Company to inform shareholders a little bit more about the connection between rewards and performance, the timing of it, Mr Chairman?

**David Crawford:** We can certainly take that on board. Part of the issue that you are alluding to is a requirement that we have to quantify the value, for example, of share rewards which are made as part of the STI and the LTI, albeit that insofar as the LTI rewards are concerned, they may never vest because they are subject to hurdles.

So what we end up getting is a mismatch, as you rightly say, because there is a quantification based upon actuarial estimates in connection with the rewards that are made, but if they don't vest in the future then the

executives never get that money. So you are right, there is a mismatch and we and most other companies I am associated with struggle with how we present that. But if you have got some suggestions, we will happily take them on board.

**Shareholder # 5:** Thank you, Mr Chairman.

**David Crawford:** In fact, if anybody else has got any suggestions, I am sure that you are shareholders of many other companies and like me at times you sometimes find reading remuneration reports, if not annual reports, is better than having to take a sleeping pill.

*Motion was carried.*