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A word from the CEO

Downer is the leading integrated services provider in Australia and New Zealand. We employ approximately 53,000 people and generated $13.4 billion in revenue in the 2019 financial year.

Our people play a vital role in delivering the services we provide for our customers. These services affect the everyday lives of people across Australia and New Zealand, although most don’t realise how often they have touched the Downer ecosystem.

Downer is there from the moment people wake up – from the power they use to turn on a light or cook breakfast to the supply of water for their shower. When they leave the house, Downer will probably be involved in their journey. We might maintain the road they travel on. We might have built, and now maintain, the trains they ride, or run their tram system. Or we might operate the bus networks they rely on.

We are a leader in the telecommunications sector as well. Whether someone is on the phone or online, we have more than likely had a role to play – Downer is a major partner of both nbn™ in Australia and Chorus in New Zealand, providing high speed broadband, and we work for many of the major telecommunications companies.

We are also heavily involved in providing services for social infrastructure such as schools, universities, hospitals, prisons, and other areas of government such as defence.

Our customers trust us to deliver these services that will have a direct impact on their customers each day.

With our services impacting so many lives, the sustainability of our operations is paramount – for our people, our partners, our shareholders, our customers and their customers.

Sustainability is embedded in our company and integrated into Downer’s business strategy. Our commitment to sustainability is consistently recognised by leading independent ESG rating agencies, who regularly award Downer high scores for sustainability performance.

A key milestone this year was our climate-related disclosures, which implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A particular focus was on scenario analysis to test Downer’s portfolio, the resilience of our strategy and the assumptions associated with the relevant climate futures, both physical and transitional. Additionally, we have set an ambitious long-term greenhouse gas emission reduction target that aligns with the 2015 Paris Agreement goals to pursue efforts to limit the temperature increase to 1.5°C by the end of this century.

I’m also pleased to report Downer’s FY19 safety performance improved on the previous 12 months. We are constantly looking to ensure all our people go home from work safely every day. This focus extends beyond physical health to mental health as well. Many of the industries we operate in are characterised by poor mental health statistics. Over the past 12 months we have enhanced the support for our people and their families.

We look to our people to bring different and unique views to the table and therefore we continue to strengthen our focus on recruiting strategically to increase workforce participation across a range of diverse demographics. We prioritise talent retention as a key pillar of our People strategy and implement a range of initiatives to ensure our staff are motivated and rewarded. Pleasingly, our employee engagement score increased three per cent this year in our annual survey.

I would like to take this opportunity to thank our employees, customers, communities, business partners and suppliers for your continued support. Together, we have enabled the lives of millions of people over the past 12 months, and will continue to do so in the future.

Grant Fenn
Managing Director and Chief Executive Officer

Sustainability Report 2019
Sustainability snapshot

Financial

$276.3m
Net profit after tax (NPAT)
▲ 288.6%

$462.2m
Earnings before interest and tax (EBIT)
▲ 125.7%

$13.4b
Total revenue
▲ 6.6%

$44.3b
Work in hand
▲ 5.5%

People

Employees – Gender diversity
(FY18: Male 65% Female 35%)

72%
Employee engagement score (which measures the positive attitudes and emotions that contribute to employee retention and productivity)
▲ 3%

65%
Employee progress score (measuring staff perceptions about organisational performance)
▲ 4%

22%
Females in management roles
▲ 5%

Employees by region
Australia 74.8%
New Zealand 24.2%
Southern Africa 0.7%
South America 0.2%
Other 0.1%
(including USA and India)

Health and safety

0.57
Lost Time Injury Frequency Rate (LTIFR)/million hours worked
▼ 26.92%

2.70
Total Recordable Injury Frequency Rate (TRIFR)/million hours worked
▼ 17.43%

ZERO
Fatalities

33%
Reduction in the occurrence of High Potential Incidents from FY18 to FY19

ZERO
Fines and prosecutions

1,123
Employees who have participated in Downer’s internal Mental Health First Aid training program
Environment

**ZERO**
Significant environmental incidents

**ZERO** Prosecutions
11 Fines
▲ FY18: 4 fines

32.9
Carbon Intensity (Scope 1 and Scope 2)
tonnes CO₂-e/AUD$m
▼ FY18: 36.2

0.45
Energy intensity (TJ/AUD$m)
▼ FY18: 0.49

9,678 tCO₂-e
Annualised GHG emissions reduction (Scope 1, 2 and defined Scope 3)

Governance

**Board of Directors – Gender diversity**

300+
Senior executives who completed Downer’s Financial and Corporate Governance Self-Assessment surveys in FY19

43
Announcements made to the ASX and NZX, with zero breaches of continuous disclosure
About this report

This Sustainability Report discloses Downer’s sustainability-related performance for the activities of businesses within the Downer Group (Downer EDI Limited), including Spotless and Hawkins unless otherwise stated, for the financial year ended 30 June 2019.

Sustainability performance information relating to Downer entities and joint ventures has been included in the relevant sections of the report.

Changes to the reporting boundaries or measurement methodologies applied with reference to our previous Sustainability Report are addressed in the relevant report sections.

This report is to be read in conjunction with Downer’s 2019 Annual Report for information pertaining to the company’s financial sustainability. As such, cross-references to Downer’s Annual Report appear throughout this document.

Downer’s 2019 Sustainability Report has also been produced as an interactive online document, which can be found at www.sustainability.downergroup.com/2019/

Our reporting approach

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, ensuring it presents a full and balanced picture of Downer’s material topics and related impacts, as well as how these impacts are managed.

Reporting in accordance with the GRI Standards provides investors the ability to benchmark with comparable information relating to environmental, social and governance (ESG) performance.

Our approach is guided by the GRI’s principles for informing report content: materiality, completeness, sustainability context and stakeholder inclusiveness. A key focus of this report is to demonstrate how we deliver sustainable returns while managing risk and being responsible in how we operate.

We engage with our internal and external stakeholders to ensure we understand, and report on, our sustainability risks and opportunities. This year, we undertook a comprehensive independent materiality assessment to ensure our sustainability performance and reporting continues to align with the priorities of our stakeholders.

Downer has engaged KPMG to provide limited assurance over selected sustainability indicators to assess whether they have been prepared in accordance with Downer’s policies and procedures, and the GRI Standards for Defining Report Content and Quality.

These selected sustainability indicators are:
- Lost Time Injury Frequency Rates and Total Recordable Injury Frequency Rates
- Total direct (Scope 1) and indirect (Scope 2) GHG emissions
- Total energy consumption and production
- Significant environmental incidents
- The total number and value of safety and environmentally related fines or successful prosecutions.

For ease of reference, a GRI Standards Content Index is located on pages 80-86 and KPMG’s assurance statement is included on pages 78-79.

Downer is committed to reporting our sustainability performance annually and consistently improving our data and information collection processes to ensure better quality data and insights.
ESG sustainability ratings performance

Downer proactively participates in investor surveys and uses these insights to inform our understanding and improve our sustainability performance.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Performance*</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISS</td>
<td>Achieved Level 1 (the highest) for Governance – Environment – Social</td>
</tr>
<tr>
<td>ACSI</td>
<td>Highest Rating – ‘Leading’ in the Commercial and Professional Services and Supplies sector</td>
</tr>
<tr>
<td>MSCI</td>
<td>Leader in Top 25 per cent of companies analysed globally achieving a AA Rating</td>
</tr>
<tr>
<td>Sustainalytics</td>
<td>‘Outperformer’ Top 10 per cent of the 90 companies analysed</td>
</tr>
<tr>
<td>DJSI (Dow Jones Sustainability Indices) in collaboration with RobecoSAM</td>
<td>Consistent performance in industry category ranked (14/25)</td>
</tr>
</tbody>
</table>

* Downer’s performance for ESG ratings is based on information provided in the FY18 period.

Our sustainability approach

To Downer, sustainability is delivering financial growth and value to our customers through our supply chain, looking after the wellbeing of our people, having a diverse and inclusive workforce, minimising our impact on the environment and enhancing the liveability of the communities in which we operate.

Our commitments to sustainability are outlined in our policies, which are accessible from the Downer website.

A core element of Downer’s sustainability strategy is to focus on our customers’ success. If our customers are successful, we will be successful. Our core operating philosophy, ‘relationships creating success’, encapsulates this theme. Over the past few years we have strengthened our brand, and will continue doing so to ensure our customers have a stronger understanding of the extraordinary range of services we offer across the Group.

Downer’s business strategy focuses on Zero Harm, driving improvement in the existing business, investing in growth, and creating new positions. Downer’s strategic objectives, prospects, and the risks that could adversely affect the achievement of these objectives, are set out in the 2019 Annual Report. The strategic objectives are to:

- Maintain focus on Zero Harm
- Embed asset management and data analytics utilisation across the Group
- Improve engagement with customers
- Embed operational technology into core service offerings.

These objectives are largely shaped by a range of emerging trends that will present major opportunities for further growth across Australia and New Zealand in the future. Downer also considers feedback obtained from ongoing communication with stakeholders through initiatives such as the materiality assessment conducted this year (refer to pages 12-17 for further information).

The first trend is increasing urbanisation – which is linked to the second trend, growing population.

It is predicted there will be 30 million people living in Australia’s four major cities by 2040. In New Zealand, 60 per cent of the country’s growth is in Auckland. Meeting the requirements of this population growth will require considerable investment in our urban centres – and this investment is expected to continue for many years.

Downer operates in sectors that are closely connected to the investment that is being driven by urbanisation and population growth. These sectors include roads, rail, light rail, other public transport, utilities and telecommunications, along with health, education, defence and other government sectors. More schools and hospitals will have to be built to meet the demands of our growing population.
The proliferation of technology will also play an increasingly important role in delivering these services. At Downer, we identify appropriate areas to focus on in this complex space, and we are at the forefront in many areas – like the huge amount of data that is produced by Sydney’s Waratah trains which we delivered and maintain. This data provides invaluable information that helps us to maintain the trains more efficiently by enabling us to predict when an issue might arise so we can deal with it proactively.

There is no doubt that increasing urbanisation, population growth and the proliferation of technology will result in continued investment in infrastructure in the years and decades ahead.

Downer’s strategic objectives for sustainable growth have us well positioned to take advantage of these opportunities and meet the needs of a growing society.

Deeper trends and emerging issues that have the potential to impact Downer’s sustainability are also referenced in relevant sections throughout this document.

We are proud of the role we play in creating more sustainable cities and improving the quality of life in Australia and New Zealand. We do this while managing the impacts of our activities on the environment and communities in which we operate, and working collaboratively with our supply chain. We understand that our ability to do this is fundamental to our long-term success.

This is why our passionate Zero Harm culture, refined project management processes and collaborative approach help us deliver services while maintaining our primary focus of Zero Harm.

**Sustainability awards**

Downer’s sustainability initiatives have been recognised across the industries we operate in. In FY19 Downer’s people, programs and innovations received a number of awards. These include:

**Australasian Reporting Awards:**

Downer won a Bronze Award for its 2018 Sustainability Report. To be eligible, the Sustainability Report must disclose material sustainability topics relevant to the organisation and be assessed against the three criteria elements: report content, credibility and quality, and communication.

**Sustainable Business Network Supreme Award:**

The Auckland City Rail Link (CRL) project won New Zealand’s highest sustainability accolade in 2018 – the NZI Transforming New Zealand award at the annual Sustainable Business Network awards.

**Master Builders Sustainable Construction Awards:**

Downer’s Road Services team was awarded a Sustainable Construction Award at Master Builders’ annual Building Excellence Awards for introducing Downer’s innovative asphalt product, Reconophalt, to the Australian Capital Territory (ACT). This is the fourth consecutive year Downer has won the Sustainable Construction Award for a civil project.

**Australasian Railway Association Award:**

Downer won the Australasian Railway Association’s Rail Sustainability Award for delivering the first Environmental Product Declaration (EPD) for the Waratah Series 2 trains (read more on page 56), as well as other sustainability measures introduced in our maintenance and service delivery centres around Australia. The ARAs are the premier industry event recognising the outstanding achievements by individuals and organisations in the Australian and New Zealand rail industries.

**Deloitte Energy Excellence Awards:**

The Auckland CRL project also won the Large Energy User Initiative of the Year at the 2018 Deloitte Energy Excellence Awards.

**Rail Manufacturing Cooperative Research Centre Association’s Excellence in Innovation Award:**

Downer, the University of Technology Sydney (UTS) and the Rail Manufacturing Cooperative Research Centre (CRC) developed technology to reduce dwell time at rail stations, which avoids congestion on platforms and improves passenger safety.

**New Zealand Workplace Health and Safety Award:**

Our Road Science team collected the prestigious Safeguard award for ‘Best initiative to address a work-related health risk’ for their innovative approach to eliminating the risk of the dangerous Hydrogen Sulphide (H2S) being emitted when manufacturing and storing bituminous products.

**High Capacity Metro Trains (HCMT) community engagement awards:**

Downer and our delivery partners on the HCMT project have drawn praise from industry associations for our extensive community and stakeholder engagement program. The project was awarded the Victorian Golden Target Award for the Best Government Sponsored Campaign, and also won the Victoria Institute of Public Administration Australia Human-Centred Service Delivery award.
Our approach to Zero Harm

Downer recognises that a sustainable and embedded Zero Harm culture is fundamental to the company’s ongoing success, and to building trusted relationships with customers and business partners. Zero Harm at Downer means a work environment that supports the health and safety of our people, allows us to deliver our business activities in an environmentally sustainable manner, and advances the communities in which we operate.

Downer’s Zero Harm performance continues to be strong and industry leading. Many of the activities that Downer’s people perform every day present inherent risks. Our people are our greatest asset, and understanding and managing these risks is of paramount importance. Achieving Zero Harm is a key focus of Downer’s culture. The drive to lead, inspire, manage risk, rethink processes, apply lessons learned, adopt and adapt practices for continued improvement of systems and performance makes Downer a Zero Harm leader and provides a source of competitive advantage.

Downer’s Zero Harm Management System Framework sets the company’s Zero Harm and sustainability governance requirements. Downer has been certified (as a minimum) to the following standards: AS/NZS 4801 or OHSAS 18001 (for occupational health and safety management systems), ISO 14001:2015 environmental management systems, and ISO 9001 quality management systems.

The Downer Board’s Zero Harm Committee oversees the development and implementation of Downer’s Zero Harm management systems, and the process of Downer’s Zero Harm performance. The effectiveness of these systems is monitored through extensive internal and third-party audit programs, with oversight by both the Board Zero Harm and Board Audit and Risk Committees. Other aspects of Downer’s approach to sustainability are overseen by the Group Diversity Committee and other relevant corporate governance forums.

Further information about Downer’s approach to Zero Harm is available online at www.downergroup.com/health-and-safety.
About Downer

At Downer, our customers are at the heart of everything we do.

Our Purpose
Is to create and sustain the modern environment by building trusted relationships with our customers.

Our Promise
Is to work closely with our customers to help them succeed, using world-leading insights and solutions.

Downer designs, builds and sustains assets, infrastructure and facilities and we are the leading provider of integrated services in Australia and New Zealand.

With a history dating back over 150 years, Downer is listed on the Australian Securities Exchange and New Zealand Stock Exchange as Downer EDI Limited (DOW). We are an ASX 100 company that also owns 88 per cent of Spotless Group Holdings Limited.

Downer employs approximately 53,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa.

Learn more about Downer’s services at www.downergroup.com

Our Pillars

Safety
Zero Harm is embedded in Downer’s culture and is fundamental to the company’s future success

Delivery
We build trust by delivering on our promises with excellence while focusing on safety, value for money and efficiency

Relationship
We collaborate to build and sustain enduring relationships based on trust and integrity

Thought leadership
We remain at the forefront of our industry by employing the best people and having the courage to challenge the status quo
Our services

FY19 total revenue by service line %

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenue</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>$4.3b</td>
<td>32.09%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$2.5b</td>
<td>18.66%</td>
</tr>
<tr>
<td>EC&amp;M</td>
<td>$1.7b</td>
<td>12.69%</td>
</tr>
<tr>
<td>Mining</td>
<td>$1.5b</td>
<td>11.19%</td>
</tr>
</tbody>
</table>

Total $13.4b

FY18 total revenue by service line %

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenue</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>$3.1b</td>
<td>22.3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$1.1b</td>
<td>9.3%</td>
</tr>
<tr>
<td>EC&amp;M</td>
<td>$3.4b</td>
<td>24.6%</td>
</tr>
<tr>
<td>Mining</td>
<td>$1.3b</td>
<td>14.1%</td>
</tr>
</tbody>
</table>

Total $12.620.2m

520 million passenger journeys on our operated or maintained transport network each year (including Keolis Downer)

58,000km of roads managed and maintained in Australia and New Zealand

2.3 GW of renewable energy generated by plants Downer has built or is currently delivering

58 million power, gas and water meter reads in Australia each year

90,000 homes maintained in public housing estates

68 million meals served across hospitals, stadiums and schools every year

9,200 mineral processing spiral starts, distributors and launders manufactured by our Mineral Technologies business

80% of power generated in the National Electricity Market is from plants serviced by Downer
## What we do

<table>
<thead>
<tr>
<th>Reporting division</th>
<th>Key capabilities</th>
<th>Examples/track record</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road network management, asset management and routine maintenance</td>
<td>Maintain more than 33,000 kilometres of road in Australia and more than 25,000 kilometres in New Zealand. Customers include all of Australia’s State road authorities, the New Zealand Transport Agency and local government councils and authorities in both countries</td>
<td></td>
</tr>
<tr>
<td>Intelligent transport systems and smart city infrastructure</td>
<td>Maintain Sydney’s Waratah trains fleet (102 eight-car trains) and Millennium trains</td>
<td></td>
</tr>
<tr>
<td>Landfill management, landfill diversion and repurposing</td>
<td>NSW Government has ordered an additional 17 Waratah trains</td>
<td></td>
</tr>
<tr>
<td>Manufacturer and supplier of blended bitumen products and asphalt</td>
<td>Building Melbourne’s fleet of 65 new High Capacity Metro Trains</td>
<td></td>
</tr>
<tr>
<td>Pavement recycling and stabilisation</td>
<td>Rail facilities in New South Wales (NSW), Queensland and Victoria</td>
<td></td>
</tr>
<tr>
<td>Pavement rehabilitation and pavement preservation</td>
<td>Building Stage 1 of Parramatta Light Rail</td>
<td></td>
</tr>
<tr>
<td>Transport infrastructure</td>
<td>Building Auckland City Rail Link</td>
<td></td>
</tr>
<tr>
<td>Light rail construction and maintenance</td>
<td>Australia’s largest provider of multi-modal transport solutions including Yarra Trams in Melbourne, G:link on the Gold Coast and Newcastle’s buses, ferries and light rail (through Keolis Downer JV).</td>
<td></td>
</tr>
<tr>
<td>Heavy rail systems engineering (signalling)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Track and station works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design and manufacture of new passenger rolling stock</td>
<td></td>
<td></td>
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<tr>
<td>Through Life Support and front-line rolling stock maintenance</td>
<td></td>
<td></td>
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<tr>
<td>Integrated Operations Centre – one-stop-shop for asset management, fleet planning and technical support</td>
<td></td>
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<tr>
<td>Overhaul of rolling stock components, including: new build and rotable parts, refurbishment of existing rolling stock and bogie wheel set overhaul</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-modal operations, including light rail, bus, ferry</td>
<td></td>
<td></td>
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<tr>
<td>Airport lighting and pavements</td>
<td></td>
<td></td>
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<tr>
<td>Port facilities upgrades and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan, design, construct, operate, maintain, manage and decommission power and gas network assets</td>
<td>Maintain over 62,000 kilometres of electricity and gas networks</td>
<td></td>
</tr>
<tr>
<td>Complete water lifecycle solutions for municipal and industrial water users</td>
<td>Connect 35,000 new power and gas customers each year</td>
<td></td>
</tr>
<tr>
<td>Renewable energy, including wind and solar construction, operations and maintenance</td>
<td>Sunshine Coast, Numurkah, Limondale, Clare, Ross River and Beryl solar farms</td>
<td></td>
</tr>
<tr>
<td>Fibre and copper networks</td>
<td>14 wind farms since 2003 including Ararat, Mt Mercer and Taralga</td>
<td></td>
</tr>
<tr>
<td>Mobile and radio networks</td>
<td>Major supplier to both nbn™ in Australia and Chorus in New Zealand, providing high speed broadband.</td>
<td></td>
</tr>
<tr>
<td>Internet of Things solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big data automated analytics and visualisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting division</td>
<td>Key capabilities</td>
<td>Examples/track record</td>
</tr>
<tr>
<td>--------------------</td>
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<td>-----------------------</td>
</tr>
</tbody>
</table>
| **Facilities**     | § Hospitality and facilities management  
§ Asset maintenance and management  
§ Utility support services  
§ Heating, Ventilation and Air-conditioning (HVAC) and Mechanical and Electrical (M&E)  
§ Laundry management  
§ Security and alarm services  
§ Cleaning  
§ Defence services  
§ Non-residential building in New Zealand | § Largest integrated facilities management services provider in Australia and New Zealand  
§ Deliver more than 100 integrated facilities  
§ Proven long-term partner, with around 15 Public Private Partnership projects across the healthcare, education, defence and leisure sectors  
§ Deliver a broad range of professional and managed services, asset sustainment and estate upkeep services to the Australian and New Zealand Defence Forces and other government agencies  
§ Major non-residential construction projects include Christchurch Town Hall, Auckland University’s Engineering and Medical School buildings, Museum of New Zealand Te Papa Tongarewa’s Toi Art Gallery, Park Hyatt Auckland and University of Waikato’s Tauranga campus. |
| **Mining**         | § Open cut and underground mining  
§ Resource definition, exploration drilling and mine feasibility studies  
§ Drilling, explosive supply, blasting and crushing  
§ Mine rehabilitation and closure | § Serve customers across more than 50 sites in Australia, Papua New Guinea and Southern Africa  
§ Mining services at Commodore open cut coal mine, Cadia Valley underground gold mine, Goonyella Riverside coal mine, CSA underground copper mine, Karara open cut iron ore mine and Solomon Hub open cut iron ore mine. |
| **EC&M**           | § Engineering  
§ Construction  
§ Asset and tyre management | § Plan, build, maintain and operate both onshore and offshore oil and gas facilities for customers that supply clean energy to Asia  
§ Leading provider of original equipment manufacturer (OEM) maintenance and shutdown services essential in running Australia’s power stations  
§ Recognised worldwide leader in mineral and coal separation and processing  
§ Key FY19 contracts: Construction and commissioning services at BHP’s South Flank mining precinct; engineering and design services at Kestrel underground coal mine; and port maintenance services at BHP’s Port Hedland iron ore operations. |
Materiality and stakeholder inclusiveness

Our stakeholders

Downer recognises that our business operations have a direct impact on a wide range of stakeholders. Downer believes that what is important to our stakeholders is important for us to meet our strategic objectives and fulfil our Purpose. This requires ongoing and effective engagement with our stakeholders, where we provide transparent and timely information and actively encourage feedback. We utilise the following initiatives to promote open, two-way communication between Downer and our stakeholders.
What are material issues?
Downer seeks to identify the issues that matter most to the business and its stakeholders, and have the greatest potential to impact our future success and returns to shareholders. We refer to these as our material issues. This year, Downer revisited its materiality assessment in accordance with the Global Reporting Initiative (GRI) Standards. Independent expert, Materiality Counts, led a process to engage internal and external stakeholders to identify and understand our material economic, social, environmental and governance risks and opportunities.

Why we do this
Materiality helps Downer to focus its sustainability reporting on the most important issues, helping to keep it directly relevant to what matters to our stakeholders. Material issues are also a valuable input to our strategic planning. Downer recognises these issues may change over time, reflecting changes in our business and external operating environment and the expectations of stakeholders. We use the results of the materiality assessment to inform our business strategy thinking and our sustainability framework and targets. One example is our alignment to the Task Force on Climate-related Financial Disclosures (TCFD) and setting a long-term greenhouse gas (GHG) emission reduction target (refer to pages 56–66 for more information). Another example is our People strategies that focus on retaining and attracting talent in a highly competitive market for skilled labour, and the setting of gender diversity targets (refer to pages 37–40 for further information).

Our materiality process
The independent materiality process consisted of the following three steps:

Step 1 – Potential material issues list:
A list of potential material issues, alongside short explanations, was compiled using a comprehensive range of inputs from various stakeholders, as mentioned above. These included material risks, media scanning, stakeholder feedback, employee surveys, peer review, industry trends and the United Nations’ Sustainable Development Goals (SDGs). This resulted in a consolidated list of 18 potential material issues for review and discussion by stakeholders.

Step 2 – Materiality survey:
A representative sample of stakeholders was identified for consultation on the relative importance of these issues. This included internal stakeholders – namely Board members, Executives and employees – as well as external stakeholders including investors, business customers, suppliers, industry associations and Non-Governmental Organisations (NGOs), ensuring geographic spread across Australia and New Zealand. All 24 stakeholders identified completed a survey providing quantitative data on the relative priority of the issues.

Step 3 – Stakeholder interviews:
One-on-one telephone interviews were undertaken with selected external stakeholders which provided qualitative context to inform our understanding of the current and future context of each issue, including the potential for it to impact our value creation over time.

Materiality results
This year, stakeholders prioritised the issues based on their importance for Downer. More specifically, the issues’ importance in terms of the impact Downer has, which Downer should therefore prioritise. An overall issue ranking greater than 8.20 (sum of the average internal and the average external rankings) has been taken as the materiality threshold for Downer. This provided a list of the top 11 issues which Downer deems to be its material issues. The remaining seven issues, which remain important to Downer and will continue to be managed, are referred to as other issues.

Material issues prioritised by stakeholder (internal and external) view on importance for Downer

<table>
<thead>
<tr>
<th>Internal view</th>
<th>External view</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.00</td>
<td>Health and safety</td>
</tr>
<tr>
<td>4.80</td>
<td>Governance</td>
</tr>
<tr>
<td>4.60</td>
<td>Operational performance</td>
</tr>
<tr>
<td>4.60</td>
<td>Contractor management</td>
</tr>
<tr>
<td>4.40</td>
<td>Attraction and retention</td>
</tr>
<tr>
<td>4.40</td>
<td>Customer expectations</td>
</tr>
<tr>
<td>4.20</td>
<td>Resilience</td>
</tr>
<tr>
<td>4.20</td>
<td>Diversity</td>
</tr>
<tr>
<td>4.00</td>
<td>Financial performance</td>
</tr>
<tr>
<td>4.00</td>
<td>Innovation</td>
</tr>
<tr>
<td>3.80</td>
<td>Partnerships</td>
</tr>
<tr>
<td>3.80</td>
<td>Community development</td>
</tr>
<tr>
<td>3.60</td>
<td>Supply chain</td>
</tr>
<tr>
<td>3.60</td>
<td>Climate change</td>
</tr>
<tr>
<td>3.40</td>
<td>Sustainable services</td>
</tr>
<tr>
<td>3.40</td>
<td>Land rehabilitation</td>
</tr>
<tr>
<td>3.20</td>
<td>Waste management</td>
</tr>
<tr>
<td>3.20</td>
<td>Water use</td>
</tr>
</tbody>
</table>

Key
- Material issues
- Other issues

Sustainability Report 2019 13
This materiality assessment identified a prioritised list of 11 material issues and the context behind each are as follows:

<table>
<thead>
<tr>
<th>Material issues by ranking</th>
<th>Definition</th>
<th>Issue relevance to broader value chain</th>
<th>Relevant Sustainable Development Goal</th>
<th>Section/Page number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health, safety and wellbeing of our people</td>
<td>Maintaining a high standard Zero Harm culture through accountability. Commitment to local purchasing, stakeholder engagement, the health and safety of our people through strong safety leadership, workforce engagement and a continual organisation-wide focus on managing risks and aligning values. This includes policy, injury management, health promotion, early intervention, wellness facilities and programs and staff benefits.</td>
<td>Subcontractors, Suppliers, Customers, Community, JVs and alliances</td>
<td>Health and safety,</td>
<td>pages 26-35</td>
</tr>
<tr>
<td>2. Strong governance and ethical conduct</td>
<td>Embedding a strong corporate culture that rewards high ethical standards and personal integrity through a focus on risk management, regulatory compliance, human rights (modern slavery) and data security.</td>
<td>Investors, Regulators, Customers, Subcontractors, Suppliers, JVs and alliances</td>
<td>Governance and ethical conduct,</td>
<td>pages 18-25</td>
</tr>
<tr>
<td>3. Contractor management</td>
<td>Maintaining a Zero Harm culture through our contractor management. Commitment to the health and wellbeing of our contractors through leadership, engagement, aligning values and managing risks. This includes policies and procedures to reduce risks.</td>
<td>Subcontractors, JVs and alliances, Community</td>
<td>Governance and ethical conduct,</td>
<td>pages 18-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>pages 26-35</td>
<td>Environment, pages 52-71</td>
</tr>
<tr>
<td>4. Operational performance</td>
<td>Running our business as efficiently as possible.</td>
<td>Investors, Subcontractors, Suppliers, Customers, JVs and alliances</td>
<td>Downer's Annual Report</td>
<td></td>
</tr>
<tr>
<td>5. Financial performance</td>
<td>Balancing growth against sustainable profit.</td>
<td>Investors, Subcontractors, Suppliers, Customers, JVs and alliances</td>
<td>Downer's Annual Report</td>
<td></td>
</tr>
<tr>
<td>6. Attraction and retention of skilled people</td>
<td>Attracting and retaining skilled and engaged people by establishing Downer as a sought-after employer. Providing rich career development opportunities and attractive employee benefits. Developing leadership capability, project management excellence and commercial acumen.</td>
<td>Subcontractors, JVs and alliances, Community</td>
<td>People,</td>
<td>pages 36-51</td>
</tr>
</tbody>
</table>
Material issues by ranking

<table>
<thead>
<tr>
<th>Material issues by ranking</th>
<th>Definition</th>
<th>Issue relevance to broader value chain</th>
<th>Relevant Sustainable Development Goal</th>
<th>Section/Page number</th>
</tr>
</thead>
</table>
| 7. Partnerships and stakeholder engagement | Developing enduring collaborative partnerships and alliances with customers, suppliers, contractors, government, communities and Indigenous people. | Investors  
Subcontractors  
Suppliers  
Customers  
Community  
JVs and alliances | Governance and ethical conduct, pages 18-25  
Communities, pages 72-77 |
| 8. Customer expectations and adding value | Keeping pace with customer expectations via engagement and feedback to ensure we improve the value and services we provide both our customers and their customers. | Investors  
Subcontractors  
Suppliers  
Customers  
JVs and alliances | A word from the CEO, page 1  
Our sustainability approach, pages 5-6  
About Downer, pages 8-11 |
Subcontractors  
Suppliers  
Customers  
Community  
JVs and alliances  
Regulators | A word from the CEO, page 1  
Our sustainability approach, pages 5-6  
Downer’s Annual Report |
| 10. Climate change | Managing our contribution to climate change by reducing our greenhouse gas emissions from energy use, improving the resilience of our assets and portfolio to the impacts of climate change. | Investors  
Regulators  
Subcontractors  
Suppliers  
Customers  
Community  
JVs and alliances | Environment, pages 52-71 |
| 11. Diverse and inclusive workforce | Developing a diverse and inclusive workforce that reflects, and is informed by, the customers and communities we serve. Focus on increasing the number of women employees, Indigenous employees and generational diversity. | Subcontractors  
JVs and alliances  
Customers  
Community | People, pages 36-51 |

The material issues identified above are addressed within the relevant sections of this Sustainability Report on the pages listed, except for financial performance, operational performance and business resilience. Instead, these are referenced within the context of the Sustainability Report but addressed in more detail in Downer’s Annual Report.
Materiality and stakeholder inclusiveness (continued)

The other issues, in order of priority are:

<table>
<thead>
<tr>
<th>Other issues by ranking</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Innovation and technological change</td>
<td>Keeping pace with technological innovation to ensure we are embedding operational technology into core service offerings to remain market competitive and meet customer expectations. Increasing investment in, and utilisation of, asset management and data analytics tools.</td>
</tr>
<tr>
<td>14. Sustainable products and services</td>
<td>Creating sustainable products and services for the market and our customers. This includes environmental and sustainability ratings, certifications and product stewardship.</td>
</tr>
<tr>
<td>15. Community development, relationships and trust</td>
<td>Supporting the success of the communities in which we operate through partnerships, sponsorships, donations, training and employment opportunities – including for Indigenous people, local purchasing and heritage management. Improving community living standards and contributing to the economy by providing jobs, infrastructure and preparing the community for site closure.</td>
</tr>
<tr>
<td>16. Waste management and resource efficiency</td>
<td>Reducing the amount of waste we generate through resource recovery, avoidance, reuse and recycling. Supporting the circular economy through the creation of new products, like Reconomy.</td>
</tr>
<tr>
<td>17. Land rehabilitation</td>
<td>Rehabilitating land, including revegetation at facilities, both pre- and post-closure, and rehabilitation of contaminated land.</td>
</tr>
<tr>
<td>18. Water use</td>
<td>Managing water consumption to reduce the amount of potable water used in our business through resource efficiency and onsite treatment and reuse.</td>
</tr>
</tbody>
</table>

These issues remain important to Downer, with many forming part of our business strategy and contributing to Downer’s performance.

Changes from previous years

This year Downer has considered a broader list of material issues and used the materiality assessment process described to engage directly with a representative sample of stakeholders to rank and prioritise its material issues. This has resulted in Customer Expectations being included and Community Development excluded from Downer’s material issues list. Despite this change, Downer acknowledges that the communities in which we operate are key stakeholders. We have therefore addressed community development within the Communities section on pages 72-77.

UN Sustainable Development Goals

In 2015, the United Nations agreed on 17 SDGs as part of a 2030 Agenda for Sustainable Development to end poverty, promote prosperity and wellbeing for all, and protect the planet. Downer is a supporter of the SDGs and we recognise that, as the leading integrated services provider in Australia and New Zealand, we are in a strong position to contribute towards achieving these goals and their related targets.

Downer contributes to most of the SDGs in four important ways: through our services and products, by responsibly operating our business, through our capability and thought leadership, and through our social responsibility activities and community involvement.

In this year’s Sustainability Report we have aligned our material issues and case studies to the SDGs, using icons to show which ones we are contributing to each time.
### Ensuring women are treated equally and afforded opportunities for empowerment and leadership

At Downer, we employ approximately 53,000 people across several sectors requiring a diverse range of skills and expertise. Therefore, we recognise the importance and the role we can play to increase female participation in industry sectors where female participation is traditionally low (e.g. construction). We ensure that women are treated equally and afforded opportunities for empowerment and leadership roles within the organisation.

### Provide access to affordable and reliable sustainable energy for all

Energy is essential to sustain the modern world and as the world moves towards a low carbon economy, demand for clean fuel and technology and integrating renewable energy into end-use applications in buildings, transport and industry will continue to grow. Downer remains one of the largest and most experienced providers of design, build and maintenance services to Australia's renewable energy market. Downer is also continually looking to substitute fossil fuel-derived energy sources with renewables.

### Provide opportunities for productive and decent work

As a large employer, Downer prides itself on providing productive employment and decent work for all women and men, including for young people and people with disabilities, and equal pay for work of equal value. Downer also has influence over its large supply chain and understands the need for effective measures to eradicate forced labour and put a stop to modern slavery and human trafficking.

### Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Downer makes the greatest contribution to SDG#9. Downer designs, builds and sustains assets, infrastructure and facilities and we are the leading provider of integrated services in Australia and New Zealand.

### Make cities and human settlements inclusive, safe, resilient and sustainable

Downer provides sustainable solutions and essential infrastructure and transport services (e.g. communication networks, road and rail networks) to our customers that enable cities and human settlements to be better connected, more efficient, safe and resilient.

### Ensure sustainable consumption and production patterns

Downer is committed to responsibly using resources and embraces the opportunities of the circular economy, believing it is highly beneficial for business, environment and society. This is evident in Downer's continued investment in its Reconomy business.

### Take urgent action to combat climate change and its impacts

Downer accepts the latest Intergovernmental Panel on Climate Change (IPCC) assessment of the science related to climate change. Downer considers climate change to be one of its material issues and has responded to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Downer is actively taking action to decarbonise its GHG emissions.
Governance and ethical conduct

Our approach

The materiality assessment Downer undertook this year reinforced the importance our stakeholders place on governance and ethical conduct. This is the second-highest ranked issue, as a result of the Banking Royal Commission strongly influencing stakeholder sentiment in Australia.

Downer’s approach to sustainability is underpinned by a robust corporate governance framework. This framework provides the platform from which Downer’s Board provides strategic direction for the responsible and sustainable growth of the company. It also drives a culture that promotes high ethical standards and personal integrity.

Under our governance framework, Downer’s management is accountable to the Board, and the Board is accountable to shareholders for the operations, performance and growth of the company.

The primary goal the Board has set for management is to focus on enhancing shareholder value, which includes responsibility for Downer’s economic, environmental and social performance.

Our Board recognises the need for the highest standards of behaviour and, as such, endorses the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (ASX Principles).

Our Corporate Governance Statement for the year ending 30 June 2019 is included in our Annual Report.

Ensuring our governance and ethical standards are adhered to by our diverse supply chain remains a challenge, particularly around issues such as human rights and modern slavery, and data security.

In the 2019 financial year, Downer committed to achieving the following governance targets and objectives:

- Zero breaches of disclosures relating to market sensitive information
- Zero breaches of anti-bribery and corruption policy
- Zero breaches of securities trading policy (insider trading)
- Zero instances of anti-competitive behaviour
- Improve supply chain management processes
- Progress Downer’s Modern Slavery Statement.

The performance information in this section includes Transport and Infrastructure; Mining, Energy and Industrial; Spotless; and New Zealand (including Hawkins) but excludes contractors and joint ventures.
Our performance

Downer has continued to implement the highest level of governance and achieved its targets, as detailed below.

Board structure

The Downer Board is comprised of a majority of independent Directors.

The Board consists of the Chairman (Michael Harding, an independent Non-Executive Director), six other independent Non-Executive Directors and an Executive Director (Downer Group CEO, Grant Fenn). Details of all Board members, including their skills, experience, status and their term of office, are set out in Downer’s 2019 Annual Report and are also available on the Downer website.

The composition of our Board is reviewed and assessed by the Nominations and Corporate Governance Committee to ensure the Board is of a composition and size and has a commitment to effectively discharge its responsibilities and duties.

When appointing Directors, the Nominations and Corporate Governance Committee aims to ensure that an appropriate balance of skills, experience, expertise and diversity is represented on the Board. This may result in a Non-Executive Director with a longer tenure remaining in office to bring that experience and depth of understanding to matters brought before the Board.

Given the breadth of Downer’s service offerings across a range of markets, the Board seeks to ensure that it maintains an appropriate range of technical skills across engineering, geology, construction and scientific disciplines, as well as professional services, when considering the appointment of a new Director. The Board identified that the review of major tenders, successful delivery of major projects in an increasingly complex commercial environment, and experience in services activities were required. It is for this reason that in undertaking the selection process for its most recently appointed Director, the Board selected a candidate with engineering qualifications and experience as a CEO of an ASX-listed company.

We appreciate the value of diversity on our Board and this has been taken into consideration during the appointment process over the past few years.

The chart below illustrates the balance achieved with the current Board composition.
Governance and ethical conduct (continued)

At Downer, multiple Board committees assist the Board of Directors in carrying out its primary role of guiding the company’s strategic direction. There are five Board committees:

- Nominations and Corporate Governance Committee
- Audit and Risk Committee
- Zero Harm Committee
- Tender Review Evaluation Committee
- Remuneration Committee.

All charters for the Board and these committees are available on our website under the Board and Committees section. The names of the members of each committee are included in Downer’s 2019 Annual Report.

Internal audit and risk framework

Downer has an internal audit and risk function, which objectively evaluates and reports on the existence and effectiveness of our internal risk controls. The internal audit team is independent of the external auditor and reports to the Audit and Risk Committee.

In FY19 the team completed 23 internal audits comprising eight project reviews and 15 reviews of key business processes, which included:

- Time capture
- Payroll and payroll inputs
- Accounts payable
- Contractor and subcontractor management
- Cybersecurity.

Standards of Business Conduct

At Downer, we pride ourselves on our brand and reputation, and realise this is directly linked to the behaviour of our people.

We set high expectations for how our people should conduct themselves when representing Downer and this is set out in our Standards of Business Conduct.

Approved by the Downer Board, our Standards of Business Conduct is formally administered by Downer’s Group General Counsel and Company Secretary.

It applies to all our people, including contractors and agents representing Downer and its subsidiary companies throughout the world. It stipulates what is required in relation to:

- Workplace behaviour
- Diversity and inclusiveness
- Corporate governance
- Engaging with stakeholders
- Sustainability
- Workplace safety.

When commencing employment with Downer, our people are required to read and agree to the Standards of Business Conduct as part of their induction process. For Directors, employees and business partners, refresher training must be undertaken at least every two years.

Downer also has a formal ‘whistleblower’ policy in place to report breaches of the Standards of Business Conduct. Downer has both internal and external processes that allow for the reporting of breaches, including ‘Our Voice’, which is an external and independent service that allows employees to anonymously report potential breaches of the Standards of Business Conduct.

Downer encourages its employees, subcontractors and partners to voice their concerns if they identify potentially unethical practices. Downer will not tolerate victimisation of a whistleblower and is committed to providing support and protection against any reprisal for reporting a breach or potential breach of the Standards of Business Conduct. Any employee found to have victimised another will be subject to disciplinary action.

In 2018, Downer committed to reviewing and updating our Standards of Business Conduct policy. A project team was put in place last year and work on the review and update of the policy has progressed, with the aim to launch in the 2020 financial year.

Financial and corporate governance self-assessment

To monitor the effectiveness of our governance framework, we conduct a biannual assessment of our senior executives and senior managers through the Financial and Corporate Governance Self-Assessment (FCGSA).

Downer’s senior executives and senior managers are required by the Board to undertake the FCGSA to determine the compliance of their respective areas with financial and corporate governance policies and to furnish a declaration on the outcome of this assessment.

The Audit and Risk Committee receives a summary of issues and acts upon these in accordance with Downer’s policies and procedures. Declarations are used to support the Board in its statements to the ASX, NZX, ASIC, NZ Companies Office, ATO, NZ IRO, finance providers, insurance underwriters and others.

Downer has taken steps to strengthen our FCGSA process over the past year. A new FCGSA system was launched, providing more robust technology and better functionality for participants.

Downer also changed the FCGSA to better align with our business structure. For the first time, we extended the FCGSA to include subsidiary Spotless, and adapted the process to reflect Downer’s new Divisional structure to ensure the overview of the entire business remained accurate.

Downer conducted two Financial and Corporate Governance Self-Assessment surveys in FY19, with 287 senior executives completing the first, and 307 completing the second.
Timely, honest and transparent disclosures

We treat our shareholders with the highest respect and are committed to providing all investors with equal and timely access to material information about the company. Downer’s Disclosure Policy sets out processes to ensure all announcements are factual, timely and presented in a clear and balanced way. A copy of the Disclosure Policy is available on the Downer website.

We are committed to implementing best practice in identifying and disclosing material and market-sensitive information, which is why our Disclosure Policy adopts procedures in accordance with the Corporations Act 2001 (Cth) and the ASX Listing Rules.

In FY19, we made 43 announcements and disclosures via the ASX and NZX. There were no breaches of continuous disclosure and Downer is unaware of any substantial complaints regarding breaches of privacy or other matters by customers or other stakeholders.

Anti-bribery and corruption

Downer has a zero tolerance to bribery and corruption. We are committed to complying with the law in all jurisdictions in which we operate, as well as maintaining and reinforcing the reputation of Downer and our people for ethical practice.

That is why we take steps to educate our people on the risks of bribery and corruption. Downer’s Anti-Bribery and Corruption Policy sets out our expectations around bribery and corruption and outlines the dangers of breaching these laws.

In FY19, we also continued to develop our Anti-Bribery and Corruption training module for employees to complete.

To avoid the potential for bribery and corruption, Downer does not make donations, either in kind or directly, to political organisations, political parties, politicians or trade unions in any country without prior approval from the Chairman or CEO, through the Company Secretary.

In addition, Downer will not make or solicit payments to organisations which predominantly act as an intermediary to fund political parties or individuals holding or standing for elective office without prior approval from the Chairman or CEO, through the Company Secretary.

In FY19, Downer donated a total of $40,445 in political donations to the following parties:

<table>
<thead>
<tr>
<th>Party</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberal National Party (Federal)</td>
<td>$5,275</td>
<td>13.5%</td>
</tr>
<tr>
<td>Australian Labour Party (Queensland)*</td>
<td>$27,470</td>
<td>68%</td>
</tr>
<tr>
<td>Liberal Party (NSW)</td>
<td>$5,000</td>
<td>12%</td>
</tr>
<tr>
<td>Country Labour Party (NSW)</td>
<td>$2,200</td>
<td>5.5%</td>
</tr>
<tr>
<td>National Party (NSW)</td>
<td>$500</td>
<td>1%</td>
</tr>
</tbody>
</table>

* $11,000 from an event in FY17 was paid in FY19.
Insider trading
Downer is committed to preventing the misuse (or perceived misuse) of market sensitive information by restricting certain securities dealings undertaken by our people.

Downer's Securities Trading Policy has been developed to ensure that:

- Any permitted dealings in securities carried out by our people comply with legal and regulatory obligations (including the prohibition against insider trading)
- Downer maintains market confidence in the integrity of dealings in our securities. Our people must not engage in insider trading of Downer's securities or in the securities of another listed entity.

In FY19 there were no reported breaches of the Securities Trading Policy.

Anti-competitive behaviour
Many of the jurisdictions in which we conduct our business have laws to promote or protect free and fair competition (usually called ‘competition’ or ‘anti-trust’ laws). Under these laws, it is usually illegal to make an agreement with another person to fix or control prices, market share and distribution practices (among other things).

It is also illegal to make an agreement with a competitor to boycott suppliers or to deal with only specific customers or markets. Employees must not engage or be involved in any conduct that breaches competition or anti-trust laws.

Breaching these laws can have serious consequences for Downer and our people. Our people understand that even the perception of a breach of these laws will have a serious impact on the reputation of Downer and our people.

In FY19, there were no breaches or litigation associated with anti-competitive behaviour brought to Downer’s attention.

Supply chain management (suppliers, contractors and partners)
Downer, including Spotless, has over 30,000 suppliers in Australia and New Zealand. The chart shows the percentage of spend by supplier category across the Downer Group.

Downer relies on the relationships with our supply chain to successfully deliver work for our customers. We want our suppliers and contractors to share our values and reflect our expectations when doing business with and for us. Downer undertakes a comprehensive prequalification process to ensure our suppliers and subcontractors meet our high standards of business conduct. This includes background checks on financial health, health and safety standards and policies, human rights policies, environmental policies, and adherence to Downer’s terms and conditions.

Infrastructure markets are dynamic, constantly changing and developing. Demand for social and economic infrastructure is growing rapidly and Governments are seeking new ways to meet that demand. Australian and New Zealand Governments have recently seen urban infrastructure as a key driver of job creation in the economy. Governments and the private sector are focusing on innovation for greater efficiency with infrastructure delivery. The recent infrastructure boom and delivery of ‘mega’ projects has challenged traditional procurement models due to the scale and complexity of the infrastructure required to be delivered. This has created more opportunities for joint venture and partnership arrangements.

Downer enters into joint ventures and partnering arrangements with other companies that are committed to doing business in a responsible and ethical manner. Unfortunately, in FY19 one of Downer’s partners, German company Senvion, went into administration. Downer partnered with Senvion in the delivery of Stage 1 of the Murra Warra Wind Farm located near Horsham in central Victoria. Senvion was responsible for the manufacture, transport, erection and commissioning of the project’s turbines while Downer is responsible for the balance of plant works.

Following this unfortunate event, Downer has undertaken a comprehensive review and adjustment of its risk management processes, particularly around joint and several liability. For more information refer to Downer’s 2019 Annual Report.
Improving our contractor prequalification process

In July 2019, our New Zealand Division demonstrated its commitment to improving health and safety processes – both within Downer and across the construction industry – by completing a two-year Enforceable Undertaking.

An Enforceable Undertaking (EU) is a voluntary agreement between WorkSafe and a duty holder following a breach of the Health and Safety at Work Act 2015 and is generally completed as an alternative to prosecution.

In 2016, a subcontractor working for Downer lost his eye while using an angle grinder. Downer has subsequently focused on applying lessons learned from the incident, and on improving health and safety by investing back into the industry and the wider community.

This included establishing scholarships for tertiary study in workplace health and safety, paying reparation to the victim, presenting findings on alternative cutting methods to the industry and making a donation to charity.

Another key focus area was to improve our health and safety governance framework. We revised and further developed our contractor prequalification process to manage risk exposure and ensure integrated systems were in place to manage subcontractors across the business.

By ensuring a clear process for prequalification, registration and management of subcontractors, operational leaders are able to make better decisions when engaging subcontractors, ensuring they are suitable for the varied tasks undertaken by Downer. The system also provides a platform to measure performance consistently and ensures better support mechanisms for our subcontractors.

The process involved the review of four Enterprise Resource Planning (ERP) systems and 13,000 pieces of data. A subcontractor management portal was established to provide a single source of the truth for our New Zealand Division, with subcontractors defined by categories governed by:

- The risk profile of the work being undertaken
- The financial value of the subcontracted works
- Each company’s health and safety documentation, work practice compliance and its ability to work supervised or unsupervised.

The New Zealand team has also shared its learnings from this process with the rest of the company to promote consistency in our approach to subcontractor management across the Group.
Managing human rights and modern slavery

Downer supports fundamental human rights and the prevention of modern slavery and human trafficking.

Downer has developed a plan, overseen by a multi-disciplinary steering group reporting to Downer’s Board, to revise and strengthen our sustainable procurement management framework and incorporate modern slavery requirements.

We have identified the key areas where the Commonwealth’s Modern Slavery Act 2018 and the NSW Modern Slavery Act 2018 may impact Downer, undertaken a gap analysis of our processes, and undertaken high level risk assessments of our workforce and supply chains. From this we have determined that our greatest risk exposure is within our supply chain, but it is focused in our lower spend categories.

Ensuring that slavery and human trafficking is not taking place in Downer’s supply chain, beyond our direct suppliers, remains a challenge. However, we are implementing a risk-based approach and are committed to continuous improvement through the above measures, including engaging with our direct suppliers to educate, assess and encourage continuous improvement in their own capacity to manage modern slavery risks in their subcontractors and broader supply chain.

Downer is a founding member of the Australian Supply Chain Sustainability School, which is an online collaborative library of information on sustainable procurement topics and best practice. We make this resource tool available to our subcontractors and suppliers.

Additionally, Downer has reviewed our own labour practices and supply chain through updates to our existing frameworks, policies and processes to take into consideration modern slavery, in accordance with the Commonwealth’s legislation. Downer welcomes the opportunity to produce its Modern Slavery Statement (prior to 31 December 2020) in accordance with its obligations to report under the legislation.

We are taking steps to strengthen our supplier onboarding and monitoring processes to highlight modern slavery risk areas. The processes that we will implement include education of our supply chain to ensure these risks are adequately managed. Where suppliers are found to be non-compliant with our Standards of Business Conduct and contract terms requiring those suppliers to carry out remedial action, we will assist them to improve their processes.

Downer is a member of various peak industry bodies and organisations which influence policies on sustainability across industries. Some of these include:

- Australian Constructors Association (ACA)
- Australian Industry Group
- Australian Mines and Metals Association (AMMA)
- Business Council for Sustainable Development Australia
- Business Council of Australia
- Chamber of Mines and Energy of Western Australia (CMEWA)
- Civil Contractors Federation
- Clean Energy Council
- Group of 100
- Infrastructure Partnerships Australia
- Infrastructure Sustainability Council of Australia
- Institution of Professional Engineers New Zealand
- Minerals Council of Australia (MCA)
- Queensland Resources Council
- Responsible Construction Leadership Group
- Supply Chain Sustainability School
- Sustainable Business Council of New Zealand.

Downer has representation on the Boards of the ACA and MCA.
Emerging issues and market trends

Open, transparent and ethical disclosures
There is increased investor and analyst scrutiny of company disclosures following the Royal Commission into Australia’s banking sector. Downer supports the increased investor focus on open, transparent and ethical disclosures of all companies listed on the ASX. We will continue to proactively communicate with shareholders, media and all other interested stakeholders.

Cybersecurity
Cyberattacks pose a growing threat to companies around the world. Cybersecurity is the state or process of protecting and recovering networks, devices and programs from any type of cyberattack. While cybersecurity was not identified as a key issue in Downer’s 2019 materiality assessment survey, Downer recognises its importance to our business due to year-on-year increases in malicious cyberattack activity.

Downer takes its obligation around cybersecurity very seriously and reports to the Board on related cybersecurity progress, risks and governance.

Downer has established a long-term strategic plan that aims to increase the maturity of cybersecurity practices within our organisation to ensure our employees can securely execute their work for our customers.

In FY19, Downer completed the following actions:

- Commissioned a Downer Security Operations Centre (SOC) incorporating 24/7 systems/network monitoring via a dedicated SOC that monitors all Downer traffic, including day-to-day security activities (access requests, security reviews, password management)
- Put in place a Security Incident and Event Management (SIEM) capability that analyses critical network and associated data from a range of systems, proactively scanning for vulnerabilities then raising appropriate alerts
- Major overhaul and upgrades to our security hardware, including firewalls and proxy servers
- Launched Advance Threat Protection (ATP) and Multi-Factor Authentication (MFA), giving Downer users a range of benefits including secure remote logins, security checks on emails and their attachments, and related services
- Ensured that all Downer users are committed to security by launching the Downer Cybersecurity Awareness program, which was mandated learning for all employees who have a Downer or Spotless email identity
- Additionally, Downer undertakes regular vulnerability scans of systems and penetration testing of business critical systems.

Our future focus

Downer understands that, just as our business and customers are evolving, our governance structure must also evolve.

We are committed to continuously improving our governance processes and policies to ensure the highest standards of corporate behaviour.

In FY20, Downer will:

- Launch our updated Standards of Business Conduct
- Continue to review our membership of peak bodies and industry associations
- Continue to review our labour practices and supply chain through updates to our existing frameworks, policies and processes to take into consideration modern slavery, in accordance with the NSW Modern Slavery Act 2018 and the Commonwealth’s Modern Slavery Act 2018. We will also progress work on a Modern Slavery Statement, which is due for completion by 31 December 2020
- Focus on Category 4 and 5 project reviews across each Division and business processes consisting of procurement project valuation management cash realisation, tax compliance, subcontractor retention and workforce payments and entitlements
- Strengthen our governance of anti-bribery and corruption by launching Downer’s Anti-Bribery and Corruption training module. This will be made available to General Managers and above, as well as all employees in IT, Human Resources, Payroll, Workers Compensation, Zero Harm, Insurance, Legal, Company Secretariat, Commercial and Procurement functions, with expected completion before the end of the financial year.
Health and safety

Our approach

Safety is the first of Downer’s four Pillars. Our steadfast commitment to safety was validated by the materiality assessment Downer undertook this year, which rated ‘Health, safety and wellbeing of our people’ as our number one material issue.

Downer has consistently achieved strong health and safety results in sectors that are exposed to high-risk activities. While we are proud of our safety performance, we also understand we face challenges to maintain and improve this record, and continuously engage with our people to safeguard against complacency in the workforce.

Our commitment to the health and safety of our people and our communities is expressed in strong safety leadership, engagement with our workforce and stakeholders, and a continual focus on identifying and managing risks.

This commitment is reflected in the results we have achieved and our increased presence as Zero Harm thought leaders. Downer’s health and safety commitments are outlined in our Health and Safety Policy, which can be found on the Downer website.

In FY19, Downer committed to achieving the following health and safety targets and objectives:

- Maintain and improve safety results. Downer set a target of zero work-related fatalities, maintaining a Lost Time Injury Frequency Rate (LTIFR) < 0.9, and maintaining a Total Recordable Injury Frequency Rate (TRIFR) < 4.0
- Increase presence as Zero Harm thought leaders through industry collaboration and consultation
- Unify Zero Harm management systems
- Enhance Critical Risk program and integrate into Hawkins and Spotless
- Improve safety leadership programs
- Increase awareness and support programs to promote the wellness and health of our workers.

The performance information in this section includes Downer, its contractors and Downer employees involved in unincorporated joint ventures in the following business lines: Transport and Infrastructure; Mining, Energy and Industrial; and New Zealand, but excludes Spotless and Hawkins.

Our performance

Downer’s Total Recordable Injury Frequency Rate (TRIFR) improved from 3.27 in FY18 to 2.70 in FY19. Downer’s Lost Time Injury Frequency Rate (LTIFR) remained below target at 0.57, which is also an improvement from 0.78 in FY18. These lag indicators demonstrate sustained results for a TRIFR below 4.0 and maintenance of LTIFR below 0.9. There were no fatal incidents known to have arisen from our operations this year, however, sadly in June 2019 one of our Spotless employees died while at work. At the time of this report’s publication, the circumstances surrounding the death are unknown to Downer. Downer is awaiting receipt of information from the NSW Police and Coroner regarding this event.
Downer Group safety performance (excluding Spotless and Hawkins)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR/million hours worked</td>
<td>0.78</td>
<td>0.57</td>
</tr>
<tr>
<td>TRIFR/million hours worked</td>
<td>3.27</td>
<td>2.70</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fines and prosecutions</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Spotless Group and Hawkins Building Projects data can be found in the Performance Data listed at the end of this section on page 32. During FY19 Spotless and Hawkins were transitioned across to use Downer’s injury classification, investigation and trending protocols. As a result, and consistent with all other Downer businesses, both Spotless and Hawkins’ injury performance data includes employees, contractors, and casuals. Both businesses reported a reduction in LTIFR and Severity Rate, with Hawkins also recording a reduction in TRIFR. Downer continues to work closely with both businesses to complete their transition across to all aspects of Downer’s safety program and monitors the safety performance of both businesses at the Executive and Board committees.

Safety performance FY19* (12-month rolling frequency rates)

Fines and prosecutions

* Excludes Spotless and Hawkins.
Downer attributes its continued strong health and safety performance to strong leadership and relentless commitment from everyone at Downer to our goal of Zero Harm. This is underpinned by our Critical Risk management program, a commitment to rethinking processes and continuously improving our management systems, applying lessons learned, and adopting and adapting practices that aim to achieve zero work-related injuries.

In FY19 Downer continued to progress its Group-wide Zero Harm Strategic Plan, which focuses on four priority areas. Each priority area has an agreed set of detailed strategies for the current and future horizons, and combines Group and Divisional lead activities. Key initiatives from the Strategic Plan that have been implemented in FY19 are described on the following pages, and have helped reduce the number of recordable incidents over the past 12 months, despite an increase in exposure hours due to increased growth.

Unifying Zero Harm management
Downer took significant steps to further unify our Zero Harm management systems this year. The comprehensive program draws on functional expertise from all parts of the business to identify and share best practice, provide consistency in Zero Harm management, improve mobilisation and flexibility, drive efficiency and increase mobility. This process has also provided an opportunity to consistently embed Critical Risk requirements into our investigation, work processes, and learning and development programs. It will also allow for the integration of business management systems and supporting platforms. The program has progressed over the past six months but is expected to take up to two years to complete for all functions.

Critical Risk management program
Downer recorded a 33 per cent reduction in the occurrence of High Potential Incidents from FY18 to FY19. The top 10 Critical Risk activities experiencing a High Potential Incident in FY19 were:

- Working with mobile plant or equipment
- Vehicles and driving
- Working at height
- Working with electricity
- Falling or dropped objects
- Working with stored hazardous energy
- Working in vicinity of existing services
- Working on or near rolling stock
- Working in a confined space
- Working with hazardous substances.

Case study
Send in the drones
Drones are providing innovative solutions throughout Downer – and they’re often quicker, cheaper and safer solutions than traditional methods.

Downer’s Utilities business has pioneered the use of drones in an award-winning initiative for customer Queensland Urban Utilities (QUU).

Part of our service for QUU at its Oxley Creek Sewage Treatment Plant is to conduct internal inspections for engineering evaluation of the Dewatered Waste Activates Sludge (DWAS) bin.

This has previously required scaffolding, shutdown of operations and the deployment of a confined space team.

Downer initiated the use of a small, crash-proof drone to capture high resolution images of structural elements within the bin. A structural engineer directs the drone to points of interest to make technical assessments in real time, and a flight plan has been recorded so the drone inspection can be repeated, and images can be compared to monitor changes.

The task that previously took weeks can now be completed in just two hours. More importantly, the use of drones improves the safety of our people, with no-one required to enter the confined space. There was also no requirement for expensive scaffolding and down time of the asset was kept to a minimum.

“As a result, our customer has saved money and we have been able to deliver the work in a quicker and a significantly safer way,” Downer’s General Manager – Water Services, Chris Yeats, said. “This culture of continuous improvement, innovation and partnering with our customer to deliver safer and better outcomes is a key plank of our success.”

This year Downer received a safety award from QUU in recognition of our commitment to demonstrating Downer’s and QUU’s safety values.
Across the longer term, (FY15 to FY19), Downer has achieved a 56 per cent reduction of High Potential Incidents. This is of particular note, as exposure hours have increased across this timeframe. Reductions across the 10 Critical Risk activities over this timeframe are:

<table>
<thead>
<tr>
<th>Critical Risk activity</th>
<th>FY15-FY19 reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working with cranes and lifting equipment</td>
<td>100%</td>
</tr>
<tr>
<td>Impact from external threats</td>
<td>87.50%</td>
</tr>
<tr>
<td>Working at height</td>
<td>71.43%</td>
</tr>
<tr>
<td>Working with stored hazardous energy</td>
<td>71.43%</td>
</tr>
<tr>
<td>Working with mobile equipment</td>
<td>51.39%</td>
</tr>
<tr>
<td>Vehicles and driving</td>
<td>51.11%</td>
</tr>
<tr>
<td>Working in vicinity of existing services</td>
<td>50%</td>
</tr>
<tr>
<td>Working on or near rolling stock</td>
<td>44.44%</td>
</tr>
<tr>
<td>Falling or dropped objects</td>
<td>38.10%</td>
</tr>
<tr>
<td>Working with electricity</td>
<td>17.65%</td>
</tr>
</tbody>
</table>

These results show that the Critical Risk program is proving an effective method in managing and monitoring these risks. However, it should be noted that even with these positive results, the exposure to these risks remains present and these incidents continued to occur. This demonstrates why we must remain focused on the importance of Critical Risk management and the relevant initiatives aimed to address the individual risks.

Downer continued to mature our already robust processes for planning, implementation and continual management of Critical Risks within our operations. Downer’s Critical Risk program gives the business a clear understanding of the control strategies needed to identify and manage the Critical Risks and helps define the required critical controls in a simple format.

This year Downer commenced a Process Safety project and a Critical Risk consolidation program. The Process Safety project is sponsored by our Asset Services function, and will continue into FY20. The consolidation program involved analysing 77 of the identified Critical Risks within the Divisions to identify commonality, with a view to creating a single set of Critical Risk bowtie methods of analysis to be applied throughout Downer. The program will build on our understanding of the management and verification of critical controls and their performance. The program has also helped refine the volume of critical controls and promoted risk management leadership through engagement with General Managers to sponsor Critical Risks relevant to their businesses. The project is currently focusing on improving the analysis, datasheets, performance standards and verification tools for the following five Critical Risks:

- Vehicle or mobile plant impact
- Fall of a person from height
- Contact with electrical energy
- Uncontrolled release of stored energy
- Persons struck from falling objects.

Substantial progress was made this year in delivering on the focus areas that were disclosed in last year’s report, including embedding Downer’s Critical Risk program into new acquisitions, improving safety leadership programs, and the introduction of a Group-wide mental health program.
Integrating Critical Risk program

Downer has implemented our risk and safety management systems and Cardinal Rules into the Hawkins and Spotless businesses. Downer’s standards for incident reporting and injury classifications have been implemented, resulting in the ability to apply consistent data analysis tools and performance monitoring to these businesses. Critical Risk training and workshops have also taken place with Hawkins and Spotless, while incentive targets regarding the implementation of the program have helped integrate it into these businesses.

Improving safety leadership training programs

Key health and safety leadership training programs have been reviewed to incorporate adult learning techniques and experience-based situational training. Where practical, new technology has also been utilised to improve the attendee experience, engagement and learning outcomes. These improvements are consistent with our commitment to our people and are expected to enhance Zero Harm skills and leadership in the business.

Wellness in the workplace

Downer realises our people are our number one asset, and that their wellness has a significant impact on their ability to thrive at work, which in turn affects the success of our business. Injury prevention remains a critical part of improving worker wellness.

One of the challenges we face is that many of our people engage in physical, manual or repetitive tasks at work. Downer recognises that these workers may be at risk of degenerative injuries over time and, as a result, actively pursues opportunities to more effectively eliminate or control these types of injury. If a worker starts to feel discomfort, Downer supports and encourages them to access health care services proactively before a debilitating injury occurs.

Downer has implemented a range of programs to support the wellness and health of our workers, including:

- A dedicated injury management service to assist employees with both work-related and non-work-related injuries and illnesses to enable their return to work
- Injury prevention programs such as health assessments, pre-employment screening, industry defined medical assessments and executive medicals

Spotless suspends risk

Spotless has invested 12 months and $362,000 to reduce risks associated with suspended laundry in its industrial laundry operations.

Most laundry facilities use overhead bags on a rail system to move linen through the laundry process, reducing reliance on trolleys and manual handling.

While Spotless has not experienced a bag falling off the conveyor, it is a risk that industrial laundry operations face – and is in breach of Downer’s Cardinal Rule 4 ‘Never work under a suspended load’.

The measures Spotless has implemented to manage this risk include steel mesh guarding underneath the conveyors, netting underneath the conveyors, barricades and exclusion and restriction zones.

“Zero Harm is always front of mind across our laundries operations and we were pleased to roll out this program to further ensure the safety of our employees,” Executive General Manager of Spotless’ Laundries business, Harley Oaten, said.
- Ergonomic office spaces
- ‘Walk to work’ programs to encourage workers to meet and walk to work together
- Early intervention programs such as drug and alcohol testing, and a zero tolerance to the presence of these substances in our workers
- Participation in health promotion events, such as Movember, R U OK? Day and Stress Down Day
- Access to fresh fruit in the workplace
- Benefits such as discounts on gym memberships, health insurance and holidays.

**Focusing on mental health**

Downer’s annual Our Safety Focus program guides employees to re-focus their attention on the importance of Zero Harm in the workplace. Zero Harm safety leadership continues to be a key strategic theme across the entire suite of leadership development initiatives.

This year, Our Safety Focus emphasised the importance of mental health and wellbeing to a safe workplace. The program provided guidance on indicators of poor health and simple practical measures to support mental health and wellbeing. The program also explored the relationship between wellbeing and good decision making.

In 2018 we also formed the Group Health function to initially focus on changing the conversation around mental health, reduce stigma and empower our people with strategies and activities that will support their mental health and wellbeing, and assist them to support their workmates. The function works with all Divisions, and over the past 12 months the team has developed Downer’s mental health strategy and introduced a procedure and response plan to identify levels of psychological impairment and the appropriate actions to respond and support those impaired. The team has also delivered a high-quality accredited Mental Health First Aid training program to 1123 employees to date. A recent participant in the training said: “I am extremely proud to work for an organisation that is at the forefront of mental health awareness and is upskilling staff to help spot the warning signs and provide them with the skillset to assist. This course is fantastic.”

The Group Health team is also providing support to Downer to embed the training and wellbeing strategies into their workplace, with one business looking at embedding Mental Health First Aid Officers.

This year, Downer’s New Zealand team also introduced a wellbeing program which included the launch of a Wellbeing Hub. The online hub covers the five essential elements of wellbeing – community, social, physical, career and finance – and provides resources and information to help support employees, their whanau (family) and the broader community. While the hub is dedicated to providing tools and resources, the wellbeing program also aims to promote discussion about wellbeing at every level of the business. A Wellbeing Wall activity encouraged people to talk to each other about wellbeing. The program also includes the Helping Hands Awards. Each year there will be up to 10 Wellbeing Helping Hands Awards, worth up to $500 each, available to help our employees start their wellbeing journey.
Downer CAREs

Downer is committed to supporting our people through life’s challenges.

In 2018, Downer undertook a rigorous selection process to choose a new Employee Assistance Program (EAP) provider that would offer the broadest and best possible support to our people.

On 1 March 2019, we announced Assure Programs will deliver our EAP services in Australia.

The program, called ‘CARE’ (Courage. Advice. Resilience. Encouragement), is a support service designed to meet the ever-changing needs of our people and their families.

“This is an important change,” Group Head of Human Resources and Industrial Relations, Steve Schofield, said. “Assure Programs is committed to delivering a superior EAP service and has an extensive service offering.”

Downer’s new EAP service includes:

- Confidential counselling
- Assistance with issues of addiction, including drugs, alcohol and gambling
- Support for managers
- Coaching – assistance in setting and achieving goals within the workplace and personal life
- Financial coaching and support
- Nutritional support programs
- Legal advice.

For the first time, Downer also offers a dedicated service for our Indigenous employees. The I-CARE program is also provided by Assure Programs, and has a dedicated phone number which is answered by an Indigenous counsellor.

A Downer employee who has accessed the CARE program said: “I’d noticed my teenage daughter struggling to deal with some of life’s challenges and felt at a loss to help her because her issues were so different to the ones I faced as a teenager. I reached out to CARE and spoke to a person over the phone, who suggested we work with a psychologist who specialises in teenagers. Since working with the therapist, my daughter now has strategies she can use to navigate the social situations and she is working on mindfulness and how to keep anxiety at bay.”

## Additional safety metrics

<table>
<thead>
<tr>
<th>Detailed Performance</th>
<th>Gender</th>
<th>Australia</th>
<th>New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRIFR</td>
<td>Male</td>
<td>2.73</td>
<td>3.64</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>0.82</td>
<td>1.94</td>
</tr>
<tr>
<td>Occupational disease rate</td>
<td>Male</td>
<td>0.67</td>
<td>0.52</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>0.27</td>
<td>0.32</td>
</tr>
<tr>
<td>Severity rate</td>
<td>Male</td>
<td>9.67</td>
<td>13.99</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>0.00</td>
<td>9.70</td>
</tr>
<tr>
<td>Fatalities</td>
<td>Male</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

## Spotless safety performance

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR</td>
<td>1.95</td>
</tr>
<tr>
<td>TRIFR</td>
<td>3.85</td>
</tr>
<tr>
<td>Severity rate</td>
<td>24.48</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0.00</td>
</tr>
</tbody>
</table>

## Hawkins Building Projects safety performance

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR</td>
<td>4.48</td>
</tr>
<tr>
<td>TRIFR</td>
<td>8.07</td>
</tr>
<tr>
<td>Severity rate</td>
<td>22.19</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0.00</td>
</tr>
</tbody>
</table>
The additional safety metrics of severity rate (days lost per million hours) and occupational disease rate have been calculated by gender and region for our Australian and New Zealand employees, who comprise 99 per cent of our workforce (excluding Spotless).

The TRIFR and severity rate is higher for our male employees in New Zealand than in Australia. The TRIFR and severity rate for our female employees is considerably less than that of their male counterparts in both Australia and New Zealand, consistent with the type of work more typically performed by our female workers. The occupational disease rate is higher for males in both Australia and New Zealand.

The principal cause of occupational diseases that resulted in medical treatment or lost days (total recordable injuries) were sprains and musculoskeletal disorders. This is consistent with trends published for Australian workplaces and is due to the type of physical work often undertaken in engineering, construction and mining, such as manual handling, twisting, bending, repetitive work and working with vibrating machinery. We are continuing to implement initiatives that are aimed at reducing the incidence and severity of these types of injuries.

**Industry collaboration and consultation**

Collaboration and relationship building are important to Downer. We encourage our people to share their knowledge and experience with their industry peers. In FY19, Downer employees contributed to a range of industry groups and committees, including:

- Chair of the Safety Managers’ group of the Rail Industry Safety Standards Board, and Office National Rail Safety Data Strategy steering committee and Rail Safety Worker Committee
- Contributor and panel member for the revision of the Occupational Health and Safety Book of Knowledge (BoK) chapter regarding electricity. The BoK is the collective knowledge shared by Australian Generalist OHS Professionals
- Participation and representation on the Minerals Council of Australia Safety and Sustainability Committee
- Contributors and members of the Queensland Resources Council, and several sub-committees of the Council
- Presenting, facilitating and representing our industry at the Safety Institute Australia Young Safety Professionals body
- Participation in the Oil and Gas Queensland ‘Safer Together’ forum
- Signatory to the Construction Sector Accord NZ, a shared agreement between Government and Industry to transform the construction sector
- Board member of Construction Health and Safety NZ, an industry body covering the NZ Construction sector and includes the Regulator
- Board Member of the Green Building Council New Zealand, a non-profit membership organisation that promotes better buildings
- Regular participation in Zero Harm, industry and business group forums, and industry-related university studies.
Emerging issues and market trends

Mental health
The mental wellbeing of staff is an emerging issue, not only for Downer but for our industry peers as well. It is estimated that one in six working age people will be affected by mental illness, and one-sixth of the population will have symptoms associated with mental ill-health.

The Black Dog Institute has estimated that Australian businesses lose approximately $11 billion dollars per year through lost work performance or turnover. Research indicates that a person’s work can be beneficial for mental health, but alternatively can also be a source of mental ill-health. Having a workplace that supports positive mental health and changing the conversation and stigma around mental health is important.

Further, some of Downer’s operations require a fly-in fly-out (FIFO) workforce. Research shows this group is at a higher risk of experiencing mental health issues. In December 2018, a Government-funded Curtin University study reported that 33 per cent of FIFO workers experience high or very high levels of psychological distress. Downer has taken a number of steps to support our FIFO workforce, including the development of a Health and Wellbeing booklet and accompanying pocket guide, which provides a range of information and advice to support the wellbeing of our employees and their families. These resources are available to all Downer employees but have a particular focus on FIFO work.

While we have implemented a range of programs to support the mental health of our operational workforce, we are also aware of mental health risks for office-based staff.

Downer’s holistic company-wide mental health and wellbeing strategy is in place to address this and support our workforce. We have a strong emphasis on training, providing regular courses for mental health first aid, mental health awareness and resilience training. We also provide an Employee Assistance Program for employees and their families.

New technology
Technology is increasingly having an impact on workplace safety. From personal protective devices with sensors that monitor alertness, detect entry into identified zones or warn when equipment is approaching, to applications that support workers in remote areas or who work alone and provide them access to medical assistance. The rise of technology in worker safety requires businesses to remain vigilant to changes in technology, and to assess the opportunity and the risk that these technologies may have in changing workplaces. Downer embraces leading-edge technology to help keep our people safe from harm.

Our future focus
Downer recognises that the volume of infrastructure projects across Australia and New Zealand presents both opportunities and challenges.

Significant projects put pressure on recruiting and retaining experienced personnel who share our commitment to Zero Harm, which can impact health and safety management.

Downer’s response to this challenge is to continue to harmonise our management of Zero Harm, improve our leadership capability, strengthen the impact of our Zero Harm culture, and maintain our strong reporting culture.

Therefore, future areas of focus for health and safety will consist of:

- Continuing the consolidation of Critical Risk analysis to drive consistent management of Critical Risks in the business. This work will involve detailed analysis of the bowties and critical controls applied across the business for the next agreed risks, other than the five prioritised this year, with a view to harmonise the way those risks are controlled
- Continuing the harmonisation of best practice and management system integration, and adoption throughout the business. This will reduce the duplication of systems and processes across Divisions and drive consistency in the performance and management of those processes
- Building on the expansion of the Mental Health First Aid program throughout the business by increasing the number of employees trained to provide assistance and advancing the education of our workforce around mental health factors
- Championing of the Critical Risk program by executive management to drive cultural enhancement of the program, through the Critical Risk analysis work and the engagement of executives to drive the control performance of their designated Critical Risk
- Improving the use and reporting of lead indicators in the business. Encouraging businesses to deploy relevant and informative lead indicators in areas they have identified as priorities
- Identifying opportunities to improve the functionality and integration technology of our Zero Harm information management systems, through the introduction of a new document management platform and our harmonised information, which will assist in maintaining and mobilising our people.
Fatigue is among the biggest health and safety risks to Downer employees. Studies have shown that working under fatigue carries a similar risk to working under the effect of alcohol.

As a result, Downer’s Mining, Energy and Industrial (MEI) team has been looking at new ways of monitoring and managing fatigue.

Since October 2018, they have been trialling wearable technology that can identify fatigue levels. It’s a lightweight band worn on the wrist, which combines with data analytics capability to measure sleep events, movement, heart rhythm and breathing patterns.

“In any industry where there are significant areas of risk, fatigue increases the danger 10-fold,” MEI’s Head of Digital Technology, Anthony Roe, said. “The Zero Harm teams identified that we had a few near misses and wondered whether we could do something to raise awareness – the wearables were an obvious way to do that.

“The devices only cost five dollars, so it was the same as issuing someone a piece of safety equipment – it’s almost disposable.”

Two wearables trials to monitor fatigue were conducted in FY19, with both proving successful. The trial program was then expanded beyond fatigue management in a third trial.

“The devices also provide the ability to monitor things like hydration and exertion – so if someone is in a hot environment and working on a physical task we can predict the degradation of their ability to do the job safely. This would enable the teams to provide additional rest breaks to support safe working,” Anthony continued.

“Another capability is to track GPS coordinates to know exactly where the person is, relative to any hazards. If the person is approaching a hazard it is possible to program the device to alert them by vibration or a message from the device.

“Those devices are more expensive, but they can also spot a broader set of wellbeing markers linked to conditions such as sleep apnoea and atrial fibrillation.

“The initial trials have been anonymous with the goal of raising awareness; however, there are clear benefits for those who opt in to receive information directly relating to their wellbeing. It extends past being fit for work.”
People

Our approach

Downer is a people business. Our people make Downer what it is today and what it will be in the future. It’s our people who deliver services and build trusted relationships with our customers, strengthening Downer’s brand in the process. We strive to create an inclusive and flexible workplace that is both challenging and fulfilling to a diverse range of people with varying skills.

The increased spend by all levels of government in sectors Downer operates in is stretching an already limited skilled labour talent pool. This fact, combined with Downer’s large workforce, increases the importance of attracting and retaining skilled and engaged people by establishing Downer as a sought-after employer. We aim to do this by providing rich career development opportunities and attractive employee benefits, and developing leadership capability among our people.

In FY19, Downer committed to achieving the following People targets and objectives:

- Strengthen our talent retention and attraction strategies, including increasing employee benefits and broadening Downer’s flexible working arrangements
- Increase the engagement and progress scores in our annual Employee Engagement Survey
- Improve our gender diversity balance by increasing female participation in the workforce and providing opportunities for women in leadership roles, including reviewing and setting new 2020 gender targets
- Continue to enhance our cultural development program, including the launch of Downer’s new two-year Innovate Reconciliation Action Plan (RAP)
- Increase our pipeline of talent through generational diversity initiatives, like the expansion of our Graduate and Apprentice programs.

The performance information in this section includes Downer, its contractors and joint ventures in the following business lines: Transport and Infrastructure; Mining, Energy and Industrial; Spotless; and New Zealand including Hawkins.

During FY19 Downer continued to build its people capability by developing leaders and a workplace that values diversity and recognises it is a key enabler for continued success.

Downer’s workforce consists of more than 52,000 people across Australia and New Zealand, with fewer than 1,000 people across other international markets. Of our workforce, 77 per cent are covered by collective agreements across the Australian and New Zealand markets. By employment contract, 62 per cent are permanent and 38 per cent are contingent workers. Refer to pages 44-45 for a full breakdown of Downer’s workforce.

Throughout the year, Downer delivered on numerous initiatives to achieve the objectives and targets across our diversity focus areas of gender, culture and generations, as set out in last year’s Sustainability Report. Events of significance were celebrated across Downer for International Women’s Day, National Reconciliation Week, Harmony
Week and NAIDOC Week. As part of Downer’s commitment to the advancement of women, we partnered with Habitat for Humanity by sending teams across NSW, Victoria and Queensland to participate in its ‘Homes for Hope’ project to renovate women’s crisis accommodation and build homes for vulnerable women and children in Australia. The activity was an excellent representation of Downer’s commitment to equality, diversity and Zero Harm.

A key platform to enhance our employee engagement level and value proposition was the dissemination of stories through a range of communication channels that reinforce Downer’s commitment to an inclusive culture. In September 2018 we launched DownerConnect, our native mobile app that keeps our people connected and informed about company news, announcements and job vacancies. The app has been downloaded by more than 12,000 people and has proven an effective communication platform, which we will continue to evolve and update in coming years.

Additional channels including Downer and Spotless intranet sites, public facing websites, CEO emails to employees and social media were also used to effectively deliver communication campaigns, including:

- Celebrating events of significance to promote diversity and inclusion
- A series of stories featuring talent and the success of our graduates, with a particular focus on female graduates
- ‘60 seconds with…’ video series featuring diverse and varied employees from across the business
- Feature stories on Sky News’ Mundine Means Business television program about some of Downer’s Indigenous engagement initiatives including the Waanyi Downer Joint Venture, North Queensland Cowboys House and PCYC Blackwater.

**Talent retention and attraction of skilled employees**

Downer understands we need to retain, develop and attract the best talent in order to successfully deliver on our Purpose, Promise and Pillars. Downer’s strategic approach to maintaining and developing the best talent starts with supporting and retaining our existing leadership and workforce talent.

We do this by constantly monitoring the labour and business markets to:

- Understand national and State-based skills shortages
- Benchmark and adjust employment packages
- Align our talent development and succession programs to business needs
- Direct our workforce development strategy and plans.

Our strategy for attraction has a focus across generations and gender. Developing pipelines of talent to meet our requirements ensures Downer’s continued success. By identifying and fulfilling the right skillsets, knowledge and experience in our people, we ensure collaborative relationships remain effective, our operations are productive, and our customers are supported.

### Downer workforce by age group

<table>
<thead>
<tr>
<th>Age category</th>
<th>Male%</th>
<th>Female%</th>
<th>Percentage of workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 years old</td>
<td>34.30</td>
<td>53.70</td>
<td>41</td>
</tr>
<tr>
<td>30-50 years old</td>
<td>46.50</td>
<td>33.90</td>
<td>42.20</td>
</tr>
<tr>
<td>Over 50 years old</td>
<td>19.20</td>
<td>12.40</td>
<td>16.80</td>
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</tbody>
</table>
Talent Management and Succession Planning (TMSP) framework

At Downer, we apply a Talent Management and Succession Planning (TMSP) framework across the business which involves assessing current business challenges and opportunities, and ensuring workforce plans meet Downer’s strategic objectives. It provides strong foundations to ensure Downer has the right capabilities and provides the best career opportunities for its people. Effective TMSP supports our managers to have direct and open conversations with employees about their performance, potential and aspirations and then plan and execute strategies to develop their people to meet business needs.

Downer’s TMSP framework supports a culture where talent is identified, developed and retained. The model is made up of the following components:

- Nine-box talent matrix
- Talent profiles
- Peer reviews and calibration sessions
- Strategic succession plans.

Downer uses a balanced approach consisting of:

- 70 per cent experience – learning through day-to-day tasks and practice
- 20 per cent exposure – learning through others
- 10 per cent education – learning through structured courses and programs.

This ensures that each of our people can be challenged, and can influence their development against career aspirations and trajectory.

The education of our people occurs across gender and generation.

Internal courses were delivered either by Downer or through Downer-approved facilitators and covered a range of subjects including company compliance, technical skill development, soft skill development, cultural development, project compliance and trade certificates. In FY19, Downer delivered over 170,000 hours of internal courses. Course participation was 40 per cent female and 60 per cent male. Based on workforce profile, this amounts to 3.8 hours per female and 3.0 hours per male.

These total hours of training exclude external training, such as courses delivered by TAFE or another Registered Training Organisation, University or other forms of mandatory or licensing training.

Discovering and developing the capabilities of our people is how we deliver the best solutions for our customers.

The Downer capability frameworks have been developed to ensure we:

- Identify the behaviours and performance standards needed at Downer
- Design roles that meet the needs of Downer
- Employ the right people for the right roles based on capability, behaviour and technical skills
- Support all leaders to succeed in their roles
- Encourage skills and knowledge development
- Recognise and reward those who achieve excellence.
Downer has many capability streams, but views leadership, project management and Zero Harm as key disciplines that are fundamental to our continued success. The performance requirements are different at each level and are articulated in the Leadership Capability framework.

Leadership Excellence programs at Downer are a suite of leadership tools and programs that support a consistent approach to leadership development to produce highly skilled leaders. The ability to manage a team with strong leadership skills will create safe working environments, inspire action and increase engagement and productivity in the workplace.

The breadth of Downer’s operations provides diverse and rich career development opportunities, so employees remain engaged through structured career growth. We recognise that embracing difference fuels innovation and enables more informed decision making.

**Career pathways – room to grow**

Downer invests heavily in the professional development of our people. We work with our people to identify career goals and develop structured career pathways. Combining a career pathway focus with our large employee footprint, we offer opportunities for career growth within the confines of our teams across all Divisions.

**Remuneration and reward**

Downer implements a remuneration and reward strategy which focuses on market competitive remuneration packages to attract and retain industry leading talent. This strategy draws on the collective remuneration experience of our team and includes a focus on market competitiveness and further incentives.

**Employee benefits**

We understand that Downer employees are also everyday consumers. By leveraging on our company size, we provide access to a variety of benefits at large discounts to support our employees and their families.

All full-time and part-time employees at Downer’s major Australian and New Zealand sites receive access to benefits including:

- Professional development: study assistance, training, mentoring and secondments across the business
- Financial and other benefits: salary sacrifice superannuation, novated leasing, leave entitlements, banking discounts and offers, and employee recognition
- Health and wellbeing: flexible work arrangements, discounted health insurance and gym memberships, and health check-ups
- Lifestyle benefits: travel and accommodation deals, discounted vehicle rentals and leasing deals, discounted technology products and a wide range of shopping offers.

**Creating the culture – building an engaged workforce**

Downer draws on the values and experiences of our people to develop and foster an organisational culture which is engaging and rewarding. We aim to provide a direct line of sight between our peoples’ effort and delivery success. This provides them with a sense of meaning and purpose through their deliverables, leading to stronger business outcomes.

Where opportunities and growth are unable to be fulfilled internally, our talent sourcing teams use insights to work with employment providers and directly source talent across Australia and New Zealand to meet business imperatives.

**Employee Engagement Survey**

Downer conducted its fifth annual organisation-wide Employee Engagement Survey in 2019. This year more than 50 per cent of our workforce provided feedback, an increase on the 2018 participation rate.

The survey is an important opportunity for people at all levels of our workforce to provide honest feedback on how Downer performs across a range of key areas including leadership, career development, recruitment and selection, rewards and recognition, Zero Harm, cross-unit collaboration and technology.

We benchmark our performances against previous years’ results to track our progress. This analysis is also refined to examine year-on-year performance of our Divisions and the business units within these Divisions. Downer uses the feedback and insights gained from this survey to shape the strategies we implement to improve employee engagement.

This year Downer achieved an engagement score (which measures the positive attitudes and emotions that contribute to employee retention and productivity) of 72 per cent, and a progress score (measuring staff perceptions about organisational performance) of 65 per cent. Both scores are increases on Downer’s 2018 results, which were 69 and 61 per cent respectively.

Safety continues to be a key strength for Downer, with 84 per cent of people responding favourably. Teamwork (86 per cent) has also remained a key strength of the organisation, while Diversity (78 per cent), Results Focus (77 per cent), Mission and Values (75 per cent), Role Clarity (75 per cent), and Supervision (75 per cent) are also among Downer’s higher performing practices in 2019.

Consistent with 2018 results, Career Opportunities and Cross-Unit Cooperation were lower scoring categories in 2019, and will remain key focus areas for improvement.

To address the valuable feedback, Divisional leaders will consult with their teams to create and implement action plans.

**Gender diversity**

Downer’s total workforce profile is 36 per cent female and 64 per cent male. In FY19, Downer has increased female participation in the workforce by one per cent. With a stable workforce size, this is a significant achievement within a 12-month period.

As at 30 June 2019, our female employee metrics, including Spotless, were:

- **21% Executive**
- **22% Management**
- **36% Workforce**
Gender parity in construction

Diversity is an important focus area for Downer. We recognise that diverse perspectives and representations drive innovation and financial performance and create a more engaged and productive workforce.

One of Downer's key strategies to drive diversity is to contribute to achieving gender parity in our industry – supporting the National Association of Women in Construction (NAWIC) reinforces that objective.

Further to our Corporate Gold Membership with NAWIC (Victoria), our Transport and Infrastructure Division is also involved in a range of activities and programs. These include:

- Supporting employees in the business with their yearly NAWIC membership fees
- Sponsorship of the NAWIC (Victoria) CEO Shadow Program over the past two years. This industry program provides selected members with the chance to spend a day shadowing a senior industry leader. CEO of Downer’s Transport and Infrastructure Division, Sergio Cinerari, has been a mentor for the program for the past two years
- Support of the 2017 NAWIC International Women's Day research scholarship that researched strategies to entice women into traditionally male-dominated operational roles within the construction industry
- Sponsorship of NAWIC industry awards, including the annual Excellence Awards
- Contributing strong nominations from our high-performing female employees across multiple NAWIC industry award categories. Pleasingly, a number of our employees have won NAWIC awards over the past few years, recognising their talent and effort. In 2018, National Planning Manager from our Infrastructure Projects business, Natasha Manley, won the Businesswoman Award, and Cadet Engineer in our Road Services business, Teba Mazin, won the Student Award

"Our partnership with NAWIC is a key driver towards gender parity in our industry," Executive General Manager, Human Resources of Downer’s Transport and Infrastructure Division, Lina De Zilva, said.

Overall, women in management positions remained stable and the recruitment and promotion of talented women will continue to be a focus for the next period to enable progress towards targets. This is reflected in the proposed initiatives to support diversity and inclusion for FY20.

Our gender focus enabled Downer to realise a number of objectives around increasing female participation and engagement. In FY19, Downer:

- Created active talent profiles and development plans for all employees CEO -2 and high potential female employees to provide direction and opportunity as part of Downer’s Talent Management and Succession Planning strategy
- Had seven female executive leaders participate in Downer’s Executive Development Program (ExeLD) which is delivered by the Australian Graduate School of Management (AGSM) and builds further capability for high potential leaders, enabling them to have an identified pathway towards the next level of key management positions. AGSM is the only Australian school included in the annual Financial Times combined rankings of the world’s best executive education programs
- Successfully launched our New Zealand team’s Women in Leadership Downer (WILD) program in Auckland to help develop authentic women leaders while recognising the challenges of working in a male-dominated organisation. The group of 20 talented women left with clear action plans to develop their leadership journey and a network to support their continued development
- Had two Executive leaders participate in the Chief Executive Women (CEW) development program. CEW is the pre-eminent organisation representing Australia’s most senior women leaders across private and public sectors and provides opportunities for external networks to be developed and relationships formed with senior leaders across industry and government sectors
- Refreshed and relaunched the Downer Mentoring program, with 30 mentoring relationships established including 15 high-performing female leaders. The participants were able to utilise a mix of senior male and female leaders across the Downer Group as mentors.

Downer added an additional Non-Executive Director in May 2019. Three of the seven Non-Executive Directors on the Downer Board are women as at 30 June 2019.

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goal: #5 Gender Equality
Generational diversity

Graduates

Downer’s Graduate program is a cornerstone of our generational diversity focus and we continued to grow the program in FY19. The aim of our Graduate program is to attract high calibre talent and build a rich and diverse pipeline of future leaders. It is a two-year program in which graduates undertake rotations and gain experience across Downer Divisions. Downer Group’s coordinated attraction, recruitment, selection and development leverages the scale of the organisation to promote a compelling graduate value proposition. While the program has had a keen focus on the engineering and finance disciplines in the past, we have broadened it to include IT, marketing and Zero Harm disciplines for the 2020 intake.

A thorough graduate induction and welcome process, annual networking conferences and structured development workshops provide our graduates with an opportunity to network and further develop their skills. This is guided by Downer’s Graduate Development framework, which includes graduates working side-by-side on current projects with skilled and experienced mentors.

Key statistics from the Graduate program over the past two years include:

- The 2018 recruitment campaign for the 2019 graduate intake attracted 2050 applications, 22 per cent of whom were female. We offered places to 40 candidates, of whom 30 per cent were female
- Of the current cohort of 65 graduates in the program (including first year 2019 and second year 2018), 37 per cent are female
- Of the 18 alumni of the program, 15 have been placed into ongoing employment, 33 per cent of whom are female
- In 2019, the intake of Downer New Zealand’s Engineering Graduate program was 50 per cent female (nine out of 18), while New Zealand’s summer intern intake was also 50 per cent female.

Emerging Leaders

We identify talent we believe will become future leaders from all parts of the business and bring them together to participate in our LEaD Emerging Leaders (LEaD EL) program. This is our talent program designed to inspire growth and foster development in high potential individuals with less than 10 years of professional work experience. The program is part of Downer’s talent retention strategy and is included in participants’ Professional Development Plans to build leadership capability for Zero Harm, managing self, people and the customer. It also provides participants with the skills and knowledge to increase their commercial, financial and business acumen. It is one of the most sought-after programs for emerging leaders who display talent, leadership potential and a commitment to development.

Our Emerging Leaders program had 37 participants in FY19 – double the intake of the previous four years – and will be further expanded each year. At the completion of the program, each emerging leader receives a workplace visit from the Group Head of Human Resources and Industrial Relations, Steve Schofield, where they share a career conversation and set future development goals.

Apprentices

Arguably our most important talent pipeline is our trade-based skills apprenticeship program. This covers a broad spectrum of trades from the markets Downer operates in including electrical, civil construction, mechanical fitters, air-conditioning and refrigeration, plumbers, chefs and mobile plant technology. Downer’s Apprenticeship Management programs are specifically designed to deliver the high standard of learning required to gain a trade qualification. They provide apprentices with real world project-based and operational environments to combine their classroom learning with broad, challenging and interesting on-the-job experience.

Downer currently manages approximately 450 apprentices across its Divisions and works with several providers and training organisations in Australia and New Zealand during an apprenticeship cycle. Our apprentices also receive structured on and off the job training, access to the latest tools and technology to hone their skills, coaching and supportive mentors who are experienced not only in their trade but at mentoring as leaders within Downer, induction programs tailored at setting and managing expectations, and access to the broad range of employee benefits as well as our Employee Assistance Program. During FY19 detailed discovery and consultation commenced to enhance the strategy, capability framework and governance components of our program. This will better support Downer’s apprentices and ensure workforce planning is effective for the required skilled tradespeople and future leaders.

School leavers

Our New Zealand business has an ageing employee demographic and is experiencing skills shortages in specific sectors. Recruiting, engaging and retaining the best talent to ensure we have the workforce we need now and for delivery of our future work commitments is pivotal. To achieve our strategic goal of becoming an employer of choice for young people and Māori, as well as reducing overall employee turnover, we identified the need to target young Māori in both our recruitment and retention plans. To do this, we created a new program called Whakatipu Tētēkura by adapting and updating existing programs to cater for the needs of young Māori entering our industry.

Whakatipu Tētēkura is aimed at Māori school leavers at risk of becoming NEETs (Not in Education, Employment or Training) and consists of Marae-based residential workshops, pastoral care and a supported career development pathway.

Participants are permanently employed within Downer, supported through our In Work Success program and, where appropriate, Te Whanake ki te Ora.
Cultural diversity

Downer is committed to showing respect and providing support to the Indigenous communities where our work takes place.

This commitment to cultural inclusion also forms a key part of our employee value proposition. Downer operates in a very tight labour market and we are seeing an increasing number of job seekers looking for organisations that value sustainability and inclusion.

Aboriginal and Torres Strait Islander cultural diversity

Downer’s Aboriginal and Torres Strait Islander (Indigenous) focus enabled significant milestones to be achieved as part of our commitment to reconciliation. Downer’s vision for reconciliation is one where all Aboriginal and Torres Strait Islander peoples are treated equally in all relationships and their cultures and histories are celebrated and respected.

In FY19 Downer successfully launched our Innovate Reconciliation Action Plan (RAP) for 2019-2021, which reaffirms our commitment to the reconciliation process and builds on our Reflect RAP which has been delivered successfully. The Innovate RAP provides an important foundation and outlines Downer’s commitments and actions to continue developing new and existing relationships with Aboriginal and Torres Strait Islander peoples, businesses and communities.

The key initiatives implemented under our Innovate RAP will include:

- Providing opportunities to build and maintain relationships between our employees and Aboriginal and Torres Strait Islander peoples by participating in National Reconciliation Week across the organisation
- Developing a training strategy for all employees which will define cultural learning needs throughout the business, and include an online cultural awareness program to support the capability of our leadership teams
- Developing initiatives to improve and increase Aboriginal and Torres Strait Islander employment outcomes
- Providing support systems to the business to increase procurement with Aboriginal and Torres Strait Islander businesses.

Additionally, our Spotless business is closing out its Innovate RAP, having implemented all initiatives, and is consulting with Reconciliation Australia to develop its Stretch RAP with the aim to launch in FY20. While Downer and Spotless are currently at different stages of their reconciliation journeys, they are sharing the learnings, capabilities and opportunities to deliver deeper and richer RAPs. This extends to increasing collaboration across Divisions to ensure Downer’s assets and resources are used to deliver genuine Indigenous engagement and build lasting legacies.

Providing support systems to the business to increase procurement with Indigenous businesses is a key initiative and, through Downer’s RAP Working Group, a project has commenced to deliver diversity and build capability through our supply chain. Over the next 12 months, Downer will use an external vendor’s Contractor Management and Vendor Qualification system to support Recognised Aboriginal Businesses (RABs) to prequalify for participation in our supply chains. Through this process the RABs will not only have access to the Downer Group supply chain but will also be prequalified to do work within their capability and geographic coverage for all Downer companies.
During FY19 Downer also became a registered member of Supply Nation, which is Australia’s largest national directory of verified Aboriginal and Torres Strait Islander businesses. This is important for Downer to ensure we continue to create new relationships with Indigenous peoples, businesses and communities. We consult with Supply Nation to further develop our supply chain. Two examples of partnerships achieved were with PCYC Blackwater and Aboriginal Employment Strategy (AES) for Indigenous workforce employment opportunities.

Downer continued to build Indigenous engagement awareness and capability in our people through the launch of our Indigenous Cultural Awareness Training for Leaders program. The program is delivered via an eLearn and is completed by employees at Supervisor level and above. This builds on the existing knowledge and cultural competence of Downer’s leaders to understand the history, cultural norms and protocols of Aboriginal and Torres Strait Islander peoples. Through this, our leaders will be able to better support and manage our Indigenous workforce and engage with Indigenous organisations and communities.

Māori cultural diversity

Māori comprise 24 per cent of our 12,000 strong workforce in New Zealand. Our Māori culture and development programs are highly visible demonstrations of Downer’s genuine commitment to supporting cultural diversity.

Downer’s New Zealand Division has implemented a key strategic initiative to embrace our Aotearoa heritage and culture and to integrate aspects of Te Reo (Māori language) and Tikanga (Māori customs and traditions) into our daily interactions with our people, customers and business partners.

This cultural competence initiative has specific goals to:

- Support greater diversity and inclusion through embracing diverse cultures
- Recognise that our large government customer base has requirements to work in partnership with Māori, and increasing our capability will enhance our ability to work alongside them
- Enhance our established relationships with iwi (Māori tribe) developed through existing employment and development programs.

Downer’s Māori Leadership Development program, Te Ara Whanake, has been a key initiative to help attract and retain Māori in a tight labour market. The program has proven highly successful among our people, with 197 participants completing it. Through Te Ara Whanake, participants have strengthened their Māori identity and been empowered to role model this, both inside the organisation and in their communities. The success of this multiple award-winning program has provided the catalyst for broader culturally-focused programs within New Zealand. For example, we now use Mihi (Māori greeting) to open meetings, Te Reo is becoming more widely used, and Māori blessings and other cultural practices are becoming part of Downer New Zealand’s DNA.

Non-Māori leaders continue to participate in Te Ara Whanake, which gives them a deeper understanding of Māori history, culture and Tikanga. These participants have become active proponents of celebrating cultural diversity within Downer. The demand from non-Māori leaders to take part in this program has resulted in the creation of a new program, Te Ara Māramatanga.
**People performance data**

### Employees by region and gender

<table>
<thead>
<tr>
<th>Region</th>
<th>Total % FY19</th>
<th>Total % FY18</th>
<th>Male % FY19</th>
<th>Male % FY18</th>
<th>Female % FY19</th>
<th>Female % FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>74.8</td>
<td>73.2</td>
<td>66</td>
<td>67*</td>
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<td>New Zealand and Pacific</td>
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<td>60</td>
<td>64*</td>
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<td>36*</td>
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<tr>
<td>Southern Africa</td>
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<td>0.8</td>
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<td>94</td>
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<td>6</td>
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<tr>
<td>South America</td>
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<td>0.2</td>
<td>83</td>
<td>85*</td>
<td>17</td>
<td>15*</td>
</tr>
<tr>
<td>Other (including USA and India)</td>
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<td>97</td>
<td>89</td>
<td>3</td>
<td>11</td>
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*Transcription errors in 2018 report

### Workforce composition by gender and region

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<tr>
<th>Region</th>
<th>Male permanent %</th>
<th>Male temporary %</th>
<th>Male total %</th>
<th>Female permanent %</th>
<th>Female temporary %</th>
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<tr>
<td>Australia</td>
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<td>18.6</td>
<td>49.1</td>
<td>13.2</td>
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<td>New Zealand and Pacific</td>
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<td>14.4</td>
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<td>&lt;0.1</td>
<td>0.1</td>
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<tr>
<td>South America</td>
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<td>0</td>
<td>&lt;0.1</td>
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<tr>
<td>Other (including USA and India)</td>
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<tr>
<td>Total</td>
<td>42.7</td>
<td>21.6</td>
<td>64.3</td>
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<td>16.4</td>
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### Permanent workforce composition by gender and full-time/part-time

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<tr>
<th></th>
<th>Male %</th>
<th>Female %</th>
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<tbody>
<tr>
<td>Full-time</td>
<td>65.5</td>
<td>20</td>
<td>85.5</td>
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<td>Part-time</td>
<td>5.1</td>
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### Gender diversity

<table>
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<tr>
<th>Metric</th>
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<th>FY18 (including Spotless)</th>
<th>FY19 (including Spotless)</th>
<th>Target</th>
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<tr>
<td>Females in executive roles</td>
<td>10.80%</td>
<td>20%</td>
<td>21%</td>
<td>22% by 2020</td>
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<tr>
<td>Females in management roles</td>
<td>11%</td>
<td>17%</td>
<td>22%</td>
<td>23% by 2020</td>
</tr>
<tr>
<td>Females employed</td>
<td>11%</td>
<td>35%</td>
<td>36%</td>
<td>37% by 2020</td>
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</table>

### Graduates/apprentices by gender – Australia and New Zealand only

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduates</td>
<td>75</td>
<td>38</td>
<td>113</td>
</tr>
<tr>
<td>Apprentices</td>
<td>396</td>
<td>50</td>
<td>446</td>
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</table>

### Average hours of training per year by gender – Australia and New Zealand only

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<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total hours of training delivered</td>
<td>103,385</td>
<td>69,211</td>
</tr>
<tr>
<td>Average hours of training per employee</td>
<td>3.0</td>
<td>3.8</td>
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</table>
Bendigo Hospital’s refugee employment program

Like many asylum seekers living in Australia, all that Sri Lankan Tamil refugee Siva Ratthinam wanted was an employment opportunity.

But he found that opportunity difficult to find. Refugees often face additional obstacles to employment, including language barriers and lack of local work experience. Downer understands these difficulties, and aims to ensure refugees have equal access to work and are free from discrimination.

Our Spotless Division was one of the first businesses to sign up to the Migration Council Australia’s Friendly Nation Initiative (FNI) and in FY18 delivered a successful refugee employment pilot program that placed 32 refugees in roles at the new Royal Adelaide Hospital.

Since then, other Downer teams have investigated opportunities to implement refugee employee programs.

In FY19 Spotless’ Food Services team at Bendigo Hospital partnered with local organisation Loddon Campaspe Multicultural Services (LCMS) to offer avenues of employment to refugees living around the region.

“We put on three refugees in our first round of recruitment and it has evolved from there,” said Spotless’ Food Services Manager at Bendigo Hospital, James Reade, who initiated the partnership.

“We currently have eight refugees working with us. They’re an integral part of the team and play a very important role in providing close to 50,000 meals a month to patients. And we have found them all to be very happy and very hard working.”

Siva is one of those eight, working as a Food Services Assistant. He started out as a casual in December 2018 and has performed so well he has since been made a full-time member of the team.

“What can I say about Siva? He is probably one of the biggest legends I have ever met,” James said. “He has had a very tough life, but you would never know it. He bounces into work every day and has an incredible work ethic.

“He is very good at his job and has been great for the culture of the team. He rolls up his sleeves, gets things done and is a great team player. He epitomises the perfect employee.
“He has grown a lot in confidence during his time here. English was one of his barriers when he first started, but his English has improved immensely and he is now also studying English at TAFE.”

At Bendigo’s inaugural Refugee Week Business and Employee Recognition Awards in May, Spotless and Siva were both nominated for awards.

“Having a good reliable job and working with nice people is very important to me,” Siva said. “My job with Spotless is great.”

But Siva (pictured, right, with James at the awards night) isn’t the only success story from Spotless’ partnership with LCMS.

Hsa Ree is a Food Services Assistant who moved to Bendigo from Burma when she was pregnant and gave birth to her children at Bendigo Hospital... and now works there alongside Siva and the Spotless team.

“I came to work at the hospital through a multicultural employment program, and I feel so lucky to be here,” Hsa (pictured above) said. “This job has taught me so much.”

On the back of the success of the Food Services Team’s initiative, the partnership with LCMS has been expanded to other parts of Spotless’ contract at Bendigo Hospital.

“It is absolutely amazing to work with the Spotless team in Bendigo who really care! They care enough about the diverse community they are in by providing a safe and healthy working environment. Kudos!” LCMS Employment Coordinator, Sylvia Phan, said.

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goal: #8 Decent work and economic growth
We have hundreds of veterans working in our business, and actively partner with a number of veteran initiatives that support ex-servicemen and women during their transition from military service to civilian life.

One way we’re helping to bridge the gap from uniform to suit is by partnering with Wandering Warriors and the University of Queensland Business School to develop a scholarship program that delivers education and business mentoring to veterans.

The Defence and National Security Scholarship is gifted to an individual each year to further their military studies by completing a Masters of Business Administration (MBA) together with on-the-job training.

For Will Hetherington, a Senior Consultant with Downer’s Defence and National Security business, the scholarship provides exactly the type of higher education that will turn his 15-plus years of military service into a long and successful civilian career.

“As a soldier, I’d heard of the struggles experienced by Army friends who had got out of service before me,” Will said. “It’s a long journey to get out of the Army and, personally, it wasn’t easy but together with the support of my family and the scholarship, I was able to develop a personal purpose and showcase my relevant military training.

“I was very fortunate to have a dynamic career in the Army and now I look forward to partnering my Defence skills with my business skills for the next chapter in my life.”

Group Head of Government and Customer Partnerships and leader of Downer’s Defence and National Security business, Michael Miller, said the program provides benefits for both veterans and Downer.

“The MBA scholarship program is not only about education, but mentoring and building connections to support a successful civilian career,” Michael said.

“In turn, we gain access to a group of people whose values align to Downer.”

Veteran employment initiative

Downer is committed to providing opportunities for men and women who have served in the Australian and New Zealand Defence Forces.

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This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goals: #8 Decent work and economic growth
Case study

Breaking down barriers to employment

Long-term sustainable employment has long been a focus area for Downer, so when our New Zealand team noted a decreasing retention rate of people recruited through our government partnership programs they sought a solution.

In August 2017, they launched the ‘In Work Success’ program, which provides targeted support for at-risk employees throughout their first year of employment with Downer. In Work Success aims to enable people with significant employment barriers to gain, and maintain, ongoing employment with Downer.

Supporting Downer’s entry level program, it provides targeted support to employees and assists them in transitioning onto a career pathway.

In Work Success provides support around issues like literacy, financial or wellness challenges to reduce the impact these issues can have on employment.

Since implementing the program, Downer’s employee retention rate of people recruited through our government partnership programs in New Zealand has increased by over 15 per cent. The program has also been recognised as an industry-leading initiative, winning the Workforce Experience Award at the HR Institute New Zealand (HRINZ) Awards.

The In Work Success program has had a significant impact on our people. Nelson, an In Work participant from Tauranga, found great value from the program, saying: “Downer has always told me how they can help me. I’ve had so much support all around me, they even helped me to move house when I was new to town and that matters because it’s been motivational for me to keep going. I’d say I’m at the highest point of my life at the moment and the best thing is, it can only get higher.”

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goal: #8 Decent work and economic growth

Our future focus

Downer has revised its measurable objectives for FY20, which have been endorsed by the Board and reinforce the company’s Diversity and Inclusion strategy.

The revised targets consider Downer’s FY19 performance and recognise the Group-wide commitment to increasing the representation of women in the workforce and management positions and increasing representation of Aboriginal and Torres Strait Islander employees.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women in the workforce by 2020</td>
<td>37%</td>
</tr>
<tr>
<td>Women in management positions by 2020</td>
<td>23% increase on the disclosed measurable objective outlined in Downer’s FY18 Annual Report</td>
</tr>
<tr>
<td>Women in Senior Executive positions by 2020</td>
<td>22%</td>
</tr>
<tr>
<td>Female representation on Downer Board by 2020</td>
<td>30%</td>
</tr>
<tr>
<td>Aboriginal and Torres Strait Islander employees by 2020</td>
<td>3%</td>
</tr>
</tbody>
</table>
From Downer graduate to Mining Engineer

One of the key differentiators of Downer’s graduate program is that we aim to offer all of our graduates a permanent role in the company upon completion of the two-year program.

Greer Behan-Willett is a Mining Engineer working at Commodore Mine in south-west Queensland, having begun her journey with Downer as a graduate. She worked at three mining sites – Commodore, Meandu and Boggabri – during the program and was provided opportunities to sink her teeth into a variety of tasks, from hands-on designing and planning experience, to driving a mining truck, to working on a blast bench.

“Downer has guided my development all the way from student to Mining Engineer,” Greer said. “I started working with Downer while I was studying my dual degree in Commerce and Mining Engineering at the University of Queensland – I worked in the Brisbane office and went out to some mining sites during my vacations. As a result of this practical experience I was able to get more out of my engineering studies and I started to develop skills I would need as a professional engineer.

“Downer’s Graduate Program provided me with opportunities to develop my technical skills in design and planning while giving me an appreciation for the broader components, outside the technical, that make a mine successful. For example, on my program I spent time with the safety team, went on weed inspections, drove massive mining trucks and sat in on a Fair Work Commission conference. A highlight was working on the blast bench at Meandu (mine), which meant I got to fire some spectacular blasts.”

After successfully completing the graduate program, Greer was offered a Mining Engineer role at Commodore Mine. “I work as part of a team to deliver efficient and safe short-term mine plans,” she said. “My responsibilities include developing the plan and monitoring its delivery. You need to be able to come up with the best course of action, envisaging current and future needs, and you need to do this quickly. It can be stressful… but I love it!”

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goals: #5 Gender Equality; #8 Decent work and economic growth.
To achieve these targets, we aim to implement a wide range of initiatives to support our commitment to gender, cultural and generational diversity. These include:

- Continue the governance structure through Divisional Diversity steering committees, with progress and initiatives reported quarterly to the Executive committee
- Leverage our status as an Endorsed Employer with Work180 to utilise its job board for Downer targeted positions
- Review and modify the Downer Mandatory Induction program to ensure our commitment to a diverse and inclusive workforce and working environment is highlighted
- Deliver on Downer’s WGEA Pay Equity Ambassador commitments
- Undertake a pilot program to incorporate Downer’s flexible working arrangements into an operational team and site and share the learnings with the rest of the business
- Develop capability in our leaders to effectively manage a diverse workforce via a series of manager guides, including inclusive language, strategies for managing a culturally diverse workforce, and everyday sexism in the workplace
- Implement a second intake for Downer’s mentoring program, where high-performing women are paired with high-performing leaders to support their development goals. Additionally, we aim to develop and launch a Downer Network to highlight opportunities and promote networking for females, which will be open to all employees
- Develop and launch a Manager Toolkit for supporting primary carers on Parental Leave before, during and as part of their return to work
- Build unconscious bias capability of hiring managers and recruitment specialists via an online learning module
- Make progress on the commitments outlined in Downer’s Innovate RAP and launch Spotless’ Stretch RAP and start delivering on the commitments
- Develop five new partnerships with Indigenous businesses and/or communities
- Open up Downer’s Te Ara Whanake (Māori Leadership Program) to non-Māori leaders. The Te Ara Māramatanga program will increase cultural and leadership competency
- Continue to provide employment opportunities to migrant workers and further build manager capability by providing cultural awareness training
- Continue to unify Downer’s Graduate program across the company, while also implementing a governance structure and framework for the Downer Apprentice and Trainee program that supports strategic attraction, selection and retention
- Explore partnership opportunities with organisations that manage the transition of ex-defence personnel into Downer employment opportunities.

Emerging issues and market trends

It is increasingly evident that organisations must engage and invest in their workforce for sustained success. As the leading provider of integrated services in Australia and New Zealand, Downer is a people-dependent business. It is therefore imperative that we continue to attract, manage and retain the right people with the right skills.

However, this poses sizeable challenges.

Downer operates in industries that are constantly changing and drawing from the same talent pool that has limited capability and capacity. We compete for similar talent largely within Australia and New Zealand but also further abroad in the Asia-Pacific region. When coupled with a backdrop of people having increasingly diverse needs and expectations from their employer, co-workers and workplace, Downer is faced with many new challenges, but also opportunities.

The so-called ‘war for talent’ is exacerbated by the mining cycles, as well as the significant pipeline of current and planned investments and commitments by all levels of government in large infrastructure projects. These projects are heavily reliant on technical skill-based trades and all disciplines of engineering, project management, commercial and risk management. Human resources are required for the construction of these large-scale projects, and similar resources are needed upon project completion to maintain and operate the assets across the transport, utilities, facilities and mining sectors.

The limited interest in STEM subjects at school and trades for school leavers poses continuing challenges for our sectors. This is compounded by the lack of gender diversity in the engineering space, particularly for electrical and mechanical engineers. Addressing this trend will require greater engagement and investment in supporting schools and tertiary education providers to ensure potential talent see these sectors as legitimate and attractive career choices that provide medium-term and long-term prospects.

A focus on flexibility

While people are placing increasing value on a diverse and inclusive workplace, they are also seeking flexible workplaces with practices that allow them to better balance their lives with family, friends and other activities. For project-based and asset management services businesses to meet these requirements, practices need to be developed that are accommodating while also allowing operations to be maintained.

To address these trends, and remain competitive in the battle to attract and retain the best talent, Downer will continue to build the awareness and capability of its leaders to change behaviours and reduce bias. We will continue to deliver our Mental Health First Aid training course (as detailed on page 31) and roll it out to a wider portion of our workforce. We will also continue to promote a flexible workplace, including a pilot program to incorporate our flexible working arrangements into an operational team and site.
Environment

Our approach

Downer strives for environmental excellence and enhancing liveability for all communities in which we operate.

Our environmental commitments are outlined in Downer’s Environmental Sustainability Policy on the Downer website.

Our ability to manage the impacts of our activities on the environment and communities in which we operate is fundamental to our long-term success. At Downer, we help our customers succeed by developing and delivering environmentally responsible and sustainable solutions, so our business is fit for the future.

Downer remains focused on developing solutions to reduce our energy consumption and greenhouse gas (GHG) emissions, while increasing our cost competitiveness. We are also committed to developing strategies that will improve the resilience of our assets and portfolio to the impacts of climate change, progressing the circular economy and looking at innovative ways to reuse waste materials in our products.

We place a strong emphasis on meeting our compliance obligations, including taking responsibility for preventing and managing our contamination risk and liabilities.

Each Division is required to have an Environmental Sustainability Action Plan (ESAP) and strategies in place supported by suitably qualified environment and sustainability professionals. The ESAP allocates internal responsibilities for reducing the impact of our operations and business activities on the environment. In addition, all Downer Divisions’ environment management systems are audited by both internal and external independent third parties.

Our 10 Environmental Principles were created as an important central awareness and engagement tool, providing practical messages to assist our frontline workers to achieve environmental compliance across waste, water, air emissions, hazardous waste and substances, flora and fauna, heritage and environmental incidents. They provide us with the necessary understanding and tools to ensure we conduct our operations and activities in a manner that is environmentally responsible and sustainable. These principles are critical to ensuring our employees and broader stakeholder groups are engaged and aware of our environmentally sustainable commitments.

In FY19, Downer committed to achieving the following environmental targets and objectives:

- Zero serious environmental incidents (Level 5 and 6)
- Zero Environmental Prosecutions
- Fewer than three Environmental Penalty Infringement Notices
- Achieve a ‘Stretch’ target of 7,166 tonnes of annualised GHG emission (CO2-e) reductions for energy efficiency initiatives.

The performance information in this section includes Downer, its contractors and joint ventures in the following business lines: Transport and Infrastructure; Mining, Energy and Industrial; Spotless; and New Zealand including Hawkins. Joint ventures have been included for environmental energy and GHG emission performance data where Downer is deemed to have operational control as defined by the National Greenhouse Energy Reporting Act. Further information on joint ventures is detailed in Downer’s 2019 Annual Report.

1 This is Downer’s internal GHG reduction target which is set yearly in alignment with the three-year aspirational target associated with energy efficiency initiatives and linked to Downer’s Short Term Incentive program.
Our performance

Downter’s environmental sustainability performance is measured against the key areas of risk management, compliance, minimising environmental impact and maximising resource efficiency opportunities in our own and our customers’ businesses. Significant progress was made this year in delivering on focus areas that were disclosed in Downer’s 2018 Sustainability Report.

Downer’s key focus areas during the year were to:

- Continue to focus on the resilience and assurance of environmental risk controls
- Incorporate sustainability rating tools and initiatives into major projects
- Improve environmental workforce capability
- Engage with customers regarding Downer’s environmental capability
- Prepare the business as markets transition to a low carbon economy.

Last year Downer committed to improving and consolidating all reporting within our sustainability reporting platform, including incorporating water and waste data. Over the past year, improvements have been made to our Envizi platform. Collection of reliable waste and water data continues to be a challenge, but we have put strategies in place to enable this to be completed in FY20.

We reset the base year GHG emissions levels to FY18, and reviewed and set new three-year GHG reduction plans and targets, as outlined in the Managing our GHG emissions section on pages 63-67.

This year Downer also further explored the impacts of climate-related risks and opportunities through scenario analysis and development of science-based targets as we progress with responding to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Other areas Downer focused on in FY19 were to:

- Expand the scope of GHG emissions reporting to include contractor data for New Zealand and Spotless in line with the rest of the business and joint ventures
- Review our ISO certifications and integrated management systems to align to new business structures
- Further utilise low-emission technology across our fleet and machinery to reduce fuel consumption, carbon and air emissions
- Develop company-wide procedures to ensure a consistent approach to identifying and assessing land contamination at sites we own or have acquired, leased or sub-leased
- Further develop a suite of learning modules for operational staff on various environmental management and sustainability topics
- Apply LCA (life cycle assessment) to our Transport and Infrastructure Division, including the development of an Environmental Product Declaration (EPD) for the Sydney Growth Trains (Waratah Series 2) and LCA for our Rosehill Detritus plant and road maintenance services
- Increase the number of Infrastructure Sustainability Council of Australia (ISCA) Infrastructure Sustainability (IS) ratings for our infrastructure projects to improve our sustainability performance, including being the first Tasmanian project to register for an IS Operational rating.

10 Environmental Principles

Following these principles will enable us to meet our obligations and commitments, protect the surrounding environment and maintain positive relationships with our community and customers.

1. Check approvals and permits are in place before starting work
2. Protect waterways and be prepared for spill events
3. Use effective erosion and sediment controls
4. Store and secure chemical substances in a bunded area
5. Reduce, reuse, recycle to minimise waste
6. Manage noise, vibration, dust, odour and fume to minimise impact on the community
7. Protect flora and fauna and prevent the spread of weeds and pests
8. Protect and report cultural, heritage and other finds
9. Report all environmental hazards and incidents
10. Keep every site secure, tidy and housekeeping maintained

Environment (continued)
Spotless uses less energy

Spotless has found new ways to reduce energy consumption at Sydney’s International Convention Centre (ICC) and Queensland’s South Bank TAFE.

As part of its integrated facilities service offerings, Spotless aims to make the buildings and facilities it oversees smarter, greener, safer and more efficient. Spotless has a long-term Public Private Partnership with South Bank TAFE and is the facility manager at the ICC.

It’s estimated that 40-52 per cent of total energy consumption in commercial buildings comes from heating, ventilation and air-conditioning (HVAC) systems. When you consider the ICC covers 250,000 metres squared across three city blocks, the HVAC requirements can be complex.

“In most traditional buildings, air-conditioning is set to core operating hours, regardless of how they are being used,” Spotless’ Energy and ESD Manager at ICC Sydney, Mei McNamara, said. “We recognised an opportunity to drive greater energy efficiency in air temperature control.

“Through the graphical interface Building Management System we can schedule air-conditioning in specific areas as required and adjust the temperature for each individual space.”

Through this initiative, there has been a reported electricity saving of 30 per cent on top of the benchmarked target.

In December 2016 Spotless installed a solar power system at South Bank TAFE, consisting of 384 frameless panels, that aimed to reduce CO2 consumption.

In the 2018 financial year, non-discretionary electricity usage at South Bank TAFE decreased by 142.5 MWh. It has also reduced carbon emissions of approximately 160 tonnes per year with total usage decreasing by 336 MWh since its launch.

“This project has demonstrated our commitment to championing sustainable initiatives,” Contract Manager – PPP Education, Kaye McGuinness, said. “Our team is always exploring opportunities to reduce energy consumption and the impact on the environment when delivering services.”

The total reduction in consumption at South Bank TAFE is currently tracking at over two per cent and Spotless is looking to reduce this even further.

These initiatives demonstrate Downer’s contribution to achieve the following Sustainable Development Goal: #13 Climate Action
Contamination management

Downer participates in a number of high-risk activities with regard to contamination. These include emulsion manufacturing, asphalt manufacturing, rail maintenance, commercial laundry and dry-cleaning operations.

In FY19 Downer undertook a review of its Contamination Management procedure which it launched in 2017. This procedure provides a consistent approach to contamination management across the Group, with key responsibilities outlined for the Property and Zero Harm teams throughout the property acquisition and divestment process; and guidance to the business to assist in identifying potential liabilities and reducing potential risks associated with the Downer property portfolio. The procedure also provides an outline on how and when potential contamination risks are identified and managed for the following transactions: newly acquired (leased, purchased or subleased) land by Downer; sites to be divested or ending their lease by Downer; and land that Downer subleases to a third party.

A core group of in-house contamination specialists within the Environment and Sustainability team of Group Zero Harm provides technical advice and support to the business and actively engages in all major tenders, acquisitions and divestments. Contamination liability is a key consideration.

In addition, a Group-wide Contamination Risk register, initially prepared in 2017, collates information from detailed reviews of Downer’s leasehold and freehold properties. Each property is assigned a risk rating in accordance with Downer’s risk classifications. This register includes the Laundry facilities in Spotless, which already had a well-established contamination program. The Group Contamination Risk register and supporting information is provided to Divisional Finance teams to allow for financial provisions to cover any make good or site remediation obligations.

Environmental compliance

Downer maintained its Group-wide target of zero Level 5 or Level 6 environmental incidents and zero Significant Environmental Incidents and zero prosecutions during FY19. Disappointingly, Downer incurred 11 penalty infringement notices totalling AUD $23,775.

This consisted of nine penalty infringement notices in the New Zealand Division totalling NZD $4,950 (AUD $4,720). At the time of writing this report, one infringement notice is being contested because an internal investigation found evidence to suggest the discharge reported to the Regional Council didn’t originate from the Downer facility. The Transport and Infrastructure Division also incurred two penalty infringement notices totalling AUD $19,055 associated with the operation of one of its wastewater treatment facilities resulting in an exceedance of ammonia released into the nearby watercourse. The other related to a breach of the planning approval whereby the construction certificate was not obtained for the Beryl Solar Farm.

Environmental Prosecutions over three years

Significant Environmental Incidents

Infringement Notices

<table>
<thead>
<tr>
<th>Year</th>
<th>Infringement Notices (No. of)</th>
<th>Infringement Notices ($AUD)</th>
<th>Target (No. of)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>4</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>8</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>6</td>
<td>$30,000</td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>12</td>
<td>$40,000</td>
<td></td>
</tr>
</tbody>
</table>

2 A Level 5 environmental incident is defined as any incident that causes significant impact or serious harm on the environment, where material harm has occurred and if costs in aggregate exceed $50,000.
3 A Level 6 environmental incident is defined as an incident that results in catastrophic widespread impact on the environment, resulting in irreversible damage.
4 A significant environmental incident or significant environmental spill (+ Level 4) is any environmental incident or spill where there is significant impact on or material harm to the environment, or an incident or spill that results in a significant impact or material harm; or there is long-term community irritation leading to disruptive actions and requiring continual management attention.
Climate change and Downer’s TCFD response

Downer accepts the latest Intergovernmental Panel on Climate Change (IPCC) assessment of the science related to climate change. Downer considers climate change to be one of its material issues.

Downer continues to make significant progress in assessing the financial implications of climate change. In FY19 Downer progressed towards the recommendations of the TCFD and focused on scenario analysis and developing a science-based target, as detailed below.

In 2019 Downer published a set of climate change frequently asked questions on its website www.downergroup.com/environment to provide a consistent response to questions Downer receives on climate change.

The impacts of climate change present a challenge to sustaining our modern environment. While our business portfolio is diverse, we have limited exposure to the effects of climate change on our business through fixed, long-lived capital assets. Our diverse portfolio allows us to be flexible and agile to redeploy our assets to high-growth areas as markets change. This diversity of portfolio strongly positions us to mitigate and manage our exposure to climate risks and to maximise the business opportunities it presents.

Our climate-related disclosures which are aligned with the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) are detailed against the four themes, Governance, Strategy, Risk Management and Metrics and Targets and build on our initial climate disclosures in FY17 and FY18.

Case study

Pioneering rolling stock lifecycle transparency in Australia

The first of the Waratah Series 2 trains rolled onto the Sydney network in September 2018 – and we can already chart their environmental footprint in the year 2048.

In delivering the Waratah Series 2 trains for Transport for NSW, Downer produced an Environmental Product Declaration (EPD) for the train sets that can foresee the fleet’s environmental impact at the end of a 30-year lifecycle.

An EPD is an independent framework for businesses to provide transparent, science-based data about the environmental performance and lifecycle of their products.

Our rolling stock EPD for Waratah Series 2 is the first EPD produced in Australia – and the southern hemisphere – for vehicle and transport equipment, setting a new benchmark in lifecycle analysis and impacts of rolling stock.

“This EPD provides the full carbon impact of the train across a 30-year lifecycle,” Downer’s Environment and Sustainability Manager, Ellese O’Sullivan, said.

“It covers all of the components, parts, raw materials and energy impacts that went into the trains’ manufacture. It also tracks the energy impacts of their transportation – moving the trains from China through to our facility at Cardiff and then onto the network to the Auburn Maintenance Centre, as well as charting the full carbon impact of their operation on the network and maintenance of the train sets through their lifecycle right through to final disassembly at the train sets’ end of life.”

The data in the EPD can also be used to forecast the future environmental impact of the trains throughout their lifecycle and beyond.

“It also informs on what to do with the train sets at the end of lifecycle – what components, parts and materials are salvageable – providing a full circular economy to end-stage and decommissioning,” Ellese said.

It is anticipated with current reuse options that 95.4 per cent of these trains will be recoverable and as technology and reuse potential improves we anticipate that this will only increase.

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goals: #11 Sustainable Cities and Communities; #12 Responsible consumption and production; #13 Climate Action
Governance

The Downer Board, through its oversight functions, has ensured Downer appropriately considers Environmental, Social and Governance (ESG) risks including those related to climate change. In fulfilling this function, the Downer Board also receives oversight from Downer’s Audit and Risk Committee, Zero Harm Committee, Zero Harm Board Committee, Tender Risk Evaluation Committee and Disclosure Committee. Climate-related risks and opportunities are incorporated into Downer’s broader corporate strategy, planning and risk management.

The Downer Board recognises that an integrated approach to managing climate-related risks and opportunities is essential. This has been reflected in the strengthening of Downer’s governance structure and increased focus on climate change in both Board and executive forums throughout FY19. This has included:

- Formal updates to the Board on a regular basis, and Audit and Risk and Zero Harm Committees on a bi-monthly basis
- Regular updates and stakeholder engagement with the Executive Committee
- Amendments to the Audit and Risk Committee Charter to include explicit reference to climate-related risks and opportunities
- Inclusion of ESG risks and opportunities in the annual Board strategy agenda
- Incorporating ESG risk and opportunity discussions in Divisional executive meetings, including climate-related workshops with senior leadership teams of each Division.

Climate-related risks and opportunities are governed as part of Downer’s Group Risk and Opportunity Management framework and Project Risk Management framework. We identify, manage and disclose material climate-related risks as part of Downer’s standard business practices and in accordance with the Group and Divisional strategies, which apply to everyone at Downer.

The method for measuring the company’s performance is clearly set out in our governance framework, and short-term remuneration incentives are offered to senior managers in relation to the company’s performance against environmental sustainability targets. These targets include the management of critical environmental risks and GHG emissions reduction.

Risk management

Climate-related risks are governed as part of Downer’s Group Risk and Opportunity Management framework and Project Risk Management framework. We identify, manage and disclose material climate-related risks as part of our standard business practices, which are aligned with our Group and Divisional strategies. This framework applies to all employees, Directors and contractors.

Our Audit and Risk Committee and Tender Risk Evaluation Committee are responsible for providing oversight over Downer’s risk profile, policies and management, and external reporting. In line with this, we updated the Audit and Risk Committee Charter to explicitly address climate-related risk, given the Audit and Risk Committee’s responsibility for governance and risk management.

To further strengthen our risk management framework in line with the range of impacts and considerations associated with climate risk over the short, medium and long-term horizons, we amended the Consequence Rating Table within the Group Risk and Opportunity Management framework to enable senior management and employees to understand and assess the potential risks and opportunities arising from various future scenarios.
### Response to climate-related risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>TCFD risk type</th>
<th>Potential impact to business</th>
<th>Management response and mitigation</th>
</tr>
</thead>
</table>
| Impacts of increasing energy costs                | Increased operation costs due to increase in electricity, gaseous and liquid fuel prices, materially impacting high energy consuming service lines | Transition: Market, Policy                                                    | Decreased profitability from contracts in energy-intensive service lines. Time horizon: Medium to long-term | ▪ Continue identifying and implementing energy efficiency initiatives  
▪ Use the scenario analysis as signposts for change.                                                                                                                                    |
| Exposure to extreme weather events                | Severe weather events impacting the delivery of contractual obligations. For example, resource mobilisation, health and safety, and security | Physical: Acute and chronic, Legal                                              | Inability to achieve contractual schedules due to adverse and severe weather events. Time horizon: Long-term | ▪ Continue to assess contractual arrangements with respect to acute and chronic weather events to ensure appropriate mitigation measures are in place  
▪ Use the scenario analysis as signposts for change.                                                                                                                                   |
| Exposure to thermal coal contracts                | Transition to a low carbon economy leads to reduced demand for thermal coal for power generation | Transition: Policy, Legal, Technology changes, Market changes, Reputation       | Reputational risks arise from Downer’s continual exposure to the coal sector. Time horizon: Medium-term | ▪ Continue to monitor demand forecasts for thermal coal – particularly local demand driven by power stations that are current customers for existing thermal coal mining services contracts  
▪ Use the scenario analysis as signposts for change  
▪ When reviewing contract extensions and new contracts, continue to undertake analysis to increase exposure to mines that are expected to maintain competitiveness in light of the transition to a low carbon economy. |
| Changing design and construct requirements         | Increased climate-related risk requirements relevant to the construction of infrastructure driven by changing customer expectations and increased climate-related design requirements stipulated in EPCM contracts | Physical and liability: Acute and chronic, Policy, Legal, Reputation           | Increased cost of EPCM services and challenges to the competitiveness of Downer’s services. Time horizon: Medium to long-term | ▪ Continue to assess contractual arrangements with respect to design and construction events to ensure appropriate mitigation measures are in place  
▪ Use sustainability rating tools and incorporate climate change adaptation and mitigation considerations into design. |

Environment (continued)

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58 Downer EDI Limited
Response to climate-related opportunities

<table>
<thead>
<tr>
<th>Opportunity Description</th>
<th>TCFD opportunity type</th>
<th>Potential growth to business</th>
<th>Management response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing renewable energy capability and market presence</td>
<td>Expertise with developing, implementing and maintaining renewable energy assets</td>
<td>Resource efficiency, Products/Services</td>
<td>Transition to a low carbon economy drives increased demand for renewable energy technology and infrastructure services, as well as broader smart city products and services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Strengthen existing and establish new relationships with key customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Leverage our capability and broaden our service offerings.</td>
</tr>
<tr>
<td>Leverage existing mining capabilities to service new and adjacent markets</td>
<td>Transition to a low carbon economy is driving demand for base (e.g. copper, gold) and precious metals (e.g. lithium, zinc) critical for this transition</td>
<td>Products/Services, Markets</td>
<td>Opportunity to leverage existing mining capabilities to service new and adjacent markets with products essential for the transition to a low carbon economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Strengthen existing and establish new relationships with key customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Leverage our capability and broaden our service offerings.</td>
</tr>
<tr>
<td>Response services to extreme weather events</td>
<td>Increased frequency and impacts of extreme weather events drives increased demand for disaster recovery and resilience services</td>
<td>Products/Services, Markets, Resilience</td>
<td>Opportunity to further leverage Downer’s existing expertise in responding to asset damage from extreme weather events. Opportunity to also leverage expertise to improve the resilience of existing assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Continue to work with Government customers on emergency response to extreme weather events</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Strengthen and leverage existing capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Incorporate climate change and adaptation into the design of any infrastructure contract.</td>
</tr>
</tbody>
</table>

Strategy

Our existing Group and Divisional strategy process considers key external drivers, as stated above. We have also enhanced our strategy process to incorporate more explicitly climate-related risks and opportunities on an ongoing basis. We have embedded this process in the annual Group strategy session and a similar process into the Divisional strategy sessions.

Outlined above are Downer’s key climate-related risks and opportunities. These risks and opportunities are not listed in order of significance and are not intended to be exhaustive. They represent the most significant risks identified during FY19 and are informed by a combination of review of Group and service line strategic documents and risk registers, interviews with senior management, and workshops with Divisional leadership teams.

This process confirmed that at present, there are no material short-term climate-related risks for the Group. As indicated above, the majority of Downer’s climate-related risks have been deemed to impact the business in the medium to longer term. Opportunities identified relate primarily to leveraging Downer’s existing capabilities and business model as a service provider to service new and adjacent markets that will continue to emerge as a result of the transition to a low carbon economy.

TCFD scenario analysis

In FY19 Downer completed scenario analysis to test the resilience of our strategy and the assumptions underpinning the strategic focus areas in relation to the relevant climate futures both physical and transitional. The scenario analysis acknowledges the significant degree of uncertainty associated with how these climate futures will manifest, and explores four different yet inter-related potential futures with varying degrees of climate change severity and alternate socio-economic and political landscapes.

In deciding on the three key issues (and their respective areas of the business) upon which to frame the scenario analysis, Downer undertook a process to identify the future risks and opportunities arising from the transition to a low carbon economy and physical changes and overlay Downer’s strategic priorities, current risks and future changes.
BESS is best for Ballarat

Downer and Spotless have combined to help deliver Victoria’s first utility-scale Battery Energy Storage System (BESS) in Ballarat.

Downer completed construction of the 30-megawatt (MW) 30 megawatt-hour (MWh) BESS at the AusNet Services Ballarat Terminal Station in Warrenheip in October 2018, in time to start relieving pressure on the regional grid during the peak demand summer period.

The BESS provides Victorians with more flexible, reliable and efficient energy, and supports the supply of variable forms of renewable energy such as solar and wind power. The system is capable of powering more than 20,000 homes for an hour of critical peak demand before being recharged and is able to respond to changing grid needs within milliseconds. It will operate 24/7 to support critical peak demand, improving grid stability of the State’s energy supply.

“With the growth of renewable energy solutions entering the market, battery storage will play an increasingly pivotal role in providing reliable power in Australia,” CEO of Downer’s Transport and Infrastructure Division, Sergio Cinerari, said. “The team delivered a great outcome for our customers and the community the battery will serve.”

“This project is a critical demonstration of integrating existing and new renewable energy technologies, which will significantly contribute towards our transition to more flexible, affordable and sustainable energy solutions.”

Downer is one of Australia’s largest and most experienced providers in the renewable energy market and power system sectors, delivering services to customers requiring both utility and commercial scale sustainable energy solutions.

Downer has delivered 19 wind farms and solar farms in Australia and New Zealand, and is in the process of delivering other renewable energy projects, including Clare Solar Farm (Queensland), Ross River Solar Farm (Queensland), Limondale Solar Farm (NSW), Murra Warra Wind Farm (Victoria) and Turitea Wind Farm (New Zealand).

These key areas informed the selection of four divergent, internally consistent and plausible scenarios, based upon the best available literature and modelling. Two of the four selected scenarios explore the minimum plausible global-warming trajectory (holding the world to approximately two degrees of global warming), and to explore the upper limit (approximately four degrees of global warming), with these pairs separated based on the degree to which adaptation is available and practicable in the given future.

The degrees warming is informed by the Representative Concentration Pathways (RCPs) (RCP 2.6 for under two degrees and RCP 8.5 for four degrees), while the transition pathways, including broader energy and socio-economic conditions, are informed by the Shared Socio-economic Pathways (SSPs).

<table>
<thead>
<tr>
<th>Key issue</th>
<th>Area of business focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical impacts of climate change (weather)</td>
<td>Transport and Infrastructure and New Zealand</td>
</tr>
<tr>
<td>Energy transition (thermal coal transition)</td>
<td>Mining (part of Mining, Energy and Industrial)</td>
</tr>
<tr>
<td>Changing carbon/energy policy</td>
<td>Group</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follower</td>
<td>~2 degrees global warming (SSP 4 – RCP 2.6)</td>
</tr>
<tr>
<td>Fossil fuel development</td>
<td>~4 degrees global warming (SSP 5 – RCP 8.5)</td>
</tr>
<tr>
<td>Global decline</td>
<td>~4 degrees global warming (SSP 3 – RCP 8.5)</td>
</tr>
</tbody>
</table>

Each of these scenarios provide numeric and qualitative outcomes under which to explore the risks and opportunities. The development of these future scenarios was tailored to Downer’s business strategy by identifying the key risks and opportunities that arose in each of the three selected priority areas. Once these were understood, a key driving climate or transition variable was mapped, enabling consistent exploration of the potential impact or outcome for Downer in each of the four futures.
Key findings include:

- Downer’s strategy was found to be resilient and well positioned in all scenarios used due to the diversification of services across multiple sectors, existing market presence and capabilities.
- A <2°C world provides considerable opportunities which outweigh identified risks and will assist with lower cost of capital and increased margins.
- Aligning to a <2°C world will require decarbonisation by the second half of the century, with a substantial decrease by 2035.

The scenario analysis work will be used as signposts to inform Downer’s strategy and help Downer to manage some of the uncertainty and complexities associated with these futures. Monitoring government policy (e.g. carbon price), consumer sentiments on climate change, the levelised cost of energy across major energy sources, and the global emission trajectory will provide key insights to best inform Downer’s business strategies.

Downer will continue to focus on a decarbonisation strategy with an emphasis on long-term contracts, technology, energy transition, GHG reductions and efficiencies as well as opportunities to offset emissions.

**Physical impacts**

In all scenarios weather conditions will become more extreme than today, with extreme rainfall, heatwaves and storms all resulting in potential unsafe work conditions and leading to delays or disruptions in project delivery or operations. More chronic conditions, such as gradual heat rise and longer time in drought, will create a higher risk of dust inhalation and the linked detrimental consequences to worker health.

In the immediate to short-term, these extremes will start to impact the way we perform our activities. Those on the frontline will be our outdoor workforce, who will be at higher risk of both injury and illness in a warming world.

Dponent has the opportunity to adapt workplace policies and practices to reduce these risks before they result in consequences to our workforce. These changes will need to be strategically planned to manage the impact on margins. For example, shifting work hours away from daylight hours or implementing policies to stop work on days exceeding extreme temperatures may reduce the amount of time available to complete a project. These factors will therefore need to be a consideration when executing new contracts.

Limiting global warming to under two degrees has relatively more positive outcomes for workforce health, safety and productivity due to a reduction in lost-time, project delays or efficiencies gained, compared to higher warming scenarios.

The transition pathway will also provide opportunities to improve employee safety, with transition away from fossil fuels and internal combustion engines providing opportunities to improve air quality and productivity gains. In each case financial implications will arise due to consequences of lost time, project delays or efficiencies gained.

In all scenarios, resilient infrastructure or adaptation to existing infrastructure will be needed. However, customers are willing to pay a premium for quality sustainable infrastructure, which may be contracted at higher margins. Points of difference arise across the scenarios in GDP, which will change the focus on critical infrastructure projects and achievable margins.

Dponent designs and constructs infrastructure to withstand Australia and New Zealand’s climate. As the climate changes, and in particular extremes heighten, we will need to adjust the design factors and the way we construct infrastructure. Although Dponent is already proactively responding to these changes, it will be important to remain aware of the changing future extremes in order to protect our reputation and standing, compared to competitors.

Adapting design and build methods may impact Dponent’s margins, so these considerations will need to be carefully priced to assess the merits. For example, while there is still uncertainty in whether the world will limit global warming to two degrees, versus a four-degrees or higher warming, decisions need to be made as to the cost/benefits of incorporating worst-case versus best-case changes into planning. In any event, the climate will change, and the plausible minimum warming will be used as a baseline for decisions.

The sectors in which Dponent’s Transport and Infrastructure and New Zealand Divisions operate in will look to protect the resilience of cities as we move towards a warmer world. This provides Dponent with opportunities to capitalise on new and emerging markets, particularly in sustainable infrastructure, sea walls, resilient roads and trains, and protection from urban heat islands.

The direction of this demand, whether it be sustainable or purely cost-effective adaptation, is still uncertain. However, Dponent has the ability to position itself to deliver on these emerging trends based on signposts.

**Energy transition (thermal coal transition)**

Dponent’s Mining business provides mining services across the mining lifecycle, including technical services, drilling and blasting, load and haul, maintenance and mine site rehabilitation.

It has a strong reputation for the provision of safe and reliable operational services across a diversified range of commodities.

In FY19, Mining contributed 11 per cent of Dponent Group’s annual revenue.

The majority of Mining’s contracts are with non-coal customers, however, approximately 50 per cent of Mining’s FY19 revenue was generated from coal (thermal and metallurgical) contracts.
At the time of this analysis, the majority of Downer Mining’s coal contracts related to the production of coking coal, with only two contracts involving the production of thermal coal. The most significant of these contracts is Meandu, which is the third largest contributor to Mining’s revenue. The other relates to Commodore, which is within the top five largest contracts by revenue. The majority of thermal coal produced from both mines is used to supply local power stations in Southeast Queensland – Tarong and Tarong North Power Station (Meandu), and Millmerran (Commodore), with minor quantities sent to export markets. The current Meandu and Commodore contracts are due to expire in 2020 and 2024, respectively.

The International Energy Agency outlook indicates that while thermal coal is declining, it will be part of the global energy mix beyond 2040.

Our Mining business is in a strong market position to capitalise on short to medium-term demand for coal contracting services to meet this energy demand. Although limited growth opportunities exist for thermal coal production in Australia, new growth opportunities are likely to come from overseas.

A strategic issue that may emerge from alternative futures, exploring domestic demand for thermal coal, is the impact on immediate investment decisions. A key consideration is the level of capital required by the business to continue servicing the open cut business.

Downer’s contracts in the domestic thermal coal market are largely short-term. While these contracts can provide uncertainty for the business over the medium to longer term, the short-term nature of the contracts provides the business with flexibility to pivot in response to market changes and customer demands. One of these responses is the demand for alternative metals and minerals. Given Mining’s market presence, reputation and capability, opportunities exist to service emerging minerals and metals commodities.

Another key consideration for our strategy is whether the incremental gain from servicing thermal coal will be outweighed by opportunity costs for the remainder of the Group based on exposure to transitional risks. As reflected in the current increasing stigmatisation of the sector, we see in two scenarios stronger reputation risks, with declining social acceptability and increasing cost of capital, which will apply to the broader Downer Group.

In FY19 Downer acquired the remaining 73 per cent of the Mitsubishi Hitachi Power Systems (MHPS) – Australia and New Zealand Plant Services Pty Ltd business. In conjunction with the share purchase agreement, Downer and MHPS have entered into an Alliance Agreement, which provides Downer with exclusive rights to be the Agent for MHPS in the Australian and New Zealand regions. This has provided Downer with the ability to capitalise on opportunities to provide products and technical services to improve the efficiencies and extend the life of ageing thermal coal generation plants in Australia and overseas.

**Changing carbon / energy policy**

Globally, the energy transition is occurring at a rapid pace. The energy transition is complex and being driven by multiple, inter-related factors. At a macro level, the costs of energy are changing dramatically driven by technology costs, fuel costs and a shift in consumer preference. Renewables are now viewed by many as the best solution to meet the demand for reliable, affordable and environmentally responsible energy. Energy end-users have increasing options to implement commercially and technologically viable solutions.

In response to the energy transition, Downer and the private sector is actively diversifying products and services, and making investment in new energies. This is driven by focusing on reducing operation costs, positioning for market share in new and emerging markets, and realising competitive advantages.

While energy efficiency has been clearly linked to growing margins, there is also a growing cost advantage in moving towards renewable energy and storage. Embedding energy efficiency and adopting renewable energy and storage technologies are likely to have favourable payback periods, regardless of whether a carbon price is introduced. Under Sustainability and Follower, where a carbon price is introduced, these technologies provide major cost advantages.

Opportunities to provide higher margin, premium products and services will arise in some scenarios. Improved margins through energy efficiencies and use of renewable technology with storage will deliver swifter payback periods, expedited where a carbon price is introduced.

A rapid transition or a delayed transition, which is out of step with market or consumer expectations, holds implications for Downer’s brand and reputation. Timing is crucial. Moving too slowly will result in increased costs of capital and reduced demand. However, moving too quickly will increase the risk of adopting technology unfit for purpose, impacting service delivery and ultimately brand. An effectively coordinated transition pathway, in line with public expectations, will be the optimum outcome.

**GHG emissions reduction target**

A key consideration of the TCFD recommendations is the pathway to reduce emissions and the establishment of targets. Downer has set ambitious targets to align with the 2015 Paris Agreement goals to pursue efforts to limit the temperature increase to 1.5°C by the end of this century.

Downer acknowledges that climate change mitigation is a shared responsibility and to support the transition to a low carbon economy in an equitable manner, organisations need to play their part by developing emissions reduction targets that align to the latest science. Therefore, Downer has leveraged the Science Based Target initiative’s framework and guidance to set a GHG emissions reduction target for the Downer Group.
Downer commits to the decarbonisation\textsuperscript{5} of its absolute Scope 1 and 2 GHG emissions by 45-50 per cent by 2035 from a FY18 base year and being net zero in the second half of this century\textsuperscript{6}.

In addition, Downer will review its emission reduction approach in line with the Intergovernmental Panel on Climate Change (IPCC) updated scientific reports and other developments in low-emissions technology, to ensure a practical and affordable transition towards this commitment.

**Managing our GHG emissions**

As an integrated service provider, we operate within carbon-intensive industries such as asphalt manufacturing and mining operations. A key challenge for us is the effective management of our carbon-related activities and implementing strategies to reduce our GHG emissions. Conversely, we have the opportunity to engage with our customers and supply chain to positively influence change that reduces their GHG emissions.

The energy and GHG emissions data for FY19 builds on last year, with the inclusion of New Zealand subcontractors, Spotless New Zealand and Hawkins. All recent acquisitions have adopted Downer’s sustainability data reporting protocols\textsuperscript{7} for Scope 1 and 2 emissions and energy data using an operational control boundary consistent with Australia’s National Greenhouse and Energy Reporting (NGER) scheme. Scope 3 data includes business travel, mining and engineering construction projects where Downer does not have operational control but can influence the emissions profile.

Downer has an extensive supply chain and collecting actual data from subcontractors requires significant effort and remains a challenge. Therefore, we use an estimation methodology for instances where we have been unable to obtain actual data. In FY19, approximately 23 per cent of our Scope 1 emissions were estimated for subcontractor emissions – 11 per cent from our Roads business, 10 per cent New Zealand and two per cent Utilities. Subcontractor data is estimated by collecting a target of 80 per cent of subcontractor fuel consumption based on contractor spend, grouping contractors by similar activities, calculating a contractor spend to fuel consumption ratio and estimating the missing data using this ratio. This ratio can be used for five years if 80 per cent is reached and the activities remain consistent. If it is not reached, the ratio is calculated using the actual data collected and the business repeats the process the following year striving for the 80 per cent target.

New Zealand was unable to collect actual subcontractor data this reporting period due to resourcing constraints, therefore the estimation procedure for subcontractor emissions could not be used. Instead, an alternative method was used, with the fuel consumption to subcontractor spend ratios calculated through the standard procedure being replaced by the average ratios from the Australian business for similar subcontractor types (haulage and other contractor types).

In the Transport and Infrastructure Division, there was a significant change in the estimated subcontractor data due to resetting of the fuel consumption to subcontractor spend ratios. This was last determined five years ago in line with our reporting procedures. As a result the contractor spend for the year was similar to FY18, however, the emissions have reduced significantly by 72 per cent, accounting for a 24 kt\textsubscript{CO}_2-e reduction.

This adjustment had a five per cent impact on the Group’s Scope 1 and 2 emissions.

\textsuperscript{5} Decarbonisation includes the use of registered certified offsets.
\textsuperscript{6} This is consistent with a 15 degree pathway using the latest International Panel on Climate Change (IPCC) scientific reports.
\textsuperscript{7} Scope 1 emissions are those produced directly by Downer Group activities.
Scope 2 emissions are indirect emissions, such as electricity consumption.
Scope 3 emissions are those that occur from sources not owned or controlled by Downer.
Environment (continued)

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY18*</th>
<th>FY19</th>
<th>% Change from FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 (ktCO₂-e)</td>
<td>334.7</td>
<td>356.3</td>
<td>6% ↑</td>
</tr>
<tr>
<td>Scope 2 (ktCO₂-e)</td>
<td>86.5</td>
<td>85.6</td>
<td>1% ↓</td>
</tr>
<tr>
<td>Scope 1+2 (ktCO₂-e)</td>
<td>421.2</td>
<td>441.8</td>
<td>5% ↑</td>
</tr>
<tr>
<td>Emissions Intensity (Scope 1+2) (ktCO₂-e/ $m AUD)</td>
<td>36.2</td>
<td>32.9</td>
<td>9% ↓</td>
</tr>
<tr>
<td>Scope 3 (ktCO₂-e)</td>
<td>426.9</td>
<td>387.3</td>
<td>9% ↓</td>
</tr>
<tr>
<td>Energy Consumption (TJ)</td>
<td>5,753.6</td>
<td>6,056.7</td>
<td>5% ↑</td>
</tr>
<tr>
<td>Renewable Energy Consumption (GJ)</td>
<td>2,141</td>
<td>5,256</td>
<td>145% ↑</td>
</tr>
<tr>
<td>Energy Intensity (TJ/ $m AUD)</td>
<td>0.49</td>
<td>0.45</td>
<td>9% ↓</td>
</tr>
<tr>
<td>Revenue</td>
<td>11,637</td>
<td>13,448</td>
<td>16% ↑</td>
</tr>
</tbody>
</table>

Overall Scope 1 and 2 emissions and energy consumption increased for the year due to the inclusion of Hawkins and Spotless NZ (10 ktCO₂-e) and the inclusion of New Zealand subcontractor data (36 ktCO₂-e), accounting for an 11 per cent increase to our Scope 1 and 2 emissions.

Scope 2 emissions reduced by one per cent due to consolidation of facilities and energy efficiency projects across the business.

Scope 3 emissions reduced due to the reduction in large energy intensive mining operations in FY18, for example the completion of the Roy Hill contract. However, business travel has increased by 31 per cent compared to FY18. This increase is attributed to an increase in air travel and the inclusion of rental vehicles which were not reported in FY18.

This year Downer’s GHG emissions intensity has decreased by nine per cent when compared to FY18 levels, primarily due to the stabilising of our GHG emissions and increase in revenue.

Scope 1 and 2 Greenhouse Gas Emissions (ktCO₂-e)

*FY18 data excludes Hawkins, New Zealand Spotless and New Zealand subcontractors.
In FY19, 46 per cent of Scope 1 and 2 emissions came from the Transport and Infrastructure Division, with the Roads business contributing 36 per cent. This is due to the high number of diesel fleet and subcontractor fleet operating, as well as the high carbon intensity of asphalt plants. Downer is continuing to investigate opportunities for decarbonisation of the fleet by switching to transitional fuel sources and piloting new technologies.

Breakdown of Scope 1 and 2 emissions by source (ktCO$_2$-e)

- Liquid fuels: 64%
- Electricity: 19%
- Natural gas: 16%
- Fugitive emissions from coal mining: 1%
- Refrigerants and steam: <1%

In FY19, due to the restructure of the business and acquisitions, Downer reset the GHG emission baseline year levels to FY18 and each Division developed three-year GHG reduction plans with new targets for both FY19 and an aspirational target for FY21. The decarbonisation pathway associated with Downer’s science-based target stated on page 63 will be used to guide the setting of these annual GHG emission reduction targets.

Breakdown of Scope 1 and 2 emissions by Business Line

- Transport and Infrastructure: 46%
- New Zealand: 24%
- Spotless AU: 21%
- MEI: 9%
- Group and Services: <1%
- Tūi – Roads: 36%
- Tūi – Utilities: 6%
- Tūi – Rolling Stock: 3%
- Tūi – Projects: 1%

We implemented 42 new projects during FY19 with a combined capacity to deliver annualised abatement of over 9,678 tonnes of annualised GHG emission (CO$_2$-e) reductions across Scope 1 (natural gas efficiency projects, vehicle replacement and optimisation), Scope 2 (lighting upgrades, office consolidations) and defined Scope 3 (energy consumption for non-operational control projects). This exceeded the FY19 Stretch target of 7,166 tonnes of annualised GHG emission (CO$_2$-e) reductions.
Environment (continued)

Reducing Scope 3 GHG emissions with our data centres

Downer not only looks at the emissions that it has direct control over, but also those emissions (Scope 3) that it can influence within its supply chain. In partnership with DXC, Downer leverages the low carbon footprint that its principle Sydney data centre at Eastern Creek (known as Aurora) delivers:

- Best in class data centres in Australia to date have Power Usage Effectiveness (PUE) ratio around 1.7 – Aurora’s target data centre efficiency is PUE 1.38
- Hot-aisle containment, ventilation and air-conditioning services, including air to air heat exchangers for the IT cells, redefine state-of-the-art
- DXC Carbon Emissions Management Service – assessment service to assist organisations to calculate energy consumption and GHG emissions from the use of IT assisting with efficiency and compliance-based carbon reporting
- Downer additionally now saves approximately 900 reams of paper per year through more effective printer management.

DXC has a proven track record in supporting Downer’s goals for GHG emission reductions. Last year DXC reduced carbon gas emissions from its collective data centre environments by approximately 15 per cent, coupled with an overall reduction in energy consumption worldwide by approximately 12 per cent. This delivered Downer a net saving of 48 per cent in kWh over a year across our fleet.

Environmental performance data

<table>
<thead>
<tr>
<th>GHG Emissions</th>
<th>Unit</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>Variation from FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>Kilotonnes CO₂-e</td>
<td>224.7</td>
<td>334.7</td>
<td>356.3</td>
<td>6%</td>
</tr>
<tr>
<td>Scope 2</td>
<td>Kilotonnes CO₂-e</td>
<td>38.9</td>
<td>86.5</td>
<td>85.6</td>
<td>-1%</td>
</tr>
<tr>
<td>Scope 3</td>
<td>Kilotonnes CO₂-e</td>
<td>487.5</td>
<td>426.9</td>
<td>387.3</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>Total (Scope 1+2+3)</strong></td>
<td><strong>Kilotonnes CO₂-e</strong></td>
<td><strong>751.1</strong></td>
<td><strong>848.1</strong></td>
<td><strong>829.2</strong></td>
<td><strong>-2%</strong></td>
</tr>
<tr>
<td><strong>Total (Scope 1+2)</strong></td>
<td><strong>Kilotonnes CO₂-e</strong></td>
<td><strong>263.6</strong></td>
<td><strong>421.2</strong></td>
<td><strong>441.8</strong></td>
<td><strong>5%</strong></td>
</tr>
<tr>
<td><strong>Intensity (Scope 1 + 2)</strong></td>
<td><strong>tonnes CO₂-e / AUD $m</strong></td>
<td><strong>33.7</strong></td>
<td><strong>36.2</strong></td>
<td><strong>32.9</strong></td>
<td><strong>-9%</strong></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>AUD$m</td>
<td>7,812</td>
<td>11,637</td>
<td>13,448</td>
<td>16%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GHG emissions (Scope 1 and 2) by sources</th>
<th>Unit</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>Variation from FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity used by facilities</td>
<td>Kilotonnes CO₂-e</td>
<td>38.9</td>
<td>86.5</td>
<td>84.2</td>
<td>-3%</td>
</tr>
<tr>
<td>Liquid fuels</td>
<td>Kilotonnes CO₂-e</td>
<td>186.6</td>
<td>261.2</td>
<td>283.7</td>
<td>9%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>Kilotonnes CO₂-e</td>
<td>36.5</td>
<td>70.3</td>
<td>70.4</td>
<td>0%</td>
</tr>
<tr>
<td>Fugitive emissions from coal mining</td>
<td>Kilotonnes CO₂-e</td>
<td>1.5</td>
<td>1.8</td>
<td>2.0</td>
<td>12%</td>
</tr>
<tr>
<td>Steam</td>
<td>Kilotonnes CO₂-e</td>
<td>–</td>
<td>–</td>
<td>1.4</td>
<td>–</td>
</tr>
<tr>
<td>Refrigerants</td>
<td>Kilotonnes CO₂-e</td>
<td>0.1</td>
<td>1.4</td>
<td>0.1</td>
<td>-90%</td>
</tr>
<tr>
<td><strong>Total Scope 1 and 2</strong></td>
<td><strong>Kilotonnes CO₂-e</strong></td>
<td><strong>263.6</strong></td>
<td><strong>421.2</strong></td>
<td><strong>441.8</strong></td>
<td><strong>5%</strong></td>
</tr>
<tr>
<td>GHG emissions Scope 3</td>
<td>Unit</td>
<td>FY17</td>
<td>FY18</td>
<td>FY19</td>
<td>Variation from FY18</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>-----------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Emissions from contract mining operations not under Downer's operational control</td>
<td>Kilotonnes CO₂-e</td>
<td>434.6</td>
<td>360.9</td>
<td>317.7</td>
<td>-12%</td>
</tr>
<tr>
<td>Emissions from engineering, construction and rail projects not under Downer's operational control</td>
<td>Kilotonnes CO₂-e</td>
<td>6.6</td>
<td>19.7</td>
<td>8.9</td>
<td>-55%</td>
</tr>
<tr>
<td>Business travel – business flights and rental vehicles</td>
<td>Kilotonnes CO₂-e</td>
<td>46.3</td>
<td>46.3</td>
<td>60.8</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Total Scope 3</strong></td>
<td><strong>Kilotonnes CO₂-e</strong></td>
<td><strong>487.5</strong></td>
<td><strong>426.9</strong></td>
<td><strong>387.3</strong></td>
<td><strong>-9%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy Consumption</th>
<th>Unit</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid fuels</td>
<td>terajoules</td>
<td>2,901.4</td>
<td>3,961.1</td>
<td>4,231.7</td>
<td>7%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>terajoules</td>
<td>704.4</td>
<td>1,359.5</td>
<td>1,356.3</td>
<td>0%</td>
</tr>
<tr>
<td>Electricity</td>
<td>terajoules</td>
<td>214.6</td>
<td>430.9</td>
<td>433.6</td>
<td>1%</td>
</tr>
<tr>
<td>Steam</td>
<td>terajoules</td>
<td>-</td>
<td>-</td>
<td>29.8</td>
<td>-</td>
</tr>
<tr>
<td>Other substances</td>
<td>terajoules</td>
<td>23.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Renewables</td>
<td>terajoules</td>
<td>-</td>
<td>2.1</td>
<td>5.3</td>
<td>145%</td>
</tr>
<tr>
<td><strong>Total Consumption</strong></td>
<td><strong>terajoules</strong></td>
<td><strong>3,843.6</strong></td>
<td><strong>5,753.6</strong></td>
<td><strong>6,056.7</strong></td>
<td><strong>5%</strong></td>
</tr>
<tr>
<td><strong>Energy Intensity</strong></td>
<td><strong>terajoules / AUD$m</strong></td>
<td><strong>0.49</strong></td>
<td><strong>0.49</strong></td>
<td><strong>0.45</strong></td>
<td><strong>-9%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy Production</th>
<th>Unit</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar PV</td>
<td>terajoules</td>
<td>1.2</td>
<td>2.1</td>
<td>5.3</td>
<td>15.30%</td>
</tr>
<tr>
<td>Thermal generation</td>
<td>terajoules</td>
<td>0.86</td>
<td>0</td>
<td>2.0</td>
<td>-11%</td>
</tr>
<tr>
<td>Saleable coal</td>
<td>terajoules</td>
<td>93,476.00</td>
<td>100,544.30</td>
<td>89,102.4</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Total production</strong></td>
<td><strong>terajoules</strong></td>
<td><strong>93,478.06</strong></td>
<td><strong>100,546.4</strong></td>
<td><strong>89,109.7</strong></td>
<td></td>
</tr>
</tbody>
</table>
Our future focus

In FY20, Downer will continue to focus on driving improvement in our environmental and sustainability performance and risk management while further embedding sustainability within our business. To achieve this, we will:

- Continue to diversify our business and provide services to sectors that promote a sustainable future and transition to a low carbon economy, including renewable energy, facilities management, water treatment, telecommunications, sustainable transport, waste to energy and waste recovery
- Further utilise low-emission technology across our fleet and machinery to reduce fuel consumption, carbon and air emissions
- Apply LCA (life cycle assessment) to our Transport and Infrastructure Division, including the development of an Environmental Product Declaration (EPD) for our Rosehill Detritus plant and road maintenance
- Increase the number of Sustainability Ratings such as ISCA IS ratings for our infrastructure projects to improve our sustainability performance
- Establish a baseline data for waste, and set waste to landfill reduction targets.

Climate Leaders Coalition

Downer has joined forces with a group of leading New Zealand businesses to form the Climate Leaders Coalition to tackle climate change.

The Climate Leaders Coalition aims to help New Zealand transition to a low emissions economy and create a positive future for New Zealanders, businesses and the economy.

Through the Climate Leaders Coalition, we’ve made a commitment to lowering emissions and creating a cleaner and greener New Zealand. The businesses forming the coalition make up nearly 50 per cent of New Zealand’s total emissions.

To kick-start this change, Downer signed the CEOs’ Climate Change Statement. The statement is a public commitment from each business to reduce emissions, work with their suppliers to reduce emissions and publicly report measurements of their efforts. In addition to committing to the statement, Downer will also be providing resources, expertise and funding towards projects which centre on solution-driven thinking.

CEO of Downer New Zealand, Steve Killeen, is committed to building a stronger New Zealand.

“Sustainability is going to play a big part in the construction industry and future Downer projects,” Steve said.

“Customers willing to innovate and take a thought leadership stance are key to achieving this. Traditionally, we’ve been an industry that has generated waste and emissions. Taking a closer look at our projects and our industry demonstrates to us we can do better. With a supportive customer base and government stance, who knows where we can go!”

One example of this in action is Downer’s apron resurfacing project at Queenstown Airport.

“We are exploring ways to minimise waste by re-using or re-purposing recycled materials into new products,” Downer’s General Manager of Surfacing Operations, George Leidig, said.

“The pavement solution we are using at Queenstown Airport, TonerPave, has been developed in partnership with Close the Loop. The mix uses Modified Toner Polymer made from recycled toner cartridges, and will also include recycled glass sand.”

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goal:

#13 Climate Action
Case study

Excellent result for Newcastle Light Rail

Downer delivered the Newcastle Light Rail (NLR) for Transport for NSW in February 2019. The project was completed on budget, on schedule and featured industry-leading sustainability initiatives.

In May 2019, Newcastle Light Rail received an Infrastructure Sustainability Council of Australia (ISCA) ‘Design’ rating of Excellent. It is the first light rail project in NSW to achieve a Design rating of Excellent and reinforces Downer’s reputation as an industry leader in sustainability. This is the latest in a number of our projects to gain an ISCA rating, including the Melbourne Cricket Club’s Yarra Park Water Recycling Facility, the Whitsunday Wastewater Treatment Plant Upgrade and the Ararat Wind Farm.

ISCA’s Infrastructure Sustainability (IS) rating scheme is Australia and New Zealand’s only comprehensive rating system for evaluating sustainability across the planning, design, construction and operational phases of infrastructure programs, projects, networks and assets.

Key initiatives that contributed to NLR achieving the Excellent rating include:

- Opening up the old rail corridor for green spaces, future redevelopment and transforming the old Newcastle Station as an area for new businesses and social events
- Design and delivery of the first end-to-end catenary-free light rail system in Australia, saving approximately 157 tonnes of steel and aluminium and over 700m³ of concrete
- Installing a vehicle washdown system that uses 15 per cent of the water of conventional systems
- Material reduction and reuse opportunities that resulted in a 21 per cent reduction in greenhouse gases
- 25 per cent of electricity for the main site compound from purchased green energy
- Extensive community engagement to maximise the public’s light rail use
- Commissioning of a large mural depicting a local Aboriginal woman and child to enhance the cultural and intangible value of the project
- More than 500 trees replanted in local rehabilitation areas.

“Credit also needs to go to our project partners, who contributed to us achieving this rating,” Environment and Sustainability Manager – Transport and Infrastructure, Ross Brookshaw, said. “We hope other projects will learn from and build on this approach and lessons learned to continue to set the bar higher for future projects.”

This initiative demonstrates Downer’s contribution to achieve the following Sustainable Development Goals: #11 Sustainable Cities and Communities; #13 Climate Action.
Emerging issues and market trends

The circular economy
The move towards a circular economy to reduce waste continues, with strong interest from the community, industry and government. Downer’s use of waste materials such as glass and printer cartridge toner within its road asphalt products diverts these products from landfill. Creating products from waste materials has been embraced by Downer through:

- Investment in our Reconomy business, a thought leader in the innovative diversion of landfill, with a focus on finding sensible reuse for the materials that result from some of our processes
- Development and marketing of Reconophalt, a Downer product which incorporates recycled soft plastics and glass into asphalt road construction
- Expansion of our circular economy capability through acquiring 50 per cent of Repurpose It, a waste resource company in Victoria
- $2.5 million in grant funding through the Queensland Resource Recovery Industry Development program to build another gully pit recycling system in Queensland, similar to the one opened last year in Rosehill, NSW.

In FY19, 14.25 per cent of total asphalt production in Downer was made up of recycled materials. This increased from 12.71 per cent in FY18. The consequent GHG emissions reductions were:

<table>
<thead>
<tr>
<th>Material</th>
<th>GHG Emissions Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reclaimed Asphalt Product (RAP)</td>
<td>42.9% 9,997 tCO₂-e</td>
</tr>
<tr>
<td>Glass</td>
<td>0.1% 31 tCO₂-e</td>
</tr>
<tr>
<td>Fly Ash</td>
<td>10.1% 2,357 tCO₂-e</td>
</tr>
<tr>
<td>Slag</td>
<td>46.2% 10,734 tCO₂-e</td>
</tr>
<tr>
<td>Modified Toner Polymer (MTP)</td>
<td>0.7% 166 tCO₂-e</td>
</tr>
</tbody>
</table>

Infrastructure rating tools
Customers are increasingly specifying ratings for their projects which present us with challenges and opportunities. The application of sustainability rating tools for nominated infrastructure projects allows us to address, mitigate and manage climate-related risks. Some of Downer’s successes in infrastructure sustainability include:

- Production of an Environmental Product Declaration (EPD) in accordance with ISO14025 for the Sydney Growth Trains (also known as Waratah Series 2) suburban train sets – the first EPD produced in Australia for vehicle and transport equipment
- Awarded a ‘Leading’ Infrastructure Sustainability (IS) Design rating by ISCA for Auckland’s City Rail Link project, the highest possible achievement in the IS scheme
- The first IS Design rating for a light rail project in NSW for the successful delivery of the Newcastle Light Rail, which achieved an ‘Excellent’ Design rating by ISCA
- First to register a Tasmanian road project for an IS Operational rating for the Tasmanian North West Region Road Maintenance project.

Growth in renewables
Downer remains one of the largest and most experienced providers of design, build and maintenance services to Australia’s renewable energy market. In FY19, renewable power generation in Australia continued to accelerate. The Clean Energy Regulator expects approximately 4,000 MW of large scale capacity will be accredited in 2019, taking the total to around 8,400 MW generated since 2017.

To date, Downer has delivered five solar and 14 wind farms that generate 2,350 MW of renewable energy. In FY19 Downer also had 726 MW of solar and wind farms under construction. In addition, Downer increased renewable energy consumption from 2,141 GJ in FY18 to 5,308 GJ in FY19 in its own operations, primarily from solar PV on rail maintenance, laundries and educational facilities. Examples include the energisation of the 96.5kw PV solar system at Cardiff Rail Maintenance Facility as well as a 99kw system installed at the Derrimut administration/warehouse facility.

The future of mobility
Reducing the carbon emissions of fleets is a challenge for many businesses, with the switch to low emission and electric vehicles an increasingly viable option. At Downer, transport fuel (road registered vehicles) accounts for 37 per cent of our carbon emissions. Reducing fuel consumption is key to our decarbonisation strategy. Initiatives undertaken this year include joining the Charge Together Fleets program via the Business Council for Sustainable Development (BCSDA).

The Charge Together Fleets program is the development of an online platform for businesses, associations and fleet users to assist fleet operators transition to electric vehicles and future mobility models.

Increasing use of technology
Automation and the increasing use of advanced technology in the workplace, industry and community is a fact of modern life. Downer increased our use of smart solutions in FY19, including electric vehicles, automated vehicles and unmanned aerial vehicles. Downer has continued to add more electric...
vehicles to our fleet, which provide lower operating and maintenance costs, produce little or no local air pollution, reduce dependence on fossil fuel and have the potential to reduce greenhouse gas emissions. We also led driverless vehicle trials through our joint venture Keolis Downer. In FY19 Keolis Downer joined Flinders University, the South Australian State Government and other industry partners in a five-year trial of autonomous vehicle technology in Adelaide. Keolis Downer also launched a new 12-month pilot program of driverless vehicles in Newcastle in July 2019.

Waste management
In FY20 Downer has committed to gathering baseline data for waste, and setting waste to landfill reduction targets. In 2019 Downer retendered its waste management service contract. The successful provider was Cleanaway. To help achieve these targets, Downer and Cleanaway have agreed to ambitious key performance indicators to drive improved waste management practices and innovation that will ultimately reduce the amount of waste going to landfill.

The KPIs consist of: Cleanaway dedicating a Resource Recovery Specialist to work only on Downer sites; Quarterly National Contract Review meeting to include the Group Sustainability Manager; Annual site visits (twice annually for sites with a spend greater than $100,000) to recommend improvement to waste practices and diversion, and offer innovation with site reports feeding into the Quarterly National Contract Review meeting; and Cleanaway to demonstrate improvements to waste practices and innovation to achieve an agreed dollar value saving per annum.

In 2018, Downer launched a number of recycled road solutions. In 2019, the rubber has really hit the road with these initiatives.

In fact, the rubber is in the road. Crumb rubber from 191,250 end-of-life tyres, to be exact.

Downer's sustainable pavement solutions include asphalt and spray seals containing recycled tyre rubber and Reconophalt, our innovative product that takes glass, soft plastics, printer toner and reclaimed roads destined for landfill and turns them into new road pavement.

We built Australia’s first recycled road containing soft plastics and glass in May 2018, and over the past 12 months we have laid roads across Australia and New Zealand using asphalt containing recycled products.

In FY19, roads built by Downer have included:

- 10,083.3 tonnes of glass – the equivalent of almost 60 million glass bottles
- Soft plastics from the equivalent of more than 14 million plastic bags and packaging
- 405,000 tonnes of reclaimed asphalt pavement – that’s 415 kilometres of road
- Waste toner from 333,000 used printer cartridges
- Crumb rubber from 191,250 end-of-life tyres.

To support the increased usage of sustainable pavement solutions, Downer opened a $5 million cutting-edge flexible pavement products manufacturing hub in Teralba, NSW, in June. The new facility is one of the most advanced of its kind in Australia, capable of producing a wide range of products including asphalt containing recycled tyre rubber and Reconophalt.

The Teralba plant wasn’t our only investment in facilities that will drive the circular economy this year. In March 2019, Downer executed an agreement to purchase a 50 per cent shareholding in Victoria-based waste-to-resource business Repurpose It, which delivers a range of services from multiple transfer stations to waste management consulting, construction materials and soil amendments, organics and green waste processing, waste transport and collection, resource recovery and bin supply and collection.

The 2019 financial year was also the first 12 months of operation of our detritus processing facility in Sydney, which is run by Downer’s Reconomy business. The facility opened in June 2018, and over the past year we processed in excess of 10,000 tonnes of street sweepings, diverting over 87 per cent from landfill and into sand and aggregate products for roads and organic products.

Australian Prime Minister Scott Morrison visited Downer’s Rosehill site in NSW to learn about how we incorporate materials that would end up in landfill and repurpose them to a higher value use, such as in the roads we manufacture throughout Australia.
Communities

Our approach

Downer’s operating philosophy is ‘Relationships creating success’. We actively support the success of the communities in which we operate by fostering and maintaining enduring relationships based on trust.

We understand the significant and lasting socio-economic benefits our presence in the community can bring. We honour the responsibility that comes with that by implementing a range of strategies focusing on social responsibility, local and Indigenous employment, cultural heritage management and stakeholder engagement.

In FY19, Downer committed to achieving the following Community targets and objectives:

- Establish strategic partnerships that support and provide enduring social benefits to disadvantaged communities
- Increase employee involvement in community activities and partnerships.

Our performance

In addition to providing local employment opportunities, Downer is focused on making a difference in our communities through partnerships, sponsorships and donations.

Key initiatives supported include:

Corporate social responsibility

- Wall of Hands – proud supporter of the Australian Literacy & Numeracy Foundation's (ALNF) annual fundraising initiative since 2013. The ALNF works with Indigenous communities and is dedicated to raising language, literacy and numeracy standards in Australia
- Wandering Warriors – supporting the Australian Special Air Service Association to provide mentoring, education, coaching and employment opportunities to veterans through their transition from military to civilian life
- Genesis Youth Trust – Downer has supported the Genesis Youth Trust for many years, helping to reduce the levels of youth-offending in the wider Auckland region by working with at-risk youth to transform their lives and engage in local communities
- Volunteer Service Abroad – Downer’s exclusive partnership with Volunteer Service Abroad (VSA) provides some of our young professionals with career experience in the Pacific
- Role Models and Leaders Australia and Clontarf Foundation – Spotless supports programs to develop and empower young Aboriginal men and women through sport, leadership, education and employment
- Alannah and Madeline Foundation – Spotless has purchased eSmart Digital licences for schools in States where we have a Public Private Partnership
- Jawun – Downer has partnered with not-for-profit group Jawun since 2014, providing 45 talented employees and 258 weeks of secondment to work with Aboriginal and Torres Strait Islander communities in Cape York, Inner Sydney and West Kimberley.

Sporting sponsorships

- Downer has been the Major Partner of Sunshine Coast Lightning since the team’s inception in 2017. The team is based at the Sunshine Coast, Queensland, and is one of eight professional teams competing in Suncorp Super Netball, Australia’s national women’s netball competition. The Lightning won the Grand Final in
2017 to claim the inaugural Suncorp Super Netball title, then won its second successive championship in 2018.

- Downer New Zealand Masters Games – Naming rights sponsor for the 2019 New Zealand Masters Games, held in Whanganui. Downer was the primary sponsor for the event alongside our customer, Whanganui District Council. A number of employees participated as competitors or volunteers, aligning to last year’s Sustainability Report focus area of increasing employee involvement in community activities and partnerships.

- 2019 Rugby League World Cup 9s – In November 2018 Downer was announced as naming rights sponsor of the inaugural RLWC9s tournament, which will take place in October 2019. This continues our support for rugby league, having been naming rights sponsor of the Downer NRL Auckland Nines in 2016 and 2017, as well as the World Club Challenge in 2018.

- Williamstown Football Club – Ground sponsor and community partner to enhance the contribution to the Hobson’s Bay community through local sporting clubs, schools, community groups and charities.

- Tour of New Zealand – Downer sponsored the bi-annual cycling tour which takes place on both the North and South Islands, and aims to raise money for charitable organisations. Downer provided in-kind support to the event, offering our traffic management services free of charge. We also had 17 employees and customers take part in the tour, raising over $5,000 for the Bikes in Schools program.

**Supporting Christchurch**

On Friday 15 March, 2019, two consecutive terror attacks occurred in Christchurch, New Zealand, at the Al Noor Mosque and the Linwood Islamic Centre. The attacks killed 51 people with many more injured.

A number of Downer employees worshipped in the mosques and were present at the time. Two employees were shot and many more lost family and friends in the attacks. An employee driving past the Al Noor Mosque was also shot at by the gunman, with bullets hitting the rear of his vehicle. Employees across the city were placed into lockdown or sent home from work until it was deemed safe. Some employees were also impacted by the aftermath – cleaning crews from Spotless at Christchurch Hospital helped to clean up as the victims were admitted, while our catering crews helped to provide meals for the families and friends of those impacted for the weeks following.

Visible active leadership was critical during this period. Crisis management strategies were put in place for the first 72 hours to clearly understand the extent of the attack. Local teams were stood down for 24 hours as the city remained locked down for some time. Support from Downer’s Employee Assistance Program was made promptly available and local leaders worked with the New Zealand leadership team to develop a 90-day plan to ensure our teams felt supported and acknowledged.

Financial and community support was offered to the employees who were injured and their families. This was also extended to those who lost loved ones. The injured employees are making good progress.

Employees across Australia and New Zealand shared their support online and financially. The Spotless team created a condolences book for the victims which was shared in May. Downer received many messages of support from Government, customers and the community.

Downer had also previously committed to sponsoring the Manly Warringah Sea Eagles’ home NRL match against the New Zealand Warriors to be played in Christchurch on 30 March. The game was the first major sporting event to be held in the city following the attacks.

As well as being the Presenting Partner for the match, Downer purchased extra tickets, which were donated to paramedics who were first on the scene to help victims of the mosque attacks.
Commercial partnerships

- Waanyi Downer Joint Venture (WDJV) – a 50:50 partnership between Waanyi Enterprises, representing local Traditional Owners, and Downer. It is the first equitable 50:50 mining services joint venture formed between a corporation and a local Aboriginal community-based organisation. The WDJV has provided care and maintenance and rehabilitation services at the Century Mine near Mt Isa in Queensland since July 2016. In September 2018 the WDJV was awarded a life of mine contract by New Century Resources Ltd to provide services for the mining of the East Fault Block and South Block Resources.

- Bama Services – Downer has partnered with this leading Indigenous business on a range of initiatives since 2014 (for more information, refer to case study on page 75).

Strategic partnerships

- AKL Paths – Downer and Auckland Council established a partnership in 2015 to focus on strategic commercial and social outcomes to help achieve the Auckland Long Term Plan and the Mayoral Vision for Auckland. Through this relationship, Downer has been developing a digital product that uses location intelligence coupled with Auckland Council’s data to help Aucklanders discover over 200 local walking and cycling paths across the region. Downer and Auckland Council were recognised in June by New Zealand Sport and Recreation with the Commercial Partnership Award for delivering the AKL Paths platform. AKL Paths improves the health and wellbeing of users by highlighting parks, streets and beaches across Auckland and providing useful information to users including a map, path duration and location of facilities such as playgrounds, libraries, public toilets, basketball courts and pools.

Our future focus

We will continue to review our sponsorships and partnerships. In July 2019, Downer announced New Zealand’s first exclusive partnership with the Māori All Blacks, Black Ferns and Black Fern Sevens rugby union teams. This partnership will focus on building our brand and engaging our people and communities in our focus on diversity and inclusion.

Keeping students safe

Around one in five young people experience cyber bullying – and even more can be exposed to age-inappropriate content or privacy risks.

Our Spotless team want to do something about that, so they are funding eSmart Digital Licences to Year 6 students in the 44 public schools where they deliver integrated facilities services through Public Private Partnerships across Victoria, South Australia, Western Australia and New South Wales.

Developed by the Alannah and Madeline Foundation, the eSmart Digital Licence is an online cyber safety program that teaches school children how to play, learn and socialise online in a smart, safe and responsible way.

“With kids now having easy access to the internet and social media, we know online safety is of concern to parents, teachers, students and the school community,” Spotless’ Chief Executive Officer, Peter Tompkins, said.

“We wanted to do something that would create a positive impact in the schools we work with. We are pleased to support the education of children in the online world and enable them to use the web safely and responsibly.”

Spotless’ grant will make the Foundation’s course free for students in their final year of primary school, teaching 2,200 students across the country how to stay safe online.
We will also work with our commercial partners to increase the value of these business relationships. Following the successful delivery of the Cape York project, Downer will work with Bama Services on other initiatives to continue growing this partnership. We will also keep working with Waanyi Enterprises to build our partnerships and develop new training programs and initiatives to benefit the Waanyi people.

Downer realises the projects we deliver have a big impact on local communities. The nature and physical presence of many of our projects means they also have high visibility within their communities. We will continue to look for new ways to utilise these structures in a way that adds value to our communities. A prime example is the Indigenous artwork initiative that started in Moree, northern NSW, where Downer was part of a program for local Indigenous artists to create artworks to cover the NBN cabinets we installed in the region (for more information, refer to case study on page 77).

A key focus area of last year’s report was to increase employee involvement in community activities and partnerships. We have implemented a number of initiatives to support that commitment. One element of New Zealand’s new wellbeing program is the introduction of Volunteer Leave for employees, which encourages our teams to participate in community engagement activities. New Zealand ran a pilot for this program in Auckland in June, when over 20 employees cleaned up the Puhinui Stream located near Downer’s Kerrs Road office. The team worked tirelessly to remove three truckloads of plastic and household waste from two kilometres of stream. Following the success of this pilot, Downer will officially launch the Volunteer Leave program across New Zealand in FY20.

### Downer and Bama build a lasting legacy

Downer is proud to partner with leading Indigenous business Bama Services to deliver transport and infrastructure solutions in North Queensland.

In FY19 the Downer-Bama partnership, which began in 2014, delivered $10 million worth of major infrastructure on the Peninsula Development Road (PDR) in Cape York to improve the accessibility, safety and reliability of transport infrastructure for the local community.

But our partnership goes beyond that. It is also about Downer mentoring the local Aboriginal and Torres Strait Islander workforce to develop their skills, capabilities and experience, leading to a greater sense of empowerment and broader employment opportunities.

As well as the successful delivery of the Cape York project joint venture, our partnership includes:

- A Downer project manager seconded to Bama to provide support and expertise in 2014 via the Jawun program, who is now a permanent Bama employee
- Bama provides local Indigenous labour to assist Downer’s VEC business on its bridge strengthening project on the Mulligan Highway in Cape York
- Bama employees engaged through Downer’s Spotless Defence maintenance contracts to deliver landscaping work at the Royal Australian Air Force (RAAF) Scherger military air base at Weipa
- Exploring further partnerships for joint road and civil project delivery in Cape York and beyond, consisting of bridge projects, traffic management and secondment, and people development opportunities.

“The commitment Downer has made is unprecedented and sets a high watermark for what the private sector can do to help ‘close the gap’ and generate Indigenous Economic Development,” General Manager of Bama Services, Ranjan Rajagopal, said.

“It is important to emphasise that the relationship is based on a commercial arrangement, not a gift or charity. Downer’s partnership with Bama is creating a skills transfer, which is enabling Bama to upskill and invest in its own staff in terms of further training, secondment opportunities and succession planning.

“For Bama, this partnership is a fillip to creating a sustainable business. The human capital and time investment Downer has put into Bama to date is unparalleled.”
Yarra Trams give $1 million in free advertising

Melbourne’s iconic tram network is operated by Yarra Trams, a partnership between Downer and Keolis.

Keolis Downer believes strongly in contributing to Melbourne’s liveability by extending our support beyond the rails to the community we serve. We do this by building partnerships with community organisations that support our vision for a diverse and inclusive Melbourne.

In 2017, we launched the Yarra Trams Community Partnerships Program and in 2018, we donated $1 million of free advertising value to eight Melbourne not-for-profit organisations.

As the largest tram network in the world, consisting of over 475 trams, our vehicles have been recognised as high-exposure moving billboards, travelling across over 250 kilometres of tracks throughout Melbourne’s metro area, reaching millions of people daily.

Many organisations pay to promote their products through tram advertising, but we identified free tram advertising as a great asset Yarra Trams has to support community organisations.

For the 2018 program, we received over 200 applications for a share of $1 million in free advertising. The 200 applications were shortlisted to 20 and reviewed to ensure alignment of values with Yarra Trams, particularly regarding diversity and inclusion.

After careful consideration, we chose Arts Project Australia, City in the Community, Charcoal Lane, Safe Steps Family Violence Response Centre, HomeGround Real Estate, Fitted for Work, the Alannah and Madeline Foundation and FareShare as our 2018 tram wrap partners.

FareShare’s tram wrap challenged Melbourne to ‘fill this tram’ with rice and pasta donations to feed Melbourne’s hungry. The campaign’s aim was to collect 20 tonnes of rice and pasta and was a huge success, with FareShare collecting over their targeted amount.

In line with our commitment in last year’s Sustainability Report to increase employee involvement in community activities and partnerships, Yarra Trams employees added support to FareShare’s campaign by helping collect rice and pasta. Our goal was to donate one tonne... but the team was so enthusiastic we collected 2.3 tonnes – the equivalent of providing approximately 37,000 meals for people in need.

Yarra Trams will continue to provide community organisations with a share in $1 million of advertising value annually for the life of the franchise. During 2019 Yarra Trams is partnering with Afford, Asylum Seeker Resource Centre, Batyr, Centre for Multicultural Youth, The Big Issue, The Torch, Travellers Aid and VincentCare.
Emerging issues and market trends

There is a growing shift in corporate community investment strategy. Corporate organisations are realising that they need to invest more than just money if they want to leave a lasting social legacy in the communities they operate in. They also need to invest time, impart knowledge and implement programs that deliver tangible change.

Over the past decade there has been a significant reduction in companies giving one-off contributions. Traditional corporate giving, such as ad-hoc and one-off donations, is being replaced by long-lasting partnerships with communities and charitable organisations.

Downer has embraced this shift in thinking. We aim to invest our time and money into programs that drive education, increase employment opportunities and improve quality of living, with a specific focus on people from disadvantaged backgrounds.

We achieve this by creating partnerships that include monetary spend which is reinforced by the meaningful actions of our people. One of our greatest assets is our expertise – we’re market leaders across a broad range of sectors, and we take pride in sharing our skills and capabilities with our community partners.

Our Waanyi Downer Joint Venture (WDJV) is a ground-breaking partnership and perfect example of this strategic approach. Our involvement in the joint venture goes beyond the mining services we deliver for New Century Mine and includes running a range of community training programs for the local Waanyi people. These programs are resulting in paradigm shifts in the community – from helping ensure children attend school to creating jobs for people in regions that have experienced high levels of unemployment. Through initiatives like the WDJV and our partnership with Bama Services, we’re building capabilities and increasing employability in local communities.

Generational shift

The generational change happening in workplaces is also bringing change to corporate social responsibility strategies. Younger generations place far greater value on their employer’s social policies and corporate giving programs than any generation before them. This has resulted in companies increasingly implementing sponsored giving and volunteering programs, which provide community benefits and help build job satisfaction among employees.

Downer runs a range of programs that give staff the opportunity to give back. Our new Volunteering Leave program is one example. Another is the Volunteer Service Abroad program for some of our young professionals in New Zealand. Through Downer’s exclusive partnership with Volunteer Service Abroad, graduates and cadets from New Zealand spend three months in the Solomon Islands with the Ministry of Education and Human Resource Development helping the government to achieve universal primary school enrolment and new classrooms.

Sustainable workforces

Another trend brought about by generational change is the growing challenge in attracting employees to regional residential roles and fly-in fly-out (FIFO) roles. Younger generations appear to be less interested in these lifestyles and the associated careers. We hold a number of events to engage youth at schools and educational institutions in an effort to develop interest and an employment pipeline. This includes hosting students on site for information sessions, tours and the opportunity to speak to our people about the benefits of a career at Downer.

Indigenous wrap artists

Downer has partnered with nbn™ and the Moree community to give local Indigenous artists a unique opportunity to showcase their artwork.

We are helping roll out the NBN across Australia, which includes installing the NBN nodes – the green cabinets in local neighbourhoods that connect homes to the NBN.

In Moree, these nodes have served as blank canvases for local artists, whose artwork now wrap around the nodes. The artworks add vibrancy to the streets of Moree and give the talented artists an avenue to display their work.

The project is a great example of different groups partnering for a fantastic result.

“[I think this initiative will bring the community and local industry together],” Downer’s General Manager – Technology and Communications Services, Luke Rowlands, said. “Moree is such a tightknit community – and these artists and the friends of the artists will always be able to look at the infrastructure and say they have been part of it. For us, that is very important – having the local community, nbn™ and Downer all as one team to deliver this is a really important part of the project.”

Following the success of the Moree project, we have expanded the initiative, rolling it out in Sydney’s Inner West.

A series of NBN nodes have been wrapped to create a walk celebrating Australia’s Indigenous artists across the suburbs of Erskineville, Alexandria and St Peters.

Following the success of the Moree project, we have expanded the initiative, rolling it out in Sydney’s Inner West. A series of NBN nodes have been wrapped to create a walk celebrating Australia’s Indigenous artists across the suburbs of Erskineville, Alexandria and St Peters.
Based on the procedures performed, and the evidence obtained, for the year ended 30 June 2019:

- We are not aware of any material misstatements in the Sustainability Report with regards to Downer’s application of the GRI Standards for defining report content: materiality, stakeholder inclusiveness, sustainability context and completeness; and
- We are not aware of any material misstatements in the Selected Sustainability Information, which has been prepared by Downer EDI Ltd, in accordance with the GRI Standards for defining report quality: balance, comparability, accuracy, timeliness, clarity and reliability.

Information subject to assurance

The Selected Sustainability Information, as presented in the Downer EDI Ltd (Downer) Sustainability Report 2019 and available on Downer’s website, comprised the following:

<table>
<thead>
<tr>
<th>Selected Sustainability Information</th>
<th>Value assured FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct emissions of greenhouse gases (scope 1) – kilotonnes of CO2-e</td>
<td>356.3</td>
</tr>
<tr>
<td>Indirect emissions of greenhouse gases (scope 2) - kilotonnes of CO2-e</td>
<td>85.6</td>
</tr>
<tr>
<td>Energy consumed - terajoules</td>
<td>6,056.7</td>
</tr>
<tr>
<td>Energy produced - terajoules</td>
<td>89,109.7</td>
</tr>
<tr>
<td>Number of significant environmental incidents</td>
<td>0</td>
</tr>
<tr>
<td>Number of environmental fines</td>
<td>11</td>
</tr>
<tr>
<td>Number of environmental prosecutions</td>
<td>0</td>
</tr>
<tr>
<td>Value of environmental fines or prosecutions - $</td>
<td>23,775</td>
</tr>
<tr>
<td>Number of safety fines</td>
<td>0</td>
</tr>
<tr>
<td>Number of safety prosecutions</td>
<td>0</td>
</tr>
<tr>
<td>Value of safety fines or prosecutions - $m</td>
<td>0</td>
</tr>
<tr>
<td>Total Recordable Injury Frequency Rate (TRIFR) – per million hours worked</td>
<td>2.70</td>
</tr>
<tr>
<td>Lost Time Injury Frequency Rate (LTIFR) – per million hours worked</td>
<td>0.57</td>
</tr>
</tbody>
</table>

Criteria used as the basis of reporting

The criteria used in relation to the Sustainability Report content are the GRI Standards for Defining Report Content and Quality and in relation to the Selected Sustainability Information the criteria are the GRI Standards and Downer’s policies, procedures and methodologies.

Basis for conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 and ASAE 3410 (Standards). In accordance with the Standards we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the Selected Sustainability Information is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.
Summary of procedures performed
Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Downer staff, and review of selected documentation, to assess the appropriateness of Downer’s process for the application of GRI Standards for Defining Report Content and Quality;
- enquiries with relevant Downer personnel to understand the internal controls, governance structure and reporting process of the Selected Sustainability Information;
- review and challenge of Downer’s materiality assessment process;
- analytical procedures over the Selected Sustainability Information;
- site visits to Auburn rail depot, DM Roads, Downer New Zealand Road Science and Hawkins construction site, and Dandenong laundry;
- walkthroughs of the Selected Sustainability Information to source documentation; and
- review of the Downer Sustainability Report 2019 in its entirety to ensure it is consistent with our assurance work.

How the Standard defines limited assurance and material misstatement
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Misstatements, including omissions, within the Selected Sustainability Information are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Downer.

Use of this Assurance Report
This report has been prepared for the Directors of Downer for the purpose of providing an assurance conclusion on the Selected Sustainability Information and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Downer, or for any other purpose than that for which it was prepared.

Management responsibility
Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the Selected Sustainability Information in accordance with the criteria;
- determination of Downer’s GRI level of disclosures in accordance with the GRI Standards; and
- establishing internal controls that enable the preparation and presentation of the Selected Sustainability Information that is free from material misstatement, whether due to fraud or error; and maintaining integrity of the website.

Our responsibility
Our responsibility is to perform a limited assurance engagement in relation to the Selected Sustainability Information for the year ended 30 June 2019, and to issue an assurance report that includes our conclusion.

Our independence and quality control
We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

KPMG
Sydney
29 August 2019
## GRI Standard Content Index

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location of information</th>
<th>Notes</th>
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<tr>
<td><strong>GRI 102: GENERAL DISCLOSURES</strong></td>
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<tr>
<td>102-1</td>
<td>Name of the organisation</td>
<td>About this report – page 4</td>
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</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products and services</td>
<td>About Downer – pages 8-11</td>
<td></td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Inside back cover</td>
<td></td>
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</tbody>
</table>
| 102-4 | Location of operations (number of countries where organisation operates and names of countries with significant operations) | About Downer – page 8 | **Annual Report:**
| | | | F4. Controlled entities – pages 108-110 |
| 102-5 | Nature of ownership and legal form | | **Annual Report:**
| | | | F. Group structure – pages 100-110 |
| 102-6 | Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries) | About Downer – pages 8-11 | **Annual Report:**
| | | | Review of operations – pages 6-10 |
| | | | B1. Segment information – pages 68-71 |
| 102-7 | Scale of the organisation (number of employees, operations, net sales, total capitalisation, quantity of products/services) | About Downer – pages 8-11 | Quantity of products and services not identified. **Annual Report:**
| | | | Review of operations – pages 6-10 |
| | | | B1. Segment information 68-71 |
| 102-8 | Information on employees and other workers (total workforce by employment contract, type, gender and region) | People – pages 44-45 | Employment contract and type not identified. |
| 102-9 | Supply chain (description as it relates to activities, brands, products and services) | Governance – pages 22-23 | |
| 102-10 | Significant changes to the organisation and its supply chain (organisation's size, structure, ownership or its supply chain) | | **Annual Report:**
| | | | E. Capital structure and financing – pages 92-99 |
| | | | F. Group structure – pages 100-110 |
| 102-11 | Is the precautionary approach or principle addressed and, if so, how? | About Downer: Our Promise – page 8 | The precautionary principle is an intrinsic component of our operational risk management approach. **Annual Report:**
<p>| | | | Governance – pages 18-25 |
| | | | Business strategies – pages 15-19 |
| | | | Principle 7: Recognise and manage risk – page 140-141 |</p>
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<th>Description</th>
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<tr>
<td>102-12</td>
<td>External initiatives (externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses)</td>
<td>About this report – pages 4-7&lt;br&gt;&lt;br&gt;<strong>Annual Report:</strong>&lt;br&gt; Governance and risk management – pages 126-127&lt;br&gt;TCFD – pages 128-130&lt;br&gt;ASX Principles – pages 131-141</td>
<td>External initiatives are referenced in the relevant sections throughout this report.</td>
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<td>102-13</td>
<td>Memberships of associations</td>
<td>Governance – page 24&lt;br&gt;Safety – page 33</td>
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<tr>
<td>102-14</td>
<td>Statement from the most senior decision-maker</td>
<td>A word from the CEO – page 1</td>
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<tr>
<td>Indicator</td>
<td>Description</td>
<td>Location of information</td>
<td>Notes</td>
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<tr>
<td><strong>GRI 102: GENERAL DISCLOSURES</strong></td>
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<tr>
<td><strong>5. STAKEHOLDER ENGAGEMENT</strong></td>
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<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>Materiality and stakeholder inclusiveness – page 12</td>
<td></td>
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<tr>
<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>People – page 36</td>
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<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>Materiality and stakeholder inclusiveness – pages 12-17</td>
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<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>Materiality and stakeholder inclusiveness – pages 12-17</td>
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<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>Materiality and stakeholder inclusiveness – pages 13-17</td>
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<tr>
<td><strong>6. REPORTING PRACTICE</strong></td>
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<tr>
<td>102-46</td>
<td>Defining report content and topic boundaries</td>
<td>About this report – pages 4-5 Materiality and stakeholder inclusiveness – pages 14-17</td>
<td>Topic boundaries are covered under ‘Our approach’ in the relevant sections.</td>
</tr>
<tr>
<td>102-47</td>
<td>List of all material topics</td>
<td>Materiality and stakeholder inclusiveness – pages 12-17</td>
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<td>102-48</td>
<td>Restatements of information</td>
<td>People – page 44</td>
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<tr>
<td>102-49</td>
<td>Changes in reporting</td>
<td>About this report – pages 4-5 Materiality and stakeholder inclusiveness – page 16</td>
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<tr>
<td>102-50</td>
<td>Reporting period</td>
<td>About this report – page 4</td>
<td>Reporting period is for financial year 2018-19.</td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td></td>
<td>2018 Sustainability Report and 2018 Annual Report.</td>
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<tr>
<td>102-52</td>
<td>Reporting cycle</td>
<td>About this report – page 4</td>
<td>Annual.</td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td>Inside back cover</td>
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<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>About this report – page 4</td>
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<tr>
<td>102-55</td>
<td>GRI Content Index</td>
<td>GRI Content Index – pages 80-86</td>
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## SPECIFIC STANDARD DISCLOSURES

### 200 ECONOMIC TOPICS

**GRI 201: ECONOMIC PERFORMANCE**

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<th>Indicator</th>
<th>Description</th>
<th>Location of information</th>
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<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Annual Report: Directors' Report – pages 4-52</td>
<td></td>
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<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td></td>
<td></td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td></td>
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</tbody>
</table>

201-1 The management approach and its components

**Annual Report:**
- Review of operations – pages 6-10

Community investment expenditure is not reported.
Community partnerships discussed pages 72-77.
Sourcing of contractors, plant, equipment, raw materials, consumables, etc mostly through Australian and New Zealand suppliers.

### 300 ENVIRONMENTAL TOPICS

**GRI 301: MATERIALS**

<table>
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<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location of information</th>
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<td>Environment – pages 52-71</td>
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<td>103-2</td>
<td>The management approach and its components</td>
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<td>103-3</td>
<td>Evaluation of the management approach</td>
<td></td>
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</tbody>
</table>

301-2 Percentage of materials that are used that are recycled input materials

**Environment – page 70**

Data not currently collected at Group level.
Downer provides products and services with increased efficiency of resource use and greater use of recycled or re-purposed materials which reduces costs for customers.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Location of information</th>
<th>Notes</th>
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</thead>
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<tr>
<td><strong>300 ENVIRONMENTAL TOPICS</strong></td>
<td></td>
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<tr>
<td><strong>GRI 302: ENERGY</strong></td>
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<tr>
<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Environment – pages 52-71</td>
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<td>103-2</td>
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<td>TCFD – pages 56-63</td>
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<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>TCFD – pages 128-130</td>
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<td>302-1</td>
<td>Energy consumption within the organisation</td>
<td>Environment – pages 63-67</td>
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<td>302-3</td>
<td>Energy intensity</td>
<td>Environment – pages 63-67</td>
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<tr>
<td>302-4</td>
<td>Reduction of energy consumption</td>
<td>Environment – pages 63-67</td>
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<td><strong>GRI 305: EMISSIONS</strong></td>
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<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Environment – pages 52-71</td>
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<td>The management approach and its components</td>
<td>TCFD – pages 128-130</td>
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<td>Evaluation of the management approach</td>
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<tr>
<td>305-1</td>
<td>Direct greenhouse gas (GHG) emissions (Scope 1)</td>
<td>Environment – pages 63-67</td>
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<td>305-2</td>
<td>Energy indirect GHG emissions (Scope 2)</td>
<td>Environment – pages 63-67</td>
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<td>305-3</td>
<td>Other indirect GHG emissions (Scope 3)</td>
<td>Environment – pages 63-67</td>
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<td>305-4</td>
<td>GHG emissions intensity</td>
<td>Environment – pages 63-67</td>
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<td>305-5</td>
<td>Reduction of GHG emissions</td>
<td>Environment – pages 63-67</td>
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<td><strong>GRI 306: EFFLUENTS AND WASTE</strong></td>
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<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Environment – pages 52-71</td>
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<td>The management approach and its components</td>
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<td>Evaluation of the management approach</td>
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<tr>
<td>306-3</td>
<td>Significant spills</td>
<td>Environment – page 55</td>
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<tr>
<td>Indicator</td>
<td>Description</td>
<td>Location of information</td>
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<tr>
<td><strong>SPECIFIC STANDARD DISCLOSURES</strong></td>
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<tr>
<td>300 ENVIRONMENTAL TOPICS</td>
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<tr>
<td>GRI 307: COMPLIANCE</td>
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<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Governance – pages 18-25</td>
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<td>103-2</td>
<td>The management approach and its components</td>
<td>Environment – pages 52-71</td>
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<td>103-3</td>
<td>Evaluation of the management approach</td>
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<tr>
<td>307-1</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
<td>Environment – page 55</td>
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<tr>
<td><strong>400 SOCIAL TOPICS</strong></td>
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<tr>
<td>GRI 401: EMPLOYMENT</td>
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<td>103-1</td>
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<td>People – pages 36-51</td>
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<td>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</td>
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<td>Explanation of the material topic and its boundary</td>
<td>Zero Harm – page 7</td>
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<td>103-2</td>
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<td>Health and safety – pages 26-35</td>
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<td>Evaluation of the management approach</td>
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<tr>
<td>403-2</td>
<td>Type of injury and rates of injury, occupational disease, lost days, and absenteeism, and total number of work-related fatalities</td>
<td>Health and safety – pages 26-28, 32</td>
<td>Report does not include absenteeism rate.</td>
</tr>
<tr>
<td>Indicator</td>
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<td>Location of information</td>
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<td><strong>400 SOCIAL TOPICS</strong></td>
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<td><strong>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY</strong></td>
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