



TCFD disclosure

Climate change presents a challenge to enhancing liveability, sustaining the modern environment, Downer's business operations, and the natural environment. While Downer's business portfolio is diverse, it has limited exposure to the effects of climate change through fixed, long lived capital assets. Downer's diverse portfolio allows us to be flexible and agile to redeploy assets to high growth areas as markets change. This diversity of portfolio strongly positions Downer to mitigate and manage our exposure to climate risks and to maximise the business opportunities it presents.

Downer accepts the Intergovernmental Panel on Climate Change (IPCC) assessment of the science related to climate change and supports the Paris Agreement in transitioning to net-zero emissions by 2050 to limit global temperature increase to 1.5°C by the end of this century. Downer considers climate change to be one of its material issues (refer to pages 14-20).

In FY19, Downer implemented the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) in assessing the financial implications of climate change on Downer. In its implementation of the TCFD recommendations, Downer used climate scenario analysis as a key step to understand the resilience of the business under different climatic futures.

Global scenarios were used to inform a top-down assessment of how the physical climate might change, the hazards that our workforce might be exposed to, and how the services Downer provides to key sectors and markets may change. This was particularly important to Downer, as our company Purpose is to create and sustain the modern environment by building trusted relationships with our customers. The scenario analysis informed strategic planning processes by looking longer-term to critically assess the products and services provided by the business in changing markets.

The scenario analysis was fed directly into Board strategy sessions and to Executive forums, where it remains a permanent consideration of the Board strategy. Further to the scenario analysis outcomes, broader sustainability issues are discussed at Board level. From a tactical perspective, Downer undertakes an annual exercise to test our strategic position on the back of the scenario analysis.

The outcomes of the scenario analysis contributed to a change in the overall strategy of the business. In February 2020, Downer announced it would shift investment in high capital intensive activities to lower intensive and lower carbon activities. Climate change and sustainability were also elevated to retain market share and to secure new customers. This strategic shift will support Downer's decarbonisation pathway and market position in a low-carbon economy.



GHG emissions reduction target

Downer acknowledges that climate change mitigation is a shared responsibility. To support the transition to a low-carbon economy in an equitable manner, Downer recognises the need to develop emissions reduction targets that 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.

In 2019, we leveraged the Science-Based Target Initiative's framework and guidance to set an ambitious long-term GHG emissions reduction target (aligned to a 1.5°C pathway). We committed to the decarbonisation of our absolute Scope 1 and 2 GHG emissions by 45-50 per cent by 2035 from a FY18 base year, and to being net zero in the second half of this century.

Downer will track our progress towards these emissions reduction targets and review our emissions reduction approach in line with IPCC's updated scientific reports, while also considering other developments in low-emissions technology to ensure a practical and affordable transition towards this commitment.

For the purpose of our Science-Based Target (SBT), the boundary is Downer's Scope 1 and 2 GHG emissions data disclosed in this Sustainability Report, plus the Scope 1 and 2 emissions from our operations at Meandu Mine, which for FY20 accounts for 114,270 tCO₂-e Scope 1 and 2 emissions.

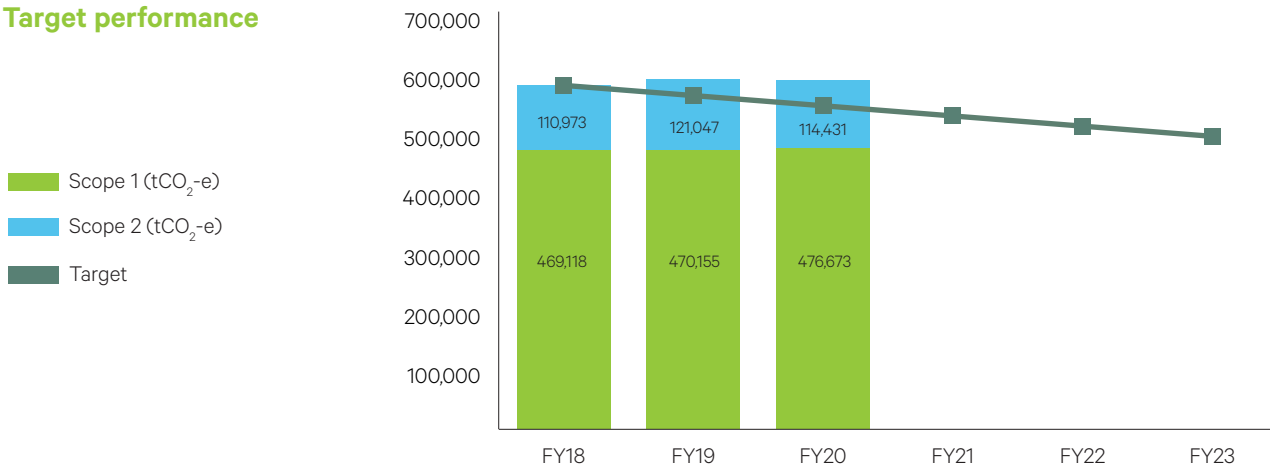
Downer holds operational control of Meandu Mine, but has a transfer certificate in place under section 22J of the NGER Act.

Downer's performance against the SBT was eight per cent higher than the SBT for 2020. The drivers for this, with the exception of the Meandu Mine, are noted in the 'Managing our GHG emissions' section on pages 56-58. This site is under Downer's operational control, but not reportable for NGER purposes, as Downer has a reporting transfer certificate in place. Meandu saw a reduction in its emissions footprint for FY20 – contributing to Scope 1 + 2 emissions for SBT purposes being stable for FY20 compared to FY19. When presented on an intensity basis, our assumed SBT performance exceeded target levels. As Downer continues to focus on its Urban Services businesses, the expected economies of scale in being a larger player in a smaller number of sectors should continue to provide benefits from an emissions intensity perspective.

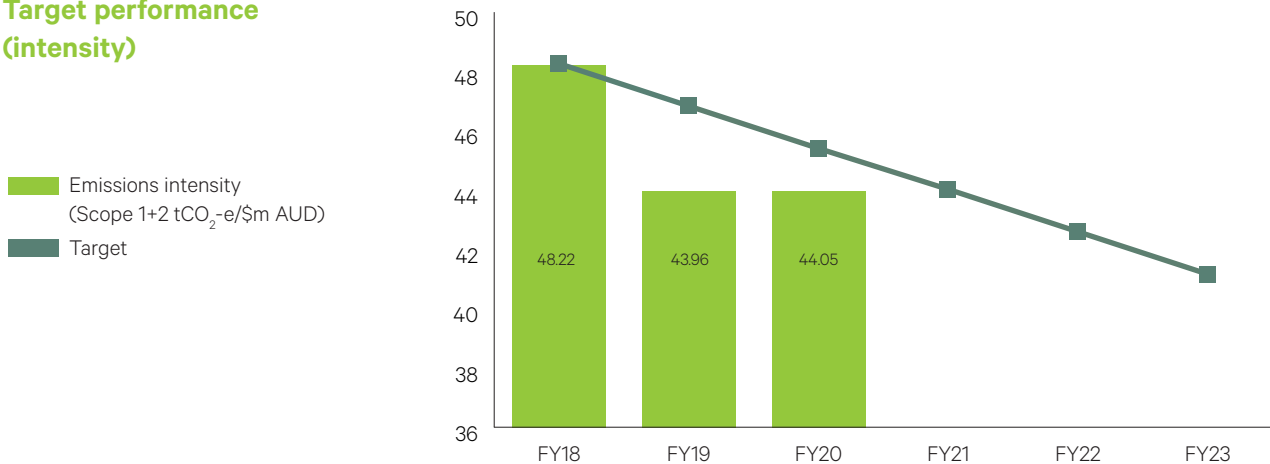
Downer's pathway to significant decarbonisation is contingent on medium-term to long-term step changes. One of these is the divestment from carbon-intensive businesses, as noted in the TCFD disclosure section on page 62. The other key strategy for decarbonisation is the transitioning of fuels that Downer directly combusts to cleaner sources. These changes will have a significant impact on Downer's carbon footprint. In the interim, Downer continues to make iterative improvements to operations to improve efficiencies where possible, which have a positive impact on emissions as well as costs.



Science-Based Target performance



Science-Based Target performance (intensity)



Absolute target

Reporting period	Scope 1+2	Target	Deviation from target
FY18	580,090.92	580,090.92	Baseline year
FY19	591,202.17	562,897.03	5% ↑
FY20	591,103.71	545,703.13	8% ↑

Intensity target

Reporting period	Actual emissions intensity (Scope 1+2 emissions tCO ₂ -e/\$m AUD)	Target	Deviation from target
FY18	48.22	48.22	Baseline year
FY19	43.96	46.79	6% ↓
FY20	44.05	45.36	3% ↓

Downer recognises the uncertainties, challenges and opportunities that climate change presents and, despite the impacts of COVID-19, Downer remains committed to partnering with our customers and supply chain to achieve our long-term GHG emissions reduction target.



Refer to our website for further disclosures on Downer's response to climate change and how we have specifically addressed the TCFD recommendations.

Our future focus

In FY21, 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:

- Establish waste to landfill reduction and water reduction targets and identify initiatives to assist in achieving these targets
 - Continue to explore and deploy innovative technology solutions in order to continuously improve the way we deliver our products and services and meet our legal, commercial and customer obligations
 - Take a whole-of-life approach when considering initiatives and specifying materials. Apply lifecycle assessment to our road pavement products (i.e. the development of an Environmental Product Declaration for Downer's recycled asphalt products)
 - Improve sustainability performance and achieve sustainability ratings, such as ISCA Infrastructure Sustainability ratings, for targeted infrastructure contracts to improve our sustainability performance and build internal knowledge and capacity that can be leveraged to other parts of Downer
 - Protect high value biodiversity found on the sites we own, occupy or operate. Work with our customers to enhance and restore existing biodiversity, otherwise offsetting any losses, wherever possible
 - Educate our staff, supply chain and the broader communities on key environmental sustainability issues and the role Downer has in addressing them.
- Continue to support the growth of Downer's Urban Services strategy by providing services 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
- Work with our financial partners to assess opportunities for sustainability-linked finance to further demonstrate Downer's commitment to sustainability and unlock capital that would allow Downer to meet its sustainability goals and objectives
- Maintain and improve Downer's strong environmental regulatory compliance through the implementation of Downer's consolidated Integrated Management System, known as the Downer Standard, and support the business in achieving a single certification accreditation to ISO14001:2015, with continued focus on our Critical Risk program