

SUSTAINABILITY REPORT 2011





CEO'S STATEMENT

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WELCOME TO DOWNER'S 2011 SUSTAINABILITY REPORT.

Downer's sustainability strategy is designed to reduce our impact on the natural environment.

I am pleased to say that during 2010-11 our greenhouse gas (GHG) emissions intensity reduced by 10% on our expanded business activities. We continue to work on improving the efficiency of our operations and have set a Group-wide GHG emissions (scope 1 and 2) intensity reduction target of 2% based on 2010-11 data (less fugitive emissions).

In order to achieve these improvements, we will be required to optimise the use of resources by reducing consumption of energy and water, minimising waste generation and switching to alternative fuels such as biodiesel. We continue to explore innovation in our products and services that will help us to reduce our carbon footprint.

We have enhanced our corporate governance framework through the introduction of two new policies – our Business Conduct Policy and our Business Integrity Policy – to support our people in continuing to make ethical business decisions.

Tragically, over the past six months two employees have died as a result of reversing vehicles. We are conducting comprehensive reviews following these fatalities and a number of initiatives have been implemented to address the hazards involved with reversing vehicles.

We will report on our progress in this area in the 2011-2012 Sustainability Report.

Downer continues to focus on our Zero Harm strategy with a particular emphasis on visible and active leadership. Two key indicators of our health and safety performance have improved during the year:

- We achieved a record low Lost Time Injury Frequency Rate (LTIFR) of 0.93, remaining below our target of 1; and
- We achieved a reduction in our Total Recordable Injury Frequency Rate (TRIFR) by 11.8% to 7.17.

During the year, Downer took a number of steps to improve the diversity of our workforce. This includes establishing the Downer Diversity Committee, which is made up of senior managers from across the Group, and implementing a Diversity and Inclusiveness Policy. Downer also introduced paid parental leave from July 2011.

I hope you enjoy reading this year's Sustainability Report and I would like to thank Downer's employees, as well as our customers, for their efforts in driving and implementing the initiatives outlined in this report.



Grant Fenn
Managing Director &
Chief Executive Officer



CARBON DISCLOSURE PROJECT

¹ Lost time injuries (LTIs) are defined as diseases or occurrences that result in a fatality, permanent disability or time lost from one day/shift or more. The LTIRF is the number of LTIs per million hours worked.

² Total Recordable Injury Frequency Rate (TRIFR) is the number of fatal injuries + lost time injuries + medically treated injuries per million hours worked.

KEY STATISTICS

REVENUE

A\$ **7.0** BILLION

PEOPLE

> **20,000**

WORK-IN-HAND

A\$ **20** BILLION

ABOUT DOWNER

Downer EDI Limited (Downer) is a leading provider of engineering and infrastructure management services to customers operating in market sectors including minerals & metals, oil & gas, power, transport infrastructure, communications, property and water.

Downer is listed on the Australian Securities Exchange and employs over 20,000 people in Australia, New Zealand and the Asia Pacific region.

We are committed to designing, constructing and maintaining the best solutions for our customers while focusing on the safety of our people and the sustainability of the communities in which we operate.

Downer operates as four specialised divisions that work collaboratively to service our customers:

DOWNER AUSTRALIA

Downer Australia is one of the country's largest providers of engineering services for critical infrastructure. As the Group's largest division, with over 7,000 employees, its scale provides a strong platform for growth and delivering integrated asset life-cycle solutions and services to our customers.

Downer has formed many valuable partnerships with customers and communities across Australia and is committed to understanding, adapting and responding to their needs.

For customers undertaking large and complex capital infrastructure projects, Downer has the ability to deliver a wide range of services needed for project

success including consulting services. Our plant construction capabilities include civil, structural, mechanical, electrical and instrumentation while our balance of plant construction capabilities cover roads, camps, civil works, water treatment, communications and power. For customers maintaining critical assets, Downer has extensive national capability to manage, deliver and support these assets.

DOWNER NEW ZEALAND

Downer New Zealand is one of the country's largest transport, water, telecommunications and renewable energy infrastructure service providers.

With roots that go back to the formation of the Public Works Department in 1870, Downer New Zealand has built the majority of the country's roads, rail lines, telecommunications and hydroelectric schemes and provided vital infrastructure support to customers and local communities. This legacy continues today with Downer playing an integral role in the running of the country's essential infrastructure.

Downer is often referred to as New Zealand's fourth emergency service and we are the country's leading winter maintenance service provider.

With over 4,500 employees working in 50 towns and cities across New Zealand, our geographical reach and scale offers our customers whole-of-life construction and asset management solutions with local knowledge and support on the ground.

DOWNER MINING

Downer is one of Australia's leading diversified mining contractors, with around 5,000 employees working across more than 50 sites in Australia, New Zealand, Papua New Guinea, South America and South Africa.

Downer Mining supports its customers at all stages of the mining life cycle, with a wide range of services including:

- Open-cut mining and underground mining;
- Drill and blast services (through subsidiary Downer Blasting Services), including explosives manufacture and supply;
- Exploration drilling;
- Crushing;
- Tyre management (through subsidiaries Otraco International and Rimtec);
- Mobile plant maintenance;
- Mine planning and design;
- Construction of mine-related infrastructure; and
- Land rehabilitation.

DOWNER RAIL

Downer Rail is a leading provider of innovative and efficient rolling stock asset management solutions. We are a partner of choice for freight and passenger rail operators, providing services at more than 30 strategic locations across Australia.

Working closely with our international partners, we develop solutions to connect customers' assets with specialist resources, processes and industry-based knowledge. Downer Rail offers a flexible range of services, from turnkey asset management to one-off repairs, enabling customers to control and optimise their operations for quality and efficiency.

SUSTAINABILITY AT DOWNER

WE ARE COMMITTED TO PROVIDING INNOVATIVE, SUSTAINABLE SOLUTIONS TO OUR CUSTOMERS WHILE PRIORITISING THE SAFETY AND WELL-BEING OF OUR PEOPLE AND THE COMMUNITIES WITHIN WHICH WE WORK.



For our business, sustainability means being a valued contributor to the communities in which we operate, demonstrating sound environmental performance and being a responsible employer while delivering excellence to our customers and rewarding our shareholders. We strive to achieve this by understanding and responding to emerging global risks and opportunities, engaging with our stakeholders and developing proactive partnerships within our value chain.

We are committed to identifying and monitoring our sustainability impacts, challenges and opportunities, disclosing our sustainability performance in our annual Sustainability Report. This year's report supplements our 2011 Annual Report and Annual Review and provides a summary of our non-financial, sustainability-related performance for the year ended 30 June 2011.

We have reported our performance against the Global Reporting Initiative (GRI) G3.1 Guidelines, and independent third party Ernst & Young has provided limited assurance over our total direct (Scope 1) and indirect (Scope 2) greenhouse gas (GHG) emissions and our Total Recordable Injury Frequency Rate (TRIFR) and significant environmental spills (greater than 100 litres or kilograms) and fines. Ernst & Young's assurance statement is included on pages 16 – 17.

A GRI content index for this report is located on our website <http://downergroup.com/Zero-Harm/Sustainable-Development/>. We have achieved a third-party assured GRI rating of B+, which has been reviewed by Ernst & Young as part of its limited assurance procedures.

There have been no significant changes to boundary or measurement methods applied in this report from the reporting period (2010 Sustainability Report). Information for joint ventures has not been included, which is consistent with previous reports.

Our GHG emissions (Scope 1, 2 and 3) are calculated in accordance with the National Greenhouse and Energy Reporting Scheme methodology in Australia and with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard for international emissions.

STAKEHOLDER ENGAGEMENT

Our stakeholders are individuals and groups who are either affected by our activities or who have an interest (financial or otherwise) in the Downer Group.

We have classified our stakeholder groups as primary and secondary as shown in Figure 1. Our primary stakeholders are those groups which have a direct stake in our Group and its success. They are also likely to be the main audience for our sustainability reports.

Stakeholder engagement provides opportunities for us to further align our business practices and objectives with stakeholder needs and expectations, helping to drive long-term sustainability and shareholder value.

We adopt a range of engagement methods for our various stakeholder groups, which can be broadly categorised as follows:

- Communication – websites, reports and other announcements;
- Consultation – surveys and questionnaires, focus groups, one-on-one interviews

and project-specific community consultation exercises;

- Dialogue – stakeholder forums and meetings; and
- Partnerships – joint ventures and alliances.

MATERIALITY

In accordance with the GRI's G3.1 Guidelines, our suite of reports (Annual Report, Annual Review and Sustainability Report) cover topics and indicators that reflect our economic, environmental and social impacts, and particularly those that are considered material; that is, those that may substantively influence stakeholders' assessments and decisions. In defining these material topics, we have taken into account various internal and external factors and drawn upon feedback received directly from our stakeholder engagement processes.

Figure 1





GOVERNANCE

ENHANCING OUR GOVERNANCE FRAMEWORK

Our annual corporate governance statement provides comprehensive information relating to our compliance with the ASX Corporate Governance Principles, and can be viewed in our Annual Report at <http://downergroup.com/Documents/FinancialDocs/Downer-Annual-Report-2011.pdf>

During the reporting year our corporate governance framework was enhanced by the introduction of two new important policies: our Standards of Business Conduct Policy and our Business Integrity Policy.

We expect that every person who works with us commits to being ethical, truthful and reliable. The Standards of Business Conduct outlines the behaviours we expect from them and serves as a guide to assist them when making decisions on the Group's behalf. It applies to all our people, including directors, employees and contractors of Downer and its subsidiary companies throughout the world.

The Standards of Business Conduct supports the Business Integrity Policy, and is based on our organisational values. It aspires to create and maintain an environment in which all officers, employees, contractors, suppliers and consultants feel comfortable raising concerns about conduct that they may perceive to be unethical, unlawful or against our stated values. To assist our people with reporting any actual or suspected misconduct, we have introduced an independent "Our Voice" hotline service, which is operated by trained professionals.

INFLUENCING SUSTAINABILITY POLICY DEVELOPMENT

We contribute to Australian sustainability-related policy development through direct submissions and dialogue with government departments. For example:

- **CARBON TAX** – We have made a number of submissions to the Australian Government relating to the development of a carbon pricing mechanism;
- **ENERGY EFFICIENCY OPPORTUNITIES REGULATIONS** – We have provided feedback to the Department of Resources, Energy and Tourism in relation to the enhancement of reports required under this scheme and have contributed to the development of government workshops;
- **HARMONISATION OF OHS REGULATION** – We have contributed to the development of the proposed model Act by direct submissions and dialogue; and
- **DEPARTMENT OF EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS** – We are in regular dialogue with the Office of the Federal Safety Commissioner.

Our ability to inform and influence policy and decision-makers is facilitated by our membership of a number of peak industry bodies, including:

- Association of Consulting Engineers Singapore;
- Association of Consulting Surveyors of Victoria;
- Australasian Railway Association Incorporated;
- Australian Asphalt Pavement Association;
- Association Constructors Association;
- Australian Industry Group;
- Australian Mines and Metals Association;
- Business Council of Australia;
- Chamber of Commerce and Industry (Australia);
- Chamber of Minerals and Energy of Western Australia;
- Employers and Manufacturers Association (New Zealand);
- Engineering Employers Association South Australia;
- Institute of Professional Engineers New Zealand;
- Minerals Council of Australia;
- National Electrical Communications Association of New Zealand;
- Queensland Resources Council;
- Rail Industry Safety and Standards Board (Australia);
- Singapore Green Building Council;
- Singapore Institute of Architects;
- Singapore National Employers Federation;
- Singapore Society of Project Managers; and
- Urban Development Institute of Australia.

HEALTH & SAFETY

Our overriding goal at Downer is Zero Harm. In the context of Health and Safety, this means ensuring that our workplaces are hazard-free and that our people have the necessary knowledge, systems and support networks to not only work safely, but also to feel empowered to recommend improvements to the way they work.

The Downer Zero Harm Management System has been established to ensure that we carry out our activities in such a way that we mitigate any impact on everyone associated with our operations, products and services, the communities in which we work, and the environment.

Divisional management systems are developed in accordance with the requirements of AS/NZS 4801:2001, Occupational health and safety management systems and BS OHSAS 18001:2007 Occupational health and safety management systems. We also maintain industry-specific accreditations, which include the Australian Government's Building and Construction OHS Accreditation Scheme and the Rail Safety.

Our documented management system has a three-tiered hierarchy: Group-wide, divisional and site/facility, as illustrated in Figure 2.

Key indicators of our health and safety performance are our Lost Time Injury Frequency Rate (LTIFR)¹ and Total Recordable Injury Frequency Rate (TRIFR)². As at 30 June 2011, we achieved an LTIFR of 0.93 (Figure 3) and a TRIFR of 7.17 – a reduction of 11.8% (Figure 4). Our goal for 2011-2012 is to maintain an LTIFR of less than 1 and to reduce our TRIFR to below 5.

To achieve these results we will continue to implement our Zero Harm strategy, with particular focus on visible and active leadership, and further development of a Zero

Harm culture, capability and implemented management systems (Figure 5).

Downer recorded one penalty for a workplace-safety related incident during 2010-2011 which occurred in Atherton, Queensland in August 2009 when a worker was run over by a grader and sustained crush injuries to his abdomen and pelvic area. The Industrial Magistrate's Court noted that the company had good systems and policies in place, but these primarily failed because of the actions of one employee. Works Australia was fined \$40,000 plus costs but no conviction was recorded.

During the first half of the 2011-2012 financial year, Downer sadly saw two fatalities across the Group. These will be reported in the 2011-2012 Sustainability Report.

Figure 2 – Downer Management System



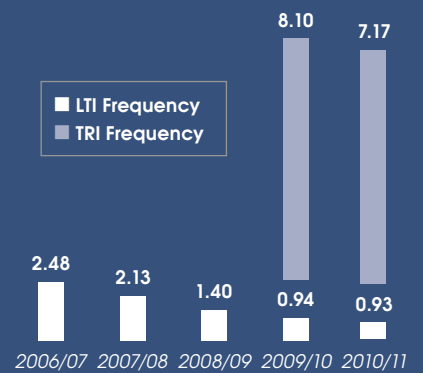
¹ Lost time injuries (LTIs) are defined as diseases or occurrences that result in a fatality, permanent disability or time lost from one day/shift or more. The LTIFR is the number of LTIs per million hours worked.

² TRIFR is the number of fatal injuries + lost time injuries + medically treated injuries per million hours worked.

11.8%
TRIFR REDUCTION
(AT 30 JUNE 2011)

0.93
LTIFR
(AT 30 JUNE 2011)

Figure 3 – Lost Time and Total Recordable Injury Frequency Rate (per million hours worked)



OUTSTANDING SAFETY PERFORMANCE RECEIVES CUSTOMER RECOGNITION

The Downer Australia Hot Strip Mill Team received a certificate from BlueScope Steel Capital Projects, Port Kembla (NSW) for Outstanding Safety Performance in March 2011.

The Team was awarded the certificate for its:

"Successful completion of the Phase 6 Automation project without incident, and the completion of Phase 1 to Phase 6 shutdowns with nil LTIs and nil MTIs."

Downer was nominated for the award by Howard Chapman (BSL HSM Manager) and the award was presented by Phil Smith (BSL Vice President Capitol Projects), Geoff Eastman (DE NSW General Manager) and Colin Wilmott (DE Area Manager) received the award on Downer Australia's behalf.

BlueScope present the award monthly to employees and contractors who have achieved outstanding safety performance on their site and it was gratefully received by the team who pride themselves on their Zero Harm performance. This is the second time Downer has won the award which is a first for any contractor on site!

Figure 4 – Total Recordable Injury Frequency Rate 12 Months Rolling Average (per million hours worked)

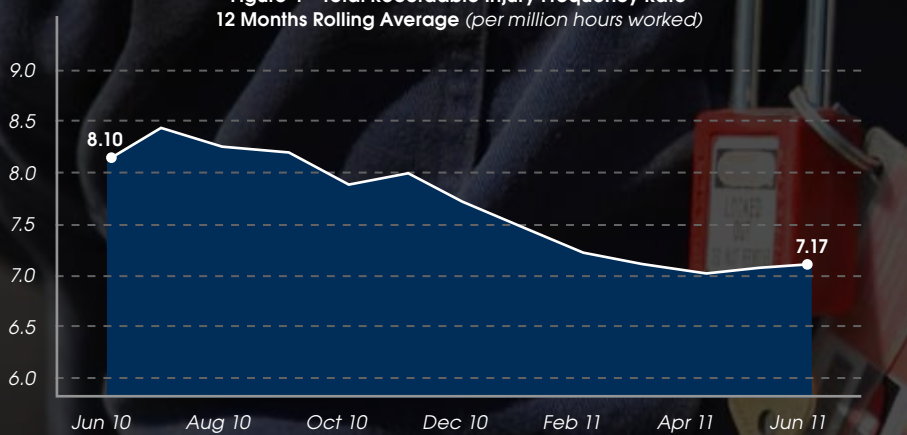
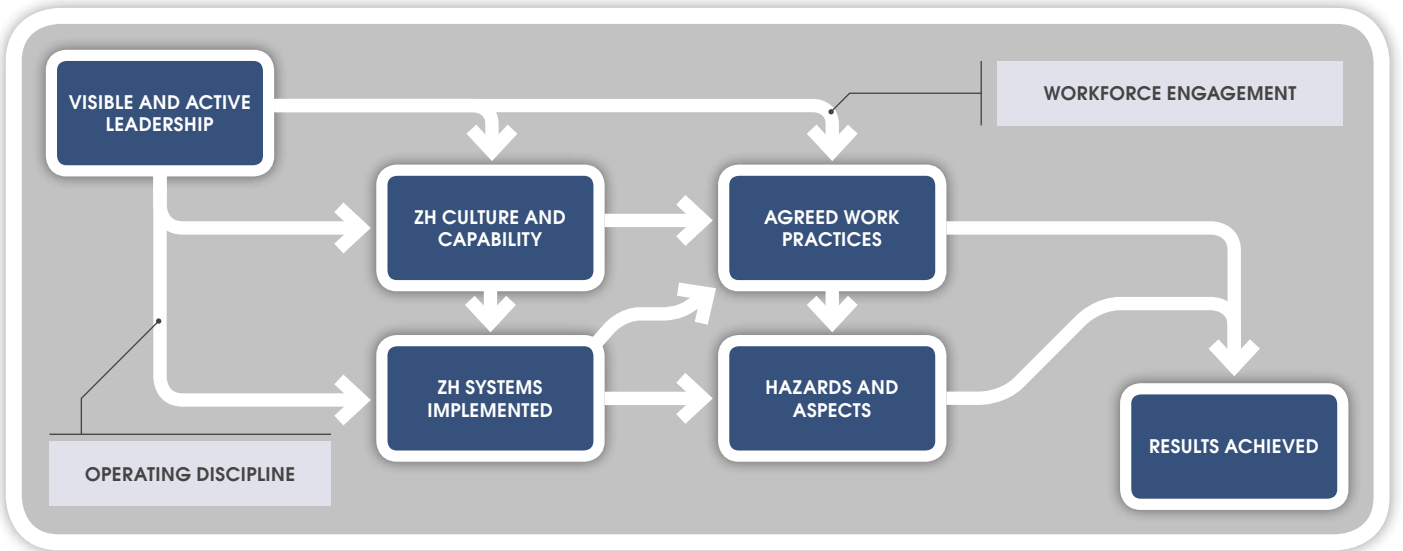


Figure 5 – Our Approach to Managing Zero Harm



DOWNER ANALYSES ITS SAFETY CULTURE

Downer has recently piloted a safety culture survey – a “Current State Analysis”, within our Rail division. The aim of the survey being to assist us in understanding the extent to which our strategy for Zero Harm has developed and been embedded with the people in our organisation.

The services of a specialist consulting firm were engaged to develop and undertake the survey which examined issues such as:

- Commitment to the company’s vision for safety;
- Preparedness to change;
- The level of ownership for safety;
- The willingness and ability of the organisation’s leaders at all levels to commit to and engage with their people; and
- The effectiveness of communication and behaviour and consequence management.

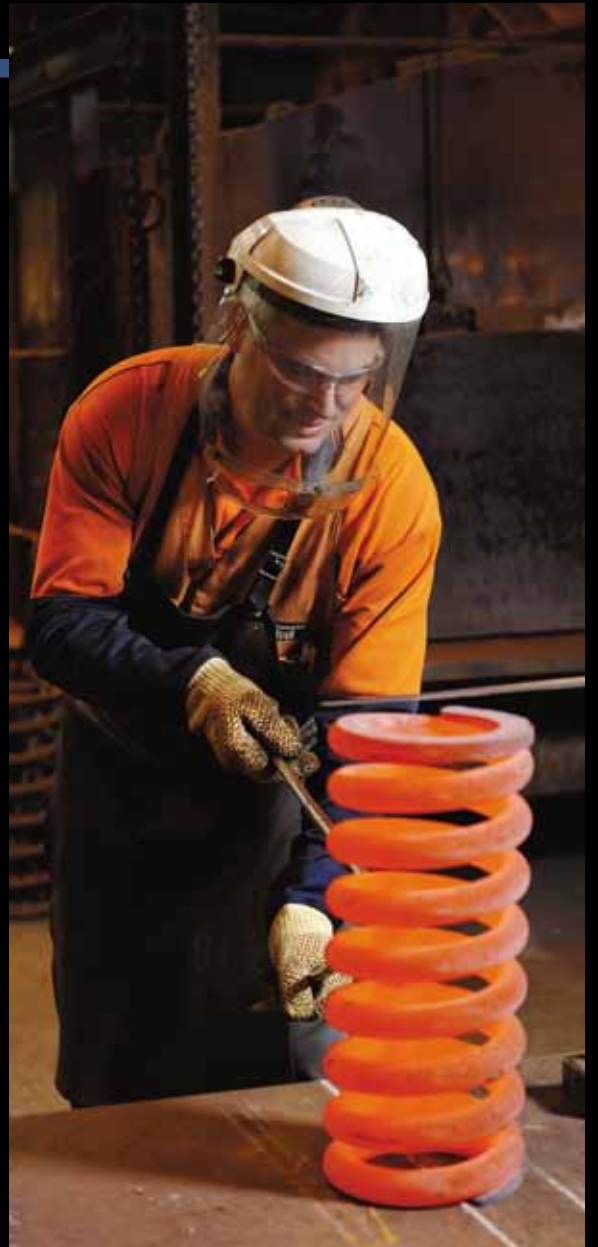
The consultants reviewed Downer’s key Zero Harm processes, plans and systems. This involved visiting a number of Downer Rail’s facilities to observe site conditions and activities being undertaken. Interviews were conducted with 39 staff including managers, supervisors and safety and environmental professionals. Focus groups were also conducted with 274 operational employees.

The survey proved successful in identifying areas of strengths and weakness for leadership to focus on in order to improve.

It was a pleasing outcome that most people felt that safety is improving and that there is sufficient momentum to sustain further change.

The Downer Rail Leadership Team is using the findings of the survey to develop and drive a strategic plan for Zero Harm which will focus on:

- **LEADERSHIP** – driving the change;
- **OPERATING DISCIPLINE** – improving standards;
- **SUPERVISION** – supporting supervisors to lead the change;
- **RISK FOCUS** – transitioning from paperwork to effectiveness;
- **LEARNING** – encouraging reporting and feedback; and
- **SUSTAINING SUCCESS** – recognising and reinforcing positive behaviour.



Shane Jakobi at our Newport Rail Maintenance Facility.

DEVELOPMENT OF A 'FAIR GO' ORGANISATIONAL CULTURE

Over the past four years we have significantly grown our Zero Harm culture, as evidenced by a marked reduction in injuries, incidents and disruption to our operations.

Our management team has made a clear commitment to continuing this improvement, which will require a higher degree of personal responsibility from all of our people for their own safety behaviour, the safety of their work teams, and their impact on the environment and on the business as a whole.

We are aiming to implement a 'fair go' culture program across the Group, which will be supported by visible and active leadership. This will both inform our people, and create trust and accountability.

A 'fair go' culture is one in which clear expectations of acceptable and unacceptable behaviours are established, positive recognition is provided to reinforce exemplary behaviours, and training, counselling and coaching are available to help everyone perform in line with desired expectations. Such a culture will ensure that the care and protection of our people are balanced with the need to focus on shareholder value.



Paul Sunshine training apprentices.

VISIBLE AND ACTIVE LEADERSHIP

Last year we reported on the importance of visible, active leadership to support our objectives and work towards our goal of Zero Harm. We believe that Zero Harm standards are established through effective leadership and clearly demonstrated behaviours. This, in turn, will lead to high levels of commitment and effort through the positive engagement of our people.

During the last financial year the Zero Harm Executive Committee continued to meet monthly, demonstrating high-level leadership in improving Zero Harm performance. The Committee is the strategy and policy approval body for Downer-wide Zero Harm matters, regularly reviewing the effectiveness of the Zero Harm strategy and management system, and facilitating improvement.

Our focus on improving the knowledge, capability and skills of our line management in taking greater responsibility and accountability for Zero Harm saw the implementation of a Zero Harm Leadership Program; all divisions now have a program in place. The program is designed to provide our supervisors and line managers with the skills and knowledge necessary to enable them to become effective Zero Harm leaders.

We recognise that leadership is a critical factor in achieving Zero Harm, and consequently the program incorporates adult-learning strategies that empower the ownership of Zero Harm. The three-day program is run over six weeks and incorporates a workplace safety improvement project that can be completed individually or as part of a team.

During 2011–2012, it will be a requirement for all managers to have in place personal action plans incorporating Zero Harm engagement activities.



Zero Harm is intrinsic to all our tasks.

LEADERSHIP PROGRAM DELIVERS ZERO HARM MESSAGE TO OUR YOUNG DRIVERS

Participation in the Zero Harm Leadership Program provided a Downer Australia team from Wollongong in New South Wales with the impetus to deliver a strong safety message to young drivers at their project.

Motivated by the high incidence of injuries to young drivers outside the work environment, the team developed the Young Driver Safety Program, to educate young employees about safety values and the consequences of road vehicle accidents.

The program includes: a no-nonsense presentation developed from materials from the NSW Roads & Traffic Authority, NRMA and NSW Police; statistics involving younger drivers in fatal crashes around Australia; details of recent local traffic accidents and injuries; and a video of an injured employee about dealing with the impacts to both themselves and their family after an accident.

Although the program was originally designed as a local initiative, we are now considering presenting it at annual apprentice inductions across the Group.

PEOPLE & COMMUNITY

As competition for skilled people continues to increase across the sectors in which we operate, we are seeking to increase the diversity and capability of our workforce to ensure that we continue to achieve sustainable growth as a successful world-class business.

We employ over 20,000 people in a number of countries around the world (94% employed as permanent full-time and 6% part-time/casual). We aim to retain these employees – and to attract others – by ensuring that we provide a workplace in which they feel safe, valued, rewarded and empowered. This requires us to focus on our attitudes, behaviours, relationships and our approach to work, and the following are our guiding principles in this regard:

LEADERSHIP – we will listen, set clear expectations, involve our people and act with integrity;

CULTURE – we will develop a culture aligned with our values, and built on increasing trust, engagement and accountability;

SYSTEMS – our approach will be supported by simple, robust systems applied consistently across our businesses;

TALENT – we will identify, support and develop world-class talent to continually build our organisational capability; and

BEHAVIOURS – we will do what we say we will do, translating our 'Empower Our People' strategies and intentions into safe, efficient and effective work practices.

DEVELOPING OUR PEOPLE

We operate in a labour market where there is great competition for some of our most-needed skills. Our people strategy therefore focuses on the recruitment, retention and development of the talented people needed by our many and diverse projects.

Recognising the need to contribute to the development of skilled individuals to ensure a pipeline of talent, we operate cadet, graduate, scholarship and apprenticeship development programs across the Group. For example, Downer Mining currently employs 24 graduates in a range of disciplines. Very pleasingly, our Port Augusta Rail facility was recently named the best 'Employer of Australian Apprentices' in regional South Australia at the 2010 Minister's Award for Excellence held in Canberra (ACT).

Introduced in March 2010, the Group-wide Downer Leadership Program – an internally developed values-based course that offers a dynamic learning experience – has become an important component in the development of our leaders and future leaders. Over 200 people have now undertaken the course in Australia, New Zealand, Singapore and Vietnam.

EMPLOYEE BENEFITS

We are committed to providing employees with all legally-required benefits. We provide retirement plans in most countries in which we operate, and make contributions to these plans in accordance with local regulatory requirements or as agreed with our employees. These plans generally have a high level of participation.

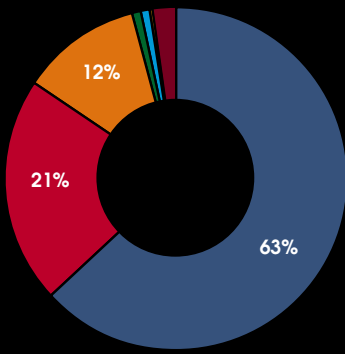
We provide defined 'contribution' plans to employees; we do not provide any defined 'benefit' plans. For example:

- In Australia, we meet the requirements of legislation in relation to making employer contributions to complying superannuation funds of which our employees are members. All employees are entitled to choose their preferred complying fund. In addition, there are a number of divisional and corporate superannuation funds (set up under external management) that employees are offered the choice of joining; and
- In New Zealand, we participate in the KiwiSaver superannuation scheme.

In 2010–2011, the introduction of a new paid parental leave policy for Australia and improved parental leave benefits in New Zealand were approved. The approach in each country takes into account Government paid parental leave schemes and market practice.

These are important steps in building a 'family-friendly' environment at Downer; a critical component in increasing employee loyalty and promoting higher retention rates by providing additional support for primary care givers and their families. The new arrangements will be effective for qualifying parents from 1 July 2011. Broadly, they cover ongoing employees who are the primary care givers after the birth or adoption of a child and have at least 12 months' service.

Figure 6 – Employees By Region (%)



Australia	63%
New Zealand	21%
Singapore	12%
UK	<1%
Vietnam	<1%
China	<1%
Other	2%



From left to right: Senator the Hon Chris Evans presenting Geoff Hood (Manager – Port Augusta), Simon Brusnahan (Apprentice, now employee), Brenton Harris (Supervisor Wheelshop) with the Minister’s Award for Excellence, Employers of Australian Apprentices, South Australia Country Region.

PORT AUGUSTA RAIL FACILITY WINS AWARD AS EMPLOYER OF AUSTRALIAN APPRENTICES

Downer Rail’s Port Augusta rail facility was named as the winner of the ‘Employer of Australian Apprentices’ in Country South Australia at the 2010 Minister’s Award for Excellence.

This prestigious Department of Education, Employment and Workplace Relations award recognises Downer Rail as an organisation that demonstrates commitment, innovation and outstanding achievement in the training of Australian apprentices.

Of Port Augusta’s 190 employees, more than 23 are apprentices. Port Augusta’s apprentices are exposed to a wide variety of work and have excellent training plans in place to ensure that they receive all the support they need to complete their training successfully.

The Port Augusta site has a superb local reputation for training excellent tradespeople, and apprenticeships at this site are highly sought after in a variety of trades. This Minister’s Award for Excellence further confirms this excellent reputation and is a significant achievement for the Group.



Mohamed Jasman and Daniel Gilliland, Newport Rail Maintenance Facility.



INDIGENOUS EMPLOYMENT STRATEGY

Our Indigenous employment strategy which has targeted our business activities in the mining sector has proven to be successful with the recruitment of 82 Indigenous employees during 2010–2011, double the target we had set for hiring and training. We have developed specialist recruitment and training methodologies to assist in attracting Indigenous employees to our business, including:

- Local community consultation;
- Community information sessions attended by both Indigenous Affairs staff and representatives from site; and
- Assessment workshops run on site for selected individuals, incorporating experiential learning, literacy and numeracy exercises.

Strong community relationships and partnerships with community organisations underpins our success in Indigenous recruitment and these relationships are further strengthened through contributing to local businesses, using local suppliers and subcontractors.

EMPLOYEE RELATIONS

We apply a decentralised approach to the management of our people. This means that divisional management is empowered to deal directly with employees and their unions to achieve labour agreements that benefit both employees and the organisation.

We have a wide variety of employee relations arrangements in place, from individual contracts of employment, to collective agreements covering hundreds of employees. In 2010–2011, approximately 50% of our employees were covered by collective agreements and industry-based awards. These agreements include the requirement for appropriate communication of intended operational changes prior to implementation.

We have policies and procedures in place for the handling of complaints related to matters of discrimination, harassment and bullying. Grievance processes are also established in our collective agreements. We comply with all relevant legislation, and are working towards ensuring that appropriate grievance mechanisms are in place across all regions where we operate.

To the best of our knowledge, during 2010–2011, there were no reported instances of discrimination or situations in our operations where the right to exercise freedom of association or the right to collectively bargain might have been at significant risk.



DIVERSITY AND INCLUSIVENESS

At Downer, we are committed to ensuring that we have a diverse and inclusive workforce, and to providing equal opportunities for all our people. We welcome the different perspectives that diversity brings, as it helps us to improve the quality of our services, and strengthens our relationships with our customers and other stakeholders.

As part of our commitment to increase our diversity, in 2010–2011 we introduced a new Group-wide Diversity and Inclusiveness Policy. This sets out our position and approach with regard to diversity, with a particular focus on age, gender, Indigenous and culturally diverse people. We apply this policy to all of our people, potential employees and applicants, as well as our customers, suppliers and other stakeholders.

We have also established a Diversity Committee made up of senior managers from across the Group, to assist the Executive Committee develop realistic and achievable diversity objectives.

Our proportion of female employees remains at 15%, consistent with the previous year. To optimise the number of males and females in our workforce, we are undertaking a review of recruitment practices and policies with the aim of placing a stronger focus on attracting female applicants to apply for key positions within our Group.

With regard to Indigenous representation in our Australian workforce, Downer Mining has an extremely successful Indigenous



Chris Meade, EGM Human Resources (third from left) with young Māori taking part in an outdoor challenge during Downer New Zealand Aspiring Leaders course.

recruitment strategy, which involves: local community consultation; community information sessions and assessment workshops run on mine sites for selected individuals, incorporating experiential learning, literacy and numeracy exercises. As a result 82 Indigenous people were recruited in 2010–2011 against a target of 40.

Downer New Zealand is also very active in furthering the representation of Māori people in the workplace and is involved in a number of Māori leadership and cadet programs, including scholarships through infrastructure training organisation, InfraTrain, as part of the Te Puni Kākiri (Ministry of Māori Development) “Māori in Industry and Trades Training” project. One of the aims of the project is to support Māori people who currently work in the industry to gain higher-level qualifications.

Downer New Zealand also offers literacy programs to support its people with literacy, communication or confidence issues. This approach has now evolved into learning on the job within daily work practices.

COMMUNITY

Engaging, understanding, empowering and employing stakeholders, as well as providing economic stimulus to local communities, are fundamental to the way we do business.

We understand the importance of contributing to the development and sustainability of regional economies through job creation, and the purchase of goods and services. This is particularly the case with regard to Indigenous

HENARE CLARKE WALKS THE TALK

Downer New Zealand’s Auckland Area Manager, Henare Clarke, sees his 275 staff as an extended family, and when it comes to the health and safety challenges that face an infrastructure company every day, it’s whānau¹ philosophy all the way.

“Looking after each other and caring for each other are all part of both the whānau process and our company values at Downer,” says Henare, of Ngāti Porou descent.

Henare won the Walk the Talk Award at this year’s Equal Employment Opportunities (EEO) Trust Work & Life Awards, which showcase leading employers. And Henare has indeed walked the talk. Starting with the company at 18, he studied part-time for his New Zealand Certificate in Engineers (civil), and has risen steadily up the ranks ever since. He encourages others to build their skills, whether that’s improving their reading and writing or getting a tertiary qualification.

One of Henare’s initiatives that has grown great pride and a sense of family in the Auckland branch is the haka² group he set up, knowing the self-respect, energy and solidarity that haka could bring. It’s now a multi-cultural team, comprising German, Malaysian, French, Māori and Pacific Islander employees.

Henare also mentors young employees with leadership potential, as well as others who have come to work at Downer through a partnership with the justice system.

¹ In Māori societies meaning a family, especially an extended family.

² A traditional Māori war dance from New Zealand.

communities. Because of the locations in which we operate, we are well placed to provide these communities with opportunities for economic participation through employment and skills development.

We further strengthen our relationships with communities close to our operations by contributing to local businesses, preferentially selecting local suppliers and subcontractors. For example,

Downer Mining has partnering arrangements with fledgling Indigenous mining contractors to assist in their business and capabilities development.

We also encourage contribution to the communities where our projects are based through involvement in local community groups, schools and events, giving preference to local initiatives that reflect our organisational values.

ENVIRONMENT

ENVIRONMENTAL SUSTAINABILITY

Effective management of our environmental impacts is fundamental to the way we do business and is embedded in our overall risk management processes. We are committed to the development of robust environmental management systems, which are developed in accordance with the requirements of AS/NZS ISO 14001:2004, and place a significant emphasis on both effective control and continuous improvement.

Downer continues to focus on three key areas of its environmental sustainability strategy, including:

- Compliance and risk management;
- Minimising environmental impact; and
- Improving resource efficiency.

COMPLIANCE AND RISK MANAGEMENT

Our divisions operate under tailored, robust aspects and impacts registers. This approach reflects the diversity of our operations, and the need to focus on industry-specific risks and opportunities. Aspects and impacts are identified at a project or facility level, and then aggregated into the respective divisional risk profiles. Controls are developed according to the status of the risk.

MINIMISING ENVIRONMENTAL IMPACT

Downer records all environmental incidents and ranks these according to severity. We report the spills greater than 100 litres or 100 kilograms which have not been contained.

During 2010–2011, we recorded 40 spills of over 100 litres or 100 kilograms across the Group. The increased level of environmental

awareness amongst our staff and sub-contractors and our improved reporting practices through the Zero Harm incident reporting database (introduced last year) assisted us in capturing more information about environmental incidents. Our focus is to reduce the number of spills and continue to implement risk management strategies to prevent incidents. Ensuring that the appropriate mitigation measures are incorporated into our project planning is key to reducing the environmental impact should an incident occur.

Despite our best endeavours to implement effective control mechanisms, during the year we received the following fines in relation to environmental incidents:

- Downer New Zealand received two infringement notices and fines of NZ\$700 and NZ\$300 from Environment Waikato in relation to clean fill that was not placed in accordance with the local regional plan. The piles of clean fill were subsequently re-shaped to comply;
- Downer New Zealand also received two NZ\$750 infringement notices for working close to water without full protection measures and for allowing emulsion to be spilled onto land adjacent to Lake Wakatipu. The work crew responded to the incident immediately and cleaned up the spill; and
- Downer Asia was issued with four fines of SG\$4,000, SG\$200, SG\$2,000 and SG\$4,000 by the Singapore Government's National Environment Agency in relation to mosquito breeding at worksites.

2010–2011 SPILLS >100 litres or >100 kilograms		
Material	Number of Spills	Quantity of Spill
Oil (litres)	23	7,860
Diesel (litres)	7	16,250
Emulsion & Ammonium Nitrate (kilograms)	2	500
Bitumen (litres)	3	2,100
Bitumen Emulsion (litres)	4	10,750
Kerosene (litres)	1	200
Total	40	-

ENVIRONMENTAL ADVOCACY

Raising awareness of environmental issues is a key factor in facilitating behavioural change towards more sustainable practices, as well as fostering the development of innovative solutions. Our Environmental Network, comprising representatives from each of Downer's divisions, has been heavily focused on environmental advocacy over the past year. This culminated in the inaugural Downer Environment Week in June.



Downer Mining's Wambo Wildlife Warriors Team held a gold-coin donation to NATF - Wildlife Rescue Service.



Team RUGPP.



Ricky Bridge, Mathew Perkins and Winnie Ly planting native seedlings at the Williamsdale substation project.

INAUGURAL DOWNER ENVIRONMENT WEEK A GREAT SUCCESS!

The first Downer Environment Week was held in June 2011 in support of World Environment Day. The purpose of the event was to raise awareness of key environmental issues and challenges, and to inspire and motivate individuals and work teams to take positive steps towards sustainability and environmental excellence in their workplaces, homes and communities.

Over the week, a number of events were organised across the Group, including voluntary bush care and restoration, tree planting and site energy audits, as well as presentations on solar energy, water efficiency, waste management and the proposed carbon tax.

Guest speaker Ralph Plarre from Fergusson Plarre Bakehouses spoke to employees across the Group about the necessity for environmental action. He illustrated how great outcomes can be achieved by adopting a positive, simple, systematic attitude to sustainability. Ralph passionately believes that sustainability is the world's most compelling change driver, and it was the driving force behind Ferguson Plarre being awarded Australia's most prestigious environmental award, The Origin Gold Banksia. The event was communicated throughout the Group by webinar and video-conference to promote and encourage the use of technology to minimise the need for business travel.

A key part of the week's activities was a competition whereby work teams pledged to undertake activities during the week to reduce their environmental impacts. Over 280 people participated in the categories of:

- Resource efficiency;
- Waste;
- Travel;
- Biodiversity and conservation; and
- Environmental advocacy.

Teams pledged to car pool, run and ride to work, implement recycling and energy conservation initiatives, and restore on-site vegetation. They went to great lengths to fulfill their pledges and meet the judging criteria, and a significant increase in environmental awareness was achieved.

The overall winner was a one-person team called 'One Tree Hill'. Heidi

Hohua, who works in the National Service Management Centre in Ashmore, Queensland, made nine pledges during the week and, for her dedication, inspiration and efforts, was awarded A\$3,000 to donate to charities of her choice. Along with donations to the Cancer Council of Australia and Planet Ark, Heidi gave \$1,000 to Team Naz at The Developing Foundation (www.developingfoundation.org.au/family/naz). The Foundation was founded in 1978 as a support group by families seeking appropriate treatment for a family member with a brain injury or a developmental disability. Three-year-old Naz suffered a brain injury through lack of oxygen at birth. The donated funds will contribute to his therapy, specialist equipment and special education.



Heidi Hohua (left) presents a \$1,000 donation to Naz, Marty and Leah Stretch.

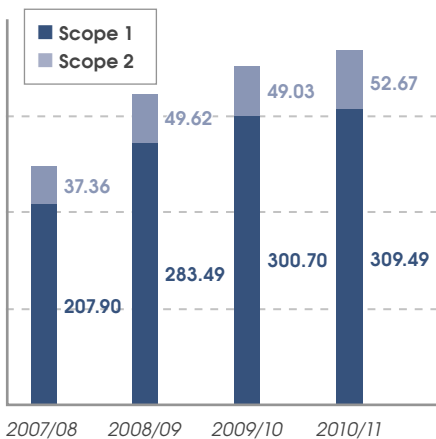


ENERGY AND GREENHOUSE GAS EMISSIONS

Downer has continued to work towards maximising the efficiency of our operational processes in terms of energy consumption and to reduce the GHG intensity of our operations. We remain committed to identifying opportunities to reduce energy consumption and GHG emissions within our own business operations as well as those of our customers and suppliers.

Our total Scope 1 and 2 emissions for the past four years are shown in Figure 7. The consistency in the year on year data since 2008–2009 reflects the increased effectiveness of our data collection and management processes. The increase in Scope 1 and 2 emissions results from growth in the business activity.

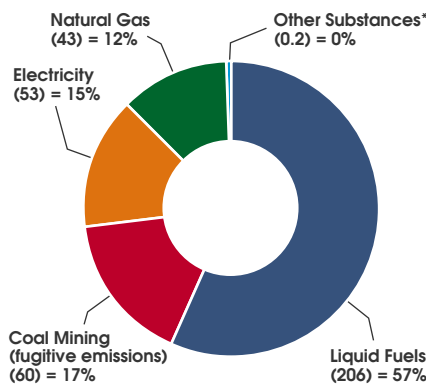
Figure 7 – Scope 1 and 2 Greenhouse Gas Emissions (ktCO₂-e)



The majority of our Scope 1 and 2 emissions as shown in Figure 8, are generated by the combustion of liquid fuels in our vehicle fleet and stationary

plant. Fugitive emissions from mining account for 17%, electricity consumption 15% and natural gas 12%.

Figure 8 – GHG Emissions (Scope 1 & 2) By Source (ktCO₂-e)



* Petroleum based oils and greases, solvents, acetylene, and petroleum based fuels (other than oils and greases)

Our total GHG emissions are subject to fluctuations each year due to variations in our operations such as increased asphalt production and changes in our portfolio of contracts. In order to make comparisons each year, we normalise our annual emission data by calculating the emissions intensity on a dollar revenue basis, as shown in Figure 9.

During 2010–2011, our GHG emissions intensity has reduced by 10% despite an increase in emissions and revenue. We continue to work on improving our data capture and management processes in order to provide more consistent and accurate data. We have established a Group-wide GHG emissions (Scope 1 and 2) intensity

reduction target of 2% based on 2010–2011 data (less fugitive emissions). This will drive further innovation in our products and services, and help to minimise our ecological footprint.

SCOPE 3 EMISSIONS

Determining the relevant Scope 3 emissions to include in a GHG inventory is an inherently difficult undertaking for many organisations. This is mostly due to the diversity of value chains, and difficulty sourcing reliable data.

We have made an inventory of the most significant sources of Scope 3 emissions and assessed availability of data.

The largest contributor to our Scope 3 emissions is the consumption of fuel in our contract mining fleets, plant and equipment located at projects under our customers' operational control. This source accounts for 431ktCO₂-e and approximately 52% of our total inventory. Employee air travel for business purposes continues to be a significant source of Scope 3 emissions. We have reported air-travel data for only our Australian and New Zealand operations, which account for around 80% of our total employee base.

We encourage our staff to use the video conferencing and teleconferencing facilities in all of our major offices to assist in reducing air travel across the Group. However, increased business activity, especially associated with the resources sector and remote locations for project sites has increased our air travel and therefore our Scope 3 emissions. Our total greenhouse gas emissions are shown in Figure 10.

10%
REDUCTION IN
GHG INTENSITY
(SCOPE 1 & 2)

Figure 9 – Greenhouse Gas Emissions Intensity (tCO₂-e/A\$M)

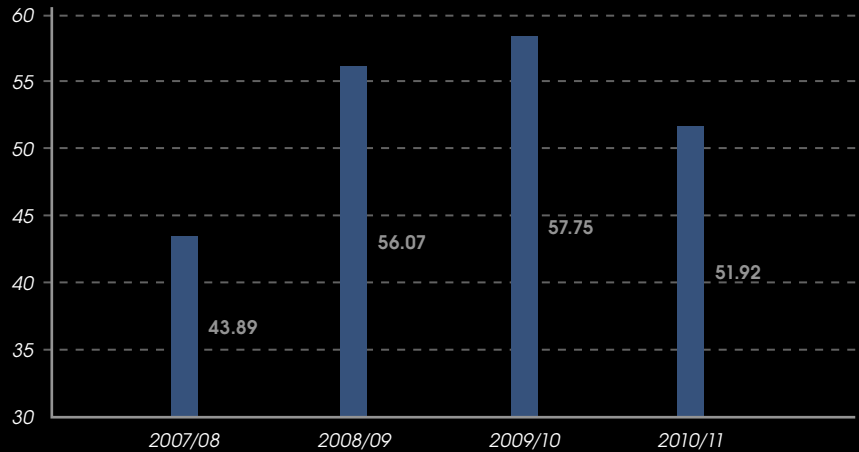
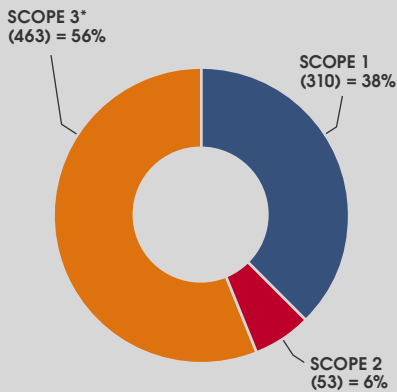
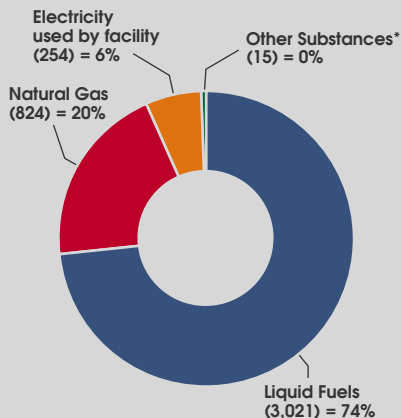


Figure 10 – Total GHG Emissions (Scope 1, 2 & 3) (ktCO₂-e)



* Business flights (originating in Australia and New Zealand) + emissions from diesel oil consumption at mine sites not under Downer's operational control

Figure 11 – Direct and Indirect Energy Consumption By Primary Energy Source (TJ)



* Petroleum based oils and greases, solvents, acetylene, and petroleum based fuels (other than oils and greases)

VOLUNTARY GHG REPORTING – CARBON DISCLOSURE PROJECT

The independent and international Carbon Disclosure Project (CDP) is sponsored by governments and financial institutions to help drive greenhouse gas (GHG) emissions reduction and sustainable water use by business and cities.

The CDP assesses strategy, governance, stakeholder communication and performance and is increasingly regarded by the market as a compliance requirement. Institutional investors integrate this information with financial performance to determine the investment potential of a business.

Downer has been participating in the CDP since 2008 and submitted its fourth report in 2011. Our voluntary carbon disclosure reporting includes submission of greenhouse gas data and qualitative information about Downer's risks and opportunities relating to climate change.

Improvements have been made in the accuracy and coverage of our environmental data collection and reporting through more robust and verifiable systems and processes. This provides the opportunities for maximising resource efficiency improvement, particularly in relation to energy and cost reductions identified as part of the Energy Efficiency Opportunities Program and reducing the intensity of our GHG emissions.

IMPROVING RESOURCE EFFICIENCY

Liquid fuels account for 74% of our total energy consumption (see Figure 11) and we continue to look for substitutes or replacements to using fossil fuels by switching to alternative fuels where

possible, as demonstrated by our Mining Division which is the largest consumer of B20 biodiesel in the mining sector. Improving the efficiency of use by training our plant and vehicle operators in techniques to maximise fuel efficiency has assisted in reducing GHG emissions.

In addition to our strong focus on reducing energy consumption and GHG emissions, we continue to develop and improve our processes for managing water consumption and waste generation. We are working to maximise the efficiency of resource use by identifying and implementing improvements opportunities in the environmental sustainability of the business. Improvements in our data collection and management will enable us to establish quantifiable environmental targets across the business.

ENERGY EFFICIENCY OPPORTUNITIES

As part of our resource efficiency and business improvement measures and in line with the Federal Government's Energy Efficiency Opportunities (EEO) Program, we have reviewed the energy use and identified efficiency improvements for 81% of the energy use across the Group. During the first five years of the program we implemented annual energy savings of 57,102 GJ (gigajoules) and commenced implementation of a further 10,481 GJ. We are extending the program to all of our Australian operations as we move to the next phase of the EEO Program. Our 2010–2011 EEO Public Report is available at:

<http://www.downergroup.com/Documents/Downer-EDI-Limited-EEO-Public-Report-2011.pdf>

ASSURANCE STATEMENT

LIMITED ASSURANCE REPORT TO THE MANAGEMENT AND DIRECTORS OF DOWNER EDI LIMITED

We have carried out a limited assurance engagement in relation to Downer EDI Limited's (Downer) Sustainability Report 2010 – 2011 (the 'Report') in order to state whether anything has come to our attention that would cause us to believe that the Subject Matter detailed below has not been presented and calculated in accordance with the criteria described below.

SUBJECT MATTER AND CRITERIA

The Subject Matter and Criteria, as reported in Downer's Report for the year ended 30 June 2011, is as follows:

SUBJECT MATTER	CRITERIA
1. Total direct emissions of greenhouse gases (scope 1) (Page 14);	Downer Management have determined total greenhouse gas emissions taking an operational control approach using the World Business Council for Sustainable Development and the World Resources Institute's <i>The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition</i> . Sources for emissions factors were also drawn from the Australian Government's <i>National Greenhouse and Energy Reporting (Measurement) Determinations 2009</i> ; the U.S. Energy Information Administration's <i>Voluntary Reporting of Greenhouse Gases Program</i> (International electricity emissions factors 1999-2002); and New Zealand's Department for the Environment: <i>Guidance for voluntary, corporate greenhouse gas reporting</i> .
2. Total indirect emissions of greenhouse gases (scope 2) (Page 14)	
3. Total Recordable Injury Frequency Rate (TRIFR) (Page 4)	Downer has set policies for the classification of occupational health and safety incidents, including Total Recordable Incidents, in its 2011 Sustainability Report in the 'Health and Safety' section.
4. Total number of spills greater than 100lts (Page 12)	Downer has set policies for the classification of environmental spills in its 2011 Sustainability Report in the 'Environment' section.
5. Total number of environmental infringement fines (Page 12)	Downer has set policies for the classification of environmental fines in its 2011 Sustainability Report in the 'Environment' section.
7. Self-declared GRI application level (Page 2)	<i>Global Reporting Initiative's (GRI) G3 sustainability reporting guidelines</i> to assess and self-declare a GRI application level

Management of Downer have determined methods considered appropriate for reporting greenhouse gas emissions; occupational health and safety data; and environmental data. There are no prescribed methods for determining the total greenhouse gas emissions; LTI/FR; or environmental spills and fines data for public reporting and the use of different methods can result in materially different amounts.

THE RESPONSIBILITY OF MANAGEMENT FOR THE REPORT

The management of Downer are responsible for the preparation and presentation of the report in accordance with the criteria described above. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the data that is free from material misstatement, whether due to fraud or error; selecting and applying specific principles, methodologies, policies and data sources used to prepare and present the data attributable to the reporting entity; and making estimates that are reasonable, when appropriate.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Subject Matter based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the International Standard for Assurance Engagements: ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This Auditing Standard requires that we comply with relevant ethical requirements and plan and

perform the assurance engagement to obtain limited assurance whether the specific activity data is free from material misstatement.

Our procedures included but were not limited to the following:

1. Gaining an understanding of the greenhouse gas; occupational health and safety incidents; and environmental spills and fines data reporting processes supporting the business activities
2. Conducting site visits to understand the basis management measure and identify sources of greenhouse gas emissions; occupational health and safety incidents; and environmental spills and fines data
3. Conducting interviews and collation of evidence to understand the process and controls supporting the data
4. Reviewing incident reports on a sample basis to assess whether reported incidents were appropriately recorded
5. Undertaking analytical review procedures to support the reasonableness of the data
6. Reviewing assumptions supporting the calculations of incidental emissions for reasonableness
7. Reviewing the appropriateness of the presentation of information
8. Reviewing Downer's self-declared application level of the Global Reporting Initiative's (GRI) G3 reporting guidelines

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion. These procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable engagement. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our limited assurance engagement was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

USE OF REPORT

Our assurance report has been prepared for distribution to management and directors of Downer only. We disclaim any assumption of responsibility for any reliance on this assurance statement or on the specific data to which it relates to any person other than management of Downer, or for any purpose other than that for which it was prepared.

INDEPENDENCE, COMPETENCE AND EXPERIENCE

In conducting our assurance engagement we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.

CONCLUSION

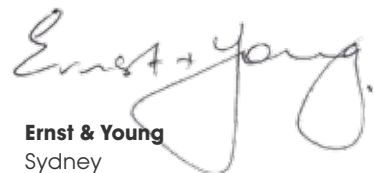
Based on our work described in this report nothing has come to our attention that causes us to believe that the Subject Matter, as presented in Downer's report for the year ended 30 June 2011, was not presented fairly in all material respects, and calculated in accordance with the criteria detailed above.

MATTERS RELATING TO ELECTRONIC PRESENTATION OF THE SUSTAINABILITY REPORT

Where web-links have been made from the full Report to Downer's web pages for the purposes of meeting the declared GRI G3 application level, our review included that web-based information that was available via these web-links as of the date of this statement. We provide no assurance over changes to the content of these web links after the date of this assurance statement.



Trent van Veen
Partner



Ernst & Young
Sydney
20 April 2012



CORPORATE OFFICES

DOWNER GROUP OFFICE

Downer EDI Limited
Level 2, Trinitii III
Trinitii Business Campus
39 Delhi Road
North Ryde NSW 2113
Australia

T +61 2 9468 9700

F +61 2 9813 8915

ABN 97 003 872 848

DOWNER AUSTRALIA

Level 11, 468 St Kilda Road
Melbourne VIC 3004
Locked Bag 130
Melbourne 8004
Australia

T +61 3 9864 0800

F +61 3 9864 0801

DOWNER NEW ZEALAND

13 Kerrs Road
Wiri, Auckland
New Zealand

T +64 9 251 0340

F +64 9 813 6822

DOWNER MINING

Level 7, 104 Melbourne Street
South Brisbane QLD 4101
Australia

T +61 7 3026 6666

F +61 7 3026 6060

DOWNER RAIL

Level 4, 5 Rider Boulevard
Rhodes NSW 2138
Australia

T +61 2 9637 8288

F +61 2 9897 2305

www.downergroup.com

SHARE REGISTRY

Shareholders and investors seeking information about Downer shareholdings or dividends should contact the company's share registry, Computershare Investor Services Pty Ltd (Computershare):

Level 5, 115 Grenfell Street
Adelaide SA 5000

GPO Box 1903
Adelaide SA 5001

T 1300 556 161 (within Australia)
+61 3 9415 4000 (outside Australia)

F 1300 534 987 (within Australia)
+61 3 9473 2408 (outside Australia)

www.computershare.com

FEEDBACK

How did we do? Please send your feedback on our sustainability performance and this report to zeroharm@downergroup.com.



CONSUMER

Downer Group uses
Greenhouse Friendly™
ENVI Carbon Neutral Paper

ENVI is an Australian Government
certified Greenhouse Friendly™ Product.