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ABOUT DOWNER

Downer EDI Limited (Downer) provides comprehensive engineering and infrastructure management services to customers in the Minerals & Metals, Oil & Gas, Power, Transport, Telecommunications, Water and Property sectors. Downer is listed on the Australian Securities Exchange and employs over 20,000 people, primarily in Australia and New Zealand but also in the Asia-Pacific region, South America and South Africa.

During the financial year, Downer continued to optimise its portfolio structure. Downer Infrastructure was established on 1 May 2012 and is the combination of Downer's infrastructure businesses in Australia and New Zealand.

With the sale of CPG Asia completed in April 2012, the Group now operates as three divisions – Infrastructure, Mining and Rail – aligned to provide a strong platform for the growth of our business and our people.

DOWNER INFRASTRUCTURE

Downer Infrastructure employs over 14,000 people across Australia and New Zealand and is one of the largest providers of engineering services for critical infrastructure in both countries. Its scale provides a strong platform for delivering integrated asset life-cycle solutions and services to our customers.

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

DOWNER MINING

Downer Mining is one of Australia's most diversified mining contractors with over 5,000 employees and 2,000 contractors working across more than 50 sites in Australia, New Zealand, Papua New Guinea, South America and South Africa.

The business supports its coal and metalliferous mining customers at all stages of the mining life-cycle, providing services including:

- Open-cut and underground mining;
- Blasting services;
- Tyre management;
- Exploration drilling; and
- Sustainability services.

DOWNER RAIL

Downer Rail has more than 2,000 employees across Australia and is a leading provider of innovative and efficient rolling stock asset management solutions and a partner of choice for freight and passenger rail operators. Working closely with international partners, Downer 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.



**Total revenue¹
rose 22.5% to
\$8.5 billion**

**More than 20,000
employees**

**Underlying net
profit after tax²
increased 17.4%
to \$195.3 million**

**32% reduction in
Greenhouse Gas
(GHG) Emissions
intensity³**

**13.4% reduction in
Total Recordable
Injury Frequency
Rate (TRIFR)⁴**

1. Total revenue includes \$0.5 billion from joint ventures. It is a non-statutory disclosure and includes revenue, other income and national revenue from joint ventures and other alliances not proportionally consolidated.
2. Underlying NPAT is defined as net profit after tax before individually significant items for both continued and discontinued operations and is determined as the statutory net profit after tax for continued and discontinued operations less any items that have been classified as individually significant items to the financial statements. The presentation of underlying NPAT is a non-IFRS disclosure.
3. Direct and indirect GHG emissions from sources owned or controlled by Downer calculated on a dollar revenue basis.
4. TRIFR is the number of fatal injuries + lost-time injuries + medically treated injuries per million hours worked.
5. 10 lifesaving rules that provide direction and guidance in regard to critical risks in the workplace.

WELCOME TO DOWNER'S 2012 SUSTAINABILITY REPORT

Downer is committed to designing, constructing and maintaining the best solutions for our customers while focusing on the health and safety of our people, environmental sustainability and the advancement of the communities in which we operate.

Overall it has been a successful year for Downer, however a profoundly disappointing aspect of our performance was that we suffered three workplace fatalities. Two involved reversing vehicles on road maintenance sites and the other occurred on the Milford Road in New Zealand. On behalf of Downer, I extend our deepest sympathies to the families, friends and colleagues of Eduard Jakobs, Harry Zagaretos and Graham Brown.

We must continue to concentrate on managing our critical risks even if our injury statistics suggest that our overall performance is improving and we are doing well compared with our peers. Our Cardinal Rules program must be integral to the way we work each day.⁵

Encouragingly, we have made good progress in our commitment to improving the energy efficiency of our operations. This has resulted in a 32% reduction in our greenhouse gas (GHG) emissions intensity. This reduction has been achieved through the implementation of energy efficiency measures coupled with an increase in annual revenue over the reporting period. While we will continue to seek new and innovative ways to reduce our emissions further, we recognise that it is our ability to assist our customers in the management of their impacts that will deliver the greatest environmental benefit.

Since our last report we have established a framework and strategy around diversity and inclusiveness. We are particularly focused on improving the internal climate for women in our organisation. Three of our seven Non-executive Directors are now women and we are also taking steps to improve the cultural diversity of our business. Downer Mining, for example, has developed a recruitment process that has been recognised by the Australian Human Resources Institute (AHRI). Downer Mining was joint winner of the AHRI 2012 Indigenous Employment Award.

From a financial perspective we ended the year in a good position compared to most of our peers. Our three divisions are leaders in their respective sectors, we have a diversified portfolio of businesses and contracts and strong work-in-hand. We are in this position through the hard work of our people and I thank them all for their valued contribution.



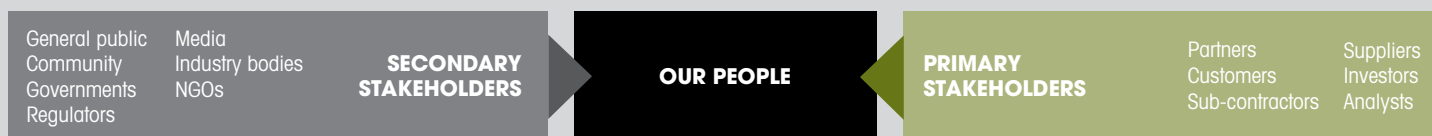
**Grant Fenn
Managing Director and
Chief Executive Officer**

SUSTAINABILITY AT DOWNER

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.



FIGURE 1: STAKEHOLDER GROUPS



Our goal is to reduce our ecological footprint, increase the sustainability of our products and services, and have a positive influence on the local communities in which we operate. This approach enables us to deliver value beyond the economic performance of our business.

We are committed to understanding our sustainability risks, challenges and impacts throughout the life-cycle of our products and services. We 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 track and disclose our sustainability-related performance through:

- Inclusion of key sustainability metrics and performance commentary in our Annual Report and Annual Review;
- Presentation of key sustainability metrics and performance commentary at our Annual General Meeting;
- Participation in sustainability-related investment indices and performance benchmarking programs; and
- Publication of an annual Sustainability Report.

Our 2012 Sustainability Report provides a window into our non-financial sustainability-related performance for the year ended 30 June 2012, and supplements our Annual Report and Annual Review for the same period.

We have reported our performance against the Global Reporting Initiative (GRI) G3.1 Guidelines. An independent third party Ernst & Young has provided limited assurance over our total direct (scope 1) and indirect (scope 2) greenhouse gas emissions, our Total Recordable Injury Frequency Rate (TRIFR), significant environmental spills (greater than 100 litres or kilograms) and fines, and our implementation of the 10 Cardinal Rules. Ernst & Young's assurance statement is included on pages 19 to 20¹.

A GRI content index for this report is located on our website www.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.

Significant changes to boundary or measurement methods applied in this report compared with the prior reporting period (2011 Sustainability Report) are addressed in the relevant report sections. Information for joint ventures has not been included, which is consistent with previous reports.

STAKEHOLDER ENGAGEMENT

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

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 material². 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.

1. Scope 1 emissions are those produced directly by Downer EDI Group activities. Scope 2 emissions are indirect emissions, such as electricity consumption.
2. Material issues are those that may substantively influence stakeholders' assessments and decisions.

GOVERNANCE

The directors of Downer are committed to ensuring that the company maintains an effective system of corporate governance which is an integral part of the company's culture and business practices.



OUR GOVERNANCE FRAMEWORK

Downer's corporate governance framework provides the platform from which:

- The Board is accountable to shareholders for the operations, performance and growth of the Company;
- Downer management is accountable to the Board;
- The risks of Downer's business are identified and managed; and
- Downer effectively communicates with its shareholders and the investment community.

Downer continues to enhance its policies and processes to promote leading corporate governance practices. The key aspects of our Group corporate governance approach are detailed in the Corporate Governance Statement in our 2012 Annual Report (page 117). The statement may also be viewed online at: www.downergroup.com/Documents/Corporate-Governance/Corporate-Governance-statement-2011-2012.pdf

CORPORATE POLICIES AND STANDARDS OF BUSINESS CONDUCT

Our corporate reputation depends on our people. Downer has a number of corporate policies which describe how we conduct our business so that we comply with our legal, regulatory, ethical and other obligations.

All of our people are expected to understand and comply with our policies which are summarised in our Standards of Business Conduct which can be viewed online at: www.downergroup.com/Documents/Corporate-Governance/Standards-of-Business-Conduct.pdf



INTERNAL CONTROLS

Downer has a system of internal controls and reporting mechanisms which are designed to protect our assets and operations. These processes also provide management and the Board with accurate and timely information about the business. The Audit Committee and Downer's internal and external auditors provide independent oversight of Downer's internal control systems.

The Audit Committee is also responsible for reviewing the Standards of Business Conduct on a regular basis to ensure they are in-line with legislative and regulatory requirements and leading practice.

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 diversity of peak industry bodies, including:

- Association of Consulting Surveyors of Victoria;
- Australasian Railway Association Incorporated;
- Australian Asphalt Pavement Association;
- Australian 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;
- Infrastructure Partnerships Australia;
- Minerals Council of Australia;
- National Electrical Communications Association of New Zealand;
- Queensland Resources Council;
- Rail Industry Safety and Standards Board (Australia); and
- Urban Development Institute of Australia.

HEALTH AND SAFETY

Our philosophy of creating a Zero Harm environment for our people, the environment and the communities we touch is embedded in Downer's culture and is fundamental to our company's future success.

MANAGING RISK

Ensuring that our people have a safe and healthy workplace is our foremost priority. Serious injuries or fatalities to our people, subcontractors or others that come into contact with our operations are not acceptable and Downer has heightened its attention to identifying critical risks and implementing more effective controls. The key to maintaining safe working environments is understanding and managing the risks appropriately.

During the year our focus has been on assessing, understanding and mitigating critical risks associated with plant-pedestrian interface, energy isolation, working at height, working near suspended loads and maintaining and enforcing exclusion zones. We have established working groups within divisions to identify local and site-based issues and we are moving to resourcing and supporting Group-wide Critical Risk Networks which will bring together cross-divisional teams to:

- Assess and align the critical hazard list with the Cardinal Rules and the relevant Compliance Guides; and
- Confirm that the appropriate controls (rules, guides, procedures, training, technology, etc.) are identified for relevant activities across the divisions and identify the critical control points for ceasing work.

We have commenced an assurance of the implementation of the controls to manage the risks associated with the critical hazards. This will continue to be a key focus for the year ahead.

PERFORMANCE

A profoundly disappointing aspect of Downer's performance during the year was that we suffered three workplace fatalities. Two involved reversing vehicles on road maintenance sites in Victoria and New Zealand¹ and the other occurred on the Milford Road also in New Zealand. Extensive investigations have been undertaken by senior safety professionals, managers and technical specialists into all aspects of these incidents. Following these tragic events we have also undertaken a comprehensive review of work systems and practices and a number of initiatives have been implemented to address the hazards involved with reversing vehicles on our work sites.

Downer monitors its health and safety performance through the measures of Lost Time Injury Frequency Rate (LTIFR)² and Total Recordable Injury Frequency Rate. At 30 June 2012, the LTIFR remained less than one at 0.93 per million hours worked and the TRIFR was 13.4 percent lower than the previous year at 6.21 per million hours worked.

1. Fatalities reported are for the period 1 July 2011 to December 2012.
2. 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.





FIGURE 2: LOST TIME AND RECORDABLE INJURY FREQUENCY RATE (PER MILLION HOURS WORKED)

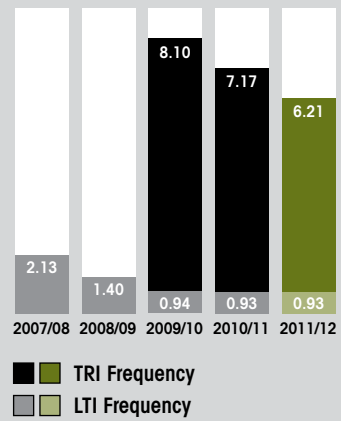


FIGURE 3: TOTAL RECORDABLE INJURY FREQUENCY RATE 12 MONTHS ROLLING AVERAGE (PER MILLION HOURS WORKED)



Our goal is to continue to sustain our LTIFR below one and to reduce our TRIFR below five by the end of the 2014 financial year. To achieve these results, Downer will focus on visible and active leadership, development of culture, capability, and implemented management systems.

There were no safety related fines or prosecutions recorded during 2011 to 2012.

SAFETY SYSTEMS

Fundamental to meeting our Zero Harm goals is providing our people with the appropriate levels of support through training, leadership and robust safety management systems. This ensures that we can work more safely by enhancing the skills and capabilities of our people to identify and assess risks and manage them appropriately, whilst still being able to implement safety improvement initiatives.

There has been a major change in safety legislation across Australia following the introduction of the Commonwealth *Work Health and Safety Act 2011* and its adoption by New South Wales, Queensland, Northern Territory, Australian Capital Territory and Commonwealth jurisdictions from the beginning of 2012. Whilst not all states have initially adopted the harmonised legislation, Downer took this opportunity to bring our own systems into alignment with the new legislation.

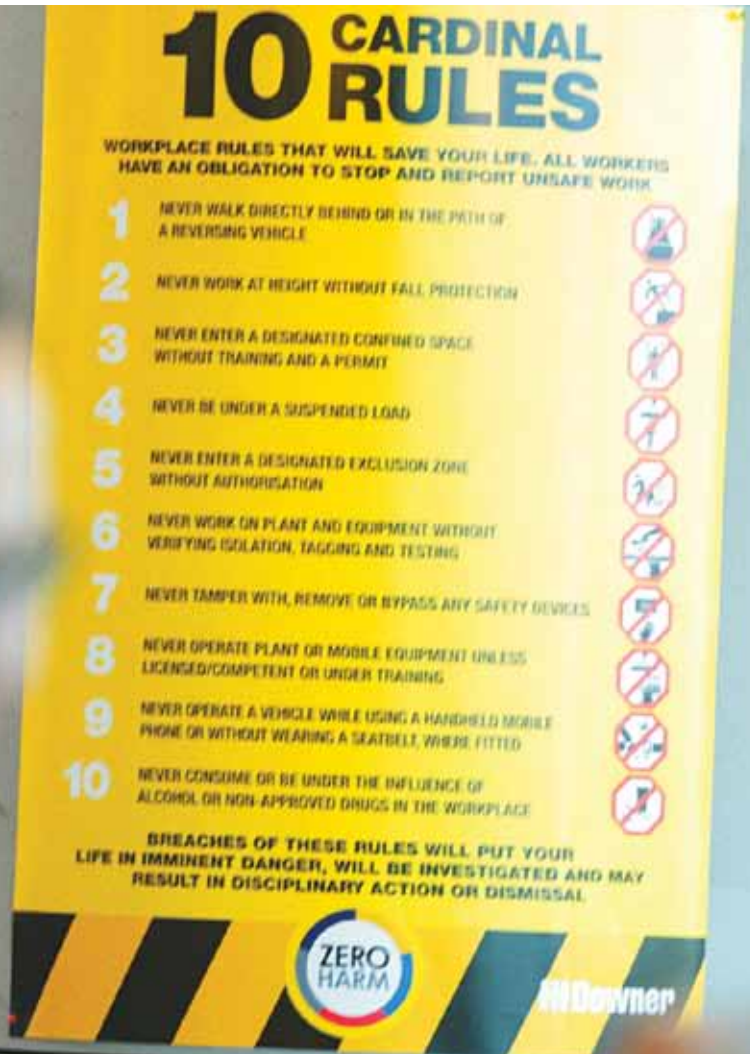
Downer introduces lifesaving rules

A key driver for protecting our staff and contractors has been the introduction of a series of lifesaving rules that provide direction and guidance in regard to critical risks in the workplace. Downer introduced a series of Cardinal Rules across the business in early 2012 to provide a guide for behaviours to improve our safety performance.

1. NEVER walk directly behind or in the path of a reversing vehicle;
2. NEVER work at height without fall protection;
3. NEVER enter a designated confined space without training and a permit;
4. NEVER be under a suspended load;
5. NEVER enter a designated exclusion zone without authorisation;
6. NEVER work on plant and equipment without verifying isolation, tagging and testing;
7. NEVER tamper with, remove or bypass any safety devices;
8. NEVER operate plant or mobile equipment unless licensed/competent or under training;
9. NEVER operate a vehicle while using a handheld mobile phone or without wearing a seatbelt where fitted;
10. NEVER consume or be under the influence of alcohol or non-approved drugs in the workplace.

These Rules have been developed following an assessment of the critical risks across our Group which have previously resulted in serious harm to our people.

The implementation of these rules involved an extensive consultation process with our staff including formal training sessions and regular toolbox meetings. A review of the implementation process was included in the 2012 third party assurance procedures conducted by Ernst and Young.



During late 2011, Downer undertook extensive consultation and training across the business to ensure that everyone in the company was aware of the legislative changes and their likely implications, including Directors of the Board, senior executives and all staff members. In order to ensure our Zero Harm Management System high level documents reflected the changes in legislation, we also conducted a major review of these.

A major focus during the year was the integration of essential processes, procedures and systems management across the newly formed division of Downer Infrastructure to ensure continuity of Zero Harm practice.



Plant pedestrian interface

The nature of the work activities undertaken by Downer varies across industry sectors, however there is a key safety risk to our personnel of being injured by moving vehicles and mobile plant. Part of Downer's response has been to undertake a comprehensive assessment of the plant-pedestrian interface at worksites, including:

- A thorough review of previous incidents and current procedures to identify primary causes and focus on improvements;
- Assessments of site activities to validate the procedures and standards against current work practices which included extensive consultation with managers, supervisors and work crews;
- Reviewing and assessing new or alternative technologies for alerting operators and site workers of the proximity of pedestrians to moving vehicles and mobile plant; and
- Detailed assessments of issues and gaps identified during the project as well as prioritising and planning for the resourcing and implementation of the improvement initiatives.

The outcomes of the project have been to refocus consideration of high risk activities at the planning stages for work activities, establishing consistent definition for worksite safety zones, and ensuring that all personnel and subcontractors have the same understanding of the risks and hazards on-site and implement consistent controls. It has also afforded an opportunity to introduce additional training for supervisors to raise awareness of risks on site and support them in leading and managing the behaviour required to improve our safety performance.

PEOPLE AND COMMUNITY

We recognise that capable, engaged and diverse people are the key to our Group's success. Our workforce of over 20,000 people is based across Australia, New Zealand, Asia-Pacific, South America and South Africa, working on resource infrastructure and energy projects.



We know that our people aspire to work for more than just a career and financial security and we strive to provide a challenging environment, in which they feel safe, valued, rewarded and empowered. This requires us to focus on our attitudes, behaviours, relationships and our approach to work. The following are our guiding principles.

- **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.



Downer Corporate Family Program

Downer recognises the importance of families and that effectively balancing career and family life can sometimes be a challenge. To help support our employees with children, those transitioning into retirement and those with ageing family members, we have partnered with "Expect A Star" to establish the Downer Corporate Family Program.

The program is designed to provide practical support and services that will make meeting family and work commitments a little easier.

This convenient, all-in-one online service offers features which enable our people to:

- Book a carer online: babysitting, nannying and aged care workers, with the ability to view profiles of carers in advance to ensure the care giver is a suitable match to the family;
- Search for accredited childcare centres, primary and secondary schools close to work or home;
- Have unlimited online access to senior living and parental tips and articles with blogging functionality to share thoughts with co-workers; and
- Have access to information regarding government benefits to which they may be entitled.

The service also includes a family fun section with useful links to things to do with kids on weekends or holidays, and workshops on parenting and senior living topics.¹

OUR VALUES

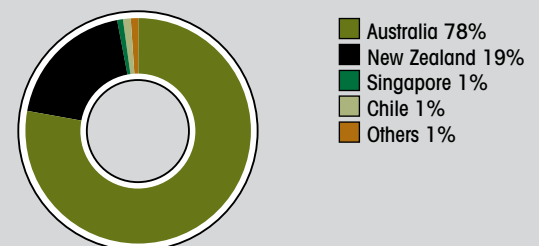
Our values are central to the way we do business and they play a significant role in our organisational success. At Downer, we value people who:

- Work in **collaboration** with others in our organisation and take pride in the achievements of the team;
- Strive for improvement and innovation, and have the **courage** to think and actively contribute new initiatives that benefit Downer overall;
- Demonstrate **integrity** and responsibility through honest, respectful and transparent communication;
- Strive for **excellence** in achieving their goals through strong leadership and commitment to the job at hand; and
- Are **responsible and accountable** for the care and protection of their peers, the business, the communities in which we operate, and the environment.

SUMMARY OF THE YEAR

During the 2011 to 2012 financial year the Human Resources (HR) team has maintained a focus on improving recruitment and retention processes, developing a plan to increase the diversity of our workforce, improving leadership skills and succession planning processes, enhancing the benefits available to our people, and increasing the effectiveness and efficiency of our HR systems and processes.

FIGURE 4: EMPLOYEES BY REGION



1. The Downer Corporate Family Program is available to Downer Corporate, Downer Mining and Downer Rail employees.



Downer teams with VicRoads to give Indigenous youth training and improve the roadside environment

Revegetation of a roadside area on the Goulburn Valley Highway at Wahring has enabled Downer and the VicRoads Alliance to improve the roadside environment as well as providing training opportunities for Indigenous youths. In an effort to reduce erosion of the road formation and reduce damage to the road surface and underlying pavement, the roadside is being revegetated with plants which are predominantly native to the area.

The roadside soils are being ripped and conditioned to enhance the plant growth because the natural characteristics of the existing soil inhibit vegetation growth, thus making the soils more susceptible to erosion.

The revegetation is being conducted by Rad.com Caring for the Country work crew and is a program designed to foster a strong work ethic and sense of identity for Indigenous youth. The young Indigenous workers take part in an accredited course in conservation and land management under the supervision of Indigenous mentors.

Key achievements have included:

- The roll-out of a Group-wide on-boarding program to assist our Division's with candidate engagement activities;
- Our recruitment strategies for Indigenous women earned us a place as a finalist in the Outstanding EEO Practice for the Advancement of Women in a Non-Traditional Area or Role Category;
- The introduction of a common performance system and template;
- The introduction of common development and career review management systems;
- The introduction of Group-wide succession planning;
- The rationalisation of contingent labour hire providers from over 330 to 12 with consequent reduction in costs and improved management of risks;
- The development of an intranet site and approach for communicating the enhanced benefits offered to our people including a corporate health plan;
- The establishment of a diversity plan and program;
- The successful renewal of over 70 Enterprise Bargain Agreements (EBA's) and management of the associated changes with minimal industrial disruption; and
- We have also made significant progress towards the implementation of Group-wide HR and payroll management systems and have nearly a third of all employees on a single system.

EMPLOYEE BENEFITS

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

Downer provides defined 'contribution' plans to employees; we no longer offer 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.

A paid parental leave policy is in place for our Australian operations and improvements have been made to the parental leave benefits in our New Zealand business. 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. This is seen as critical in increasing employee loyalty and promoting higher retention rates by providing additional support for primary care givers and their families.

DIVERSITY AND INCLUSIVENESS

We embrace the different perspectives that diversity brings as this helps us to improve our decision making capability, the quality of our service, and strengthens our internal and external relationships.

We have increased our focus on understanding and improving the internal climate for women across our Group and during the 2011 to 2012 financial year we conducted a gender diversity survey across our Australian and New Zealand operations.

The survey was sent to over 2,000 women across all roles in Australia and New Zealand, of which 1,150 women participated. The survey has provided invaluable information to assist us in improving the conditions for women across our Group.

This has resulted in the recommendation of a number of gender related initiatives and programs and the formation of focus groups to further analyse the findings and ensure that the initiatives and programs are prioritised appropriately.

The overall gender demographic across Downer is 11% female and 89% male. The number of females has decreased from 15% in the previous reporting period. This change is predominantly due to the sale of our CPG Asia business in April 2012 which employed a significant number of females.

In the area of recruitment and selection our special effort to target Indigenous women in our recruitment strategy contributed to our selection as a finalist in the Outstanding EEO Practice for the "Advancement of Women in a Non-Traditional Area or Role" category, in the Equal Opportunity for Women in the Workplace Agency (EOWA) 2011 Business Achievement Awards.

Downer Mining have also received recognition for their significant contribution in the area of workplace equity and inclusion. The business was announced as joint winner of the Indigenous Employment Award at the inaugural AHRI Diversity Awards. The award also acknowledged Downer Mining's practical and focused approach to Indigenous employment, in particular the specialist recruitment and training methodology developed specifically for the hiring of Indigenous employees. Further information in relation to this award can be found in Downer Mining's Sustainable Development Report 2012 - 2012:

http://www.downergroup.com/Documents/Sustainability/Reports/2012/DOW19646---Sustainability-Report_100.pdf

During the reporting period two additional women were appointed to the Board. Three of Downer's seven Non-executive Directors are now women.

LOOKING FORWARD

To stimulate our aim of increasing the gender diversity of our Group we have established the following objectives for the year ahead:

- To continue to incrementally increase the number of women holding Senior Management/Executive positions;
- To continue to improve recruitment processes to increase the number of female applicants across all roles in Downer; and
- To continue to promote awareness and an understanding of cultural diversity which includes Indigenous, Torres Strait Islander, Maori and Pacific Islander Affairs strategy at the Group level.

COMMUNITY

As a major employer with operations in a number of countries and remote locations we have the ability to impact on a diverse range of communities. We strive to create enduring relationships with these communities and seek to deliver appropriate and tangible social benefits which are aligned with our company values.

Accordingly, we implement a range of strategies focusing on the key areas of:

- Social responsibility: local and Indigenous employment;
- Governance: cultural heritage management; and
- Stakeholder engagement.

Our approach is to empower our people to engage proactively with communities at a local level. This enables us to identify the most appropriate and effective means of contributing to their development and sustainability.

A key focus is to provide communities with opportunities for economic participation through job creation, skills development and the procurement of local goods and services.



Downer to pilot partnership with Jawun

Established in 2001 Jawun is a small not for profit organisation which leverages the capabilities of corporate and philanthropic Australia to support innovative programs of change in indigenous communities.

The aim of the program is to foster Indigenous economic and social development in a way that encourages people to take responsibility for their own lives.

Essentially, Jawun works with Indigenous organisations to identify projects requiring support. It then collaborates with corporate partners to identify suitable secondees and place them in the areas where they will provide the most benefit.

"At the heart of Jawun are the diverse capabilities of skilled people from our Corporate Partners, and the desire and determination of Indigenous people to regenerate their communities."

Downer is piloting a partnership with Jawun which creates exciting opportunities for selected employees to make a contribution to our Indigenous Community and assist Downer in improving Indigenous outcomes for the wider community.

Selected Downer employees will have the opportunity to take a six week secondment to host organisations in Cape York or Inner Sydney. They will join secondees from other organisations on various projects within these host organisations. The programme will commence in early 2013.

ENVIRONMENT

The longevity of our organisation is contingent upon our capability to deliver environmental sustainability across our operations and those of our customers. To create a platform for future growth, we continue to seek opportunities to improve our own resource efficiency, and to be innovative in the technologies and services that we provide to our clients.

COMPLIANCE AND RISK MANAGEMENT

Downer operates across a number of industry sectors which are regulated by a broad range of environmental legislation and standards, including specific licensing requirements for some of our facilities.

As part of our environmental governance, Downer maintains a Zero Harm Management System (ZHMS) that includes core environmental management guidance documents (standards and compliance guides). The Zero Harm Management System includes a commitment to robust environmental management systems, which are maintained within each division in accordance with the requirements of AS/NZS ISO 14001:2004, and places a significant emphasis on both effective control and continuous improvement.

During 2011 to 2012, we undertook a major review of our high level ZHMS documents, including 146 Compliance Guides (for safety and environmental management) that identify the key requirements for Downer to meet its obligations for compliance with relevant international and Australian standards, conventions, statutes, regulations and codes of practice including:

- Australian standards referenced in legislation;
- Statutory licences and industry codes;
- Responsible care; and
- Downer's Zero Harm policies, standards and procedures.

Our divisions operate under tailored, robust "aspects and impacts" registers and management controls are developed according to the status of the risks. This ensures that all our activities are undertaken in a manner that will not result in harm to the people associated with our operations, to the communities in which we work, or to the environment.



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 2011 to 2012, we recorded 58 spills of over 100 litres or 100 kilograms across the Group. The number of spills recorded is higher than last year (33), however; the volumes of these significant oil and diesel spills has reduced, reflecting our improved mitigation controls and effective incident management strategies. The volume of bitumen spills is significantly higher this year due to a spill from a tanker rollover. Three spills are attributed to wastewater; one from a cracked sewer main that discharged sewage to an open paddock, and two where stormwater and sediment were washed onto a residential property following rain events.

Greater environmental awareness amongst our staff and sub-contractors has assisted in improving our reporting practices and capturing more information when environmental incidents occur. Our focus is on managing environmental risk by implementing mitigation strategies through effective project planning that reduces the potential for and number of actual spills or other environmental incidents.

During the year we met our Group-wide target of no Level 5¹ or 6² environmental incidents. Despite our best endeavours to implement effective control mechanisms, during the year we received one fine in relation to an environmental incident. Downer New Zealand received an infringement notice from Environment Southland for NZ\$1,000 when paint residue was washed by rain from a bund to a stormwater drain and into a stream.



ENERGY AND GREENHOUSE GAS EMISSIONS

CLIMATE CHANGE SCIENCE AND POLICY RESPONSE

Recent scientific assessments indicate that human induced climate change is occurring and without further, and possibly deeper, cuts in global greenhouse gas (GHG) emissions, experts believe that significant detrimental impacts on the natural environment may occur.

Press releases from the United Nations climate talks in Doha have stated that governments alone cannot solve the problem and the solution lies in corporations working in partnership with governments and civil society. As a consequence, the mitigation of climate change through reductions in GHG emissions remains a key challenge for the business community.

On a national level the introduction of the Australian Federal Government's Carbon Pricing Mechanism (CPM) through the Clean Energy Act and associated regulations on 1 July 2012 is further driving businesses to address and manage their carbon risks and liabilities.

OUR APPROACH TO ENERGY AND CARBON MANAGEMENT

Downer operates within a number of highly carbon-intensive industry sectors. Our response to climate change requires an integrated approach focusing on compliance, business improvement and business development opportunities. We remain committed to identifying opportunities to improve our energy efficiency and reduce GHG emissions from our own operations and from those of our value chain.

2011-2012 SIGNIFICANT SPILLS (>100 LITRES OR >100KG)

Material	Number of Spills	Total Volume of Spills
Oil (litres)	33	6,912
Diesel (litres)	10	7,000
Coolant (litres)	1	120
LPG (litres)	1	963
Emulsion (litres)	1	250
Ammonium Nitrate (kilograms)	1	400
Bitumen (litres)	2	24,850
Bitumen Emulsion (litres)	2	1,500
Kerosene (litres)	1	200
Lime (kilograms)	1	500
Cement (kilograms)	1	500
Sediment (kilograms)	1	100
Wastewater (litres)	3	495,200
Total	58	

1. A Level 5 environmental incident is defined as a highly significant incident reversible only in the long term (over 10 years).
2. A Level 6 environmental incident is defined as an incident which results in catastrophic widespread impacts resulting in irreversible damage to habitat and species.



Downer, VicRoads and local communities working to improve roadside environments

Downer Infrastructure along with a valued client, VicRoads, have collaborated on several projects recently to protect Victoria's remnant flora and fauna. Downer and VicRoads share similar values and the following examples are representative of the courage to implement initiatives that benefit Victoria.

- The spotted tree frog is critically endangered and only exists in 13 river systems across Victoria and New South Wales, including in the area of the upgrade works on the Ormeo Highway, north east of Melbourne. The upgrading of the highway has provided an opportunity to significantly improve the quality of stormwater runoff from the highway which is critical to protecting and maintaining a breeding habitat for the spotted tree frog. Positive improvement projects such as this are essential to the ongoing existence of this and other declining species.
- As part of upgrading sections of the Grampians Road which specifically have a history of run-off-road casualties, a number of vulnerable trailing hop bushes are being relocated away from the road edge to ensure their ongoing survival for future generations. The project team has also implemented comprehensive training for all staff and contractors engaged on the project to increase their knowledge and awareness of the trailing hop bush to ensure its protection.

Both project teams have also employed, where possible, the expertise of local communities as well as sourcing goods from the local businesses. This has a positive impact on the local economy as well as the environment of regional areas.

FIGURE 5: SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS (ktCO₂e)
(USING METHOD 2 FOR FUGITIVE METHANE EMISSIONS)

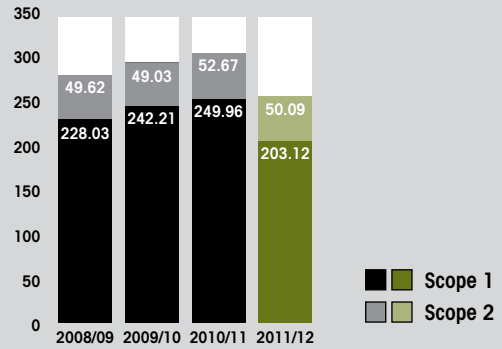
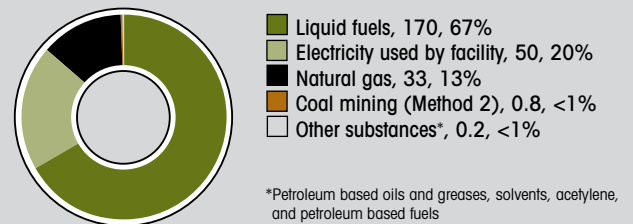


FIGURE 6: SCOPE 1 AND 2 GHG EMISSIONS BY SOURCE (ktCO₂e)



ENVIRONMENTAL DATA REPORTING SYSTEM

Access to reliable, accurate and robust data is the cornerstone of an effective sustainability improvement plan. To assist in the collection, collation and reporting of environmental data we have implemented an in-house Environmental Data Reporting System. This highly scalable system took four months to develop and has been successfully deployed across our Group. This enables Downer to undertake trending and forecasting of consumption patterns leading to more effective management of our resource use.

SCOPE 1 AND 2 EMISSIONS PROFILE

During the 2011 to 2012 financial year, Downer made a material change from previous years to the way in which we have assessed fugitive methane emissions from the Commodore open-cut coal mine. Rather than using the Queensland State-based carbon emission factor (in accordance with the National Greenhouse Accounts default Method 1), Downer has applied Method 2 in accordance with the National Greenhouse and Energy Reporting (Measurement) Determination. A detailed assessment of fugitive emissions from Commodore Mine was conducted by a specialist gas consultant on behalf of the mine owner. This was conducted in accordance with the Australian Coal Association Research Program (ACARP) Guidelines, to ensure that it meets the technical standards and reporting requirements of the Method 2 defined in the National Greenhouse and Energy Reporting (Measurement) Determination.

As the Method 2 emissions factor is lower than the default state-wide factor previously applied, its application has resulted in a relative reduction in our reported scope 1 emissions.

In accordance with the principles outlined in the GHG Protocol, we have retrospectively applied the revised emissions factor throughout our calculations back to our base-year of 2008 to 2009.

As can be seen from Figure 5 we have reduced our scope 1 and scope 2 emissions by over 16% for the 2011 to 2012 financial year compared with the previous reporting year.

FIGURE 7: SCOPE 1 & 2 GREENHOUSE GAS EMISSIONS INTENSITY (tCO₂e/A\$M)
(USING METHOD 2 FOR FUGITIVE METHANE EMISSIONS)

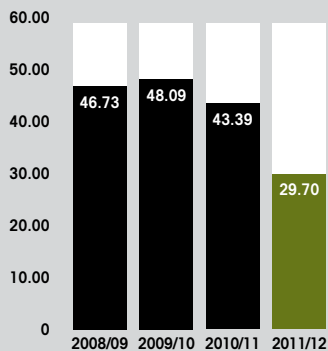
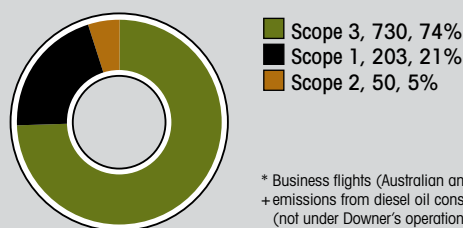


FIGURE 8: TOTAL GHG EMISSIONS (SCOPE 1, 2 AND 3) (ktCO₂e)



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

This reduction in emissions has been achieved through the effective implementation of a number of energy efficiency measures across our Group. These include improvements in the quality of emissions data being collected, replacement of fleet vehicles with more fuel efficient models and improved fuel efficiencies at our asphalt manufacturing plants (achieved through our asphalt plant benchmarking program). A significant improvement has been achieved through the opening of a new and efficient asphalt plant in Hume, Australian Capital Territory which has replaced an older and less efficient facility at Queanbeyan.

The breakdown by source for our scope 1 and 2 emissions is shown in Figure 6. The majority of emissions are generated by the use of liquid fuels in our transport fleet and for the production of energy in stationary plant, and accounts for 67% of overall emissions. Natural gas consumption accounts for 13% and electricity use 20%.

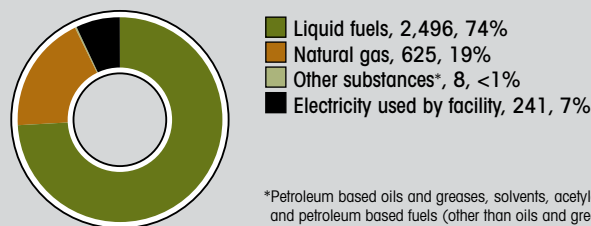
Our overall (or absolute) Scope 1 and 2 GHG emissions are subject to annual fluctuations due to changes in production rates and other outputs and improvements in energy efficiency.

To assist with the comparison of our year-on-year carbon performance we normalise our annual emissions by determining our carbon output per dollar revenue. This provides a measure of the carbon intensity of our operations and is presented in Figure 7.

Our carbon intensity has reduced by 32% for financial year 2011 to 2012 when compared with the previous reporting year. This significant reduction in carbon intensity has been achieved through the implementation of energy efficiency measures (as discussed previously) coupled with an increase in annual revenue over the reporting period.

Further improvements in our carbon performance will be achieved by the Group-wide deployment of the Environmental Data Reporting System, the expansion of our EEO program to parts of the business not previously assessed and the switch to less carbon-intensive fuels, such as biodiesel, natural gas and LNG.

FIGURE 9: 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)



Downer opens state of the art integrated manufacturing facility

Downer provides road infrastructure services to customers across Australia. A fundamental element of this service is the manufacture and placement of asphalt for road and pavement surfacing, where it is used for repair and maintenance to existing roads as well as new roads.

Asphalt manufacture is a high energy and carbon intensive process. Downer has invested significantly in upgrading its manufacturing assets and has adopted leading edge technology to improve the energy efficiency and reduce the carbon intensity of asphalt manufacture.

New asphalt plants at Hume, Australian Capital Territory and Archerfield, Queensland have replaced aged and inefficient assets. The result of this investment has seen an improvement in energy efficiency of over 15%. The use of Recycled Asphalt Product (RAP) and Warm Asphalt Mix (WAM) has produced other environmental benefits including:

- Further reduction of GHG emissions;
- Reduction of waste to landfill; and
- Saving energy and emissions associated with the manufacture of aggregates and bitumen.

Downer continues to work closely with technology providers to further improve the manufacturing efficiency and environmental impacts of its asphalt products.



Environmental Award Win for Cleddau River Flood Protection Project

Downer Infrastructure was recognised at the Contractors' Federation Hirepool Construction Awards 2012 for its work on building a flood protection scheme on the Cleddau River at Milford Sound.

The awards recognise excellence in civil construction projects carried out by New Zealand companies at home or overseas. Downer won the Category 3 award which covers projects in the range of NZ\$5 to NZ\$20 million.

The Cleddau River is located in the Fiordland National Park, a vast remote wilderness and a UNESCO World Heritage site and was the largest capital project ever undertaken by New Zealand's Department of Conservation.

As well as providing flood protection, the project improved access to important infrastructure and involved the temporary relocation of existing Milford Sound tourism workers in a local accommodation village, raising the village area by three to four metres and then reinstating the village – a task that had to be handled with great sensitivity.

The project and its location presented some unique challenges and included excavation and placement of 130,000 cubic metres of river gravels and placement of 14,000 cubic metres of stone to build a stilling basin and coffer dam which remained in operation at all times and relocation of 45 structures.

Minimising environmental impacts was critical to the project and a natural extension of Downer's Zero Harm philosophy.

SCOPE 3 EMISSIONS¹

We have undertaken an assessment of the most significant sources for scope 3 emissions and presented our total scope 1, 2, and 3 GHG emissions in Figure 8.

The most significant single source of scope 3 emissions is the consumption of fuel in plant and equipment in our contract mining business for projects that are deemed to be under the operational control of our customers. This source accounts for 688ktCO₂e and 70% of our total GHG inventory. This increase is attributed to significantly increased project activity in this sector compared with the previous reporting year.

The scope 3 data also includes emissions associated with air travel for business purposes for Australian and New Zealand based personnel and accounts for 42ktCO₂e. This is an increase of around 33% on last year reflecting the growth in Downer's business activity, particularly in the resources sector where project sites are often situated in remote locations. We have recently introduced an updated Travel Policy that places an emphasis on employees to explore, where possible, less carbon-intensive modes of travel, such as train instead of aeroplane. We will continue to encourage our people to consider alternative and ecologically more sensitive modes of travel (where practicable) and to utilise the video conferencing and teleconferencing facilities that are made available in all our major offices.

RESOURCE EFFICIENCY

Liquid fuels remain the major source of energy consumed by our operation, at 74% of our total. A breakdown of our energy consumption by source is provided in Figure 9.

We continue to explore opportunities to switch to alternative and renewable fuels to further reduce our GHG emissions. Our mining business is the largest consumer of B20 Biodiesel in the mining sector. Vehicle and plant operators have undergone, and continue to undergo training to improve the energy efficiency of our operations which further contributes to a reduction in GHG emissions.

We are continuing to develop and improve our processes for managing water consumption and waste generation. Each of our divisions has compiled a resource-efficiency action plan to identify areas of improvement relevant to its business.

ENERGY EFFICIENCY OPPORTUNITIES

Downer has successfully complied with the requirements of the Australian Federal Government's Energy Efficiency Opportunities (EEO) Program.

An assessment plan has been compiled and submitted to the Government for the second five year assessment cycle (2011 to 2016). The plan covers all of Downer's Australian operations and is based on a Group-wide, coherent and collaborative approach to the identification, implementation and reporting of cost-effective energy efficiency opportunities.

To date our EEO program has resulted in 83,322GJ of energy savings across our Group and a further 86,090GJ of savings are currently under investigation.

Our 2011-2012 EEO Public Report is available at www.downergroup.com/Documents/Sustainability/Reports/2012/Downer-EDI-EEO-Public-Report-2012.pdf

1. Scope 3 emissions are defined as those emissions that are generated from sources not owned or directly controlled by our businesses.

ASSURANCE STATEMENT

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DOWNER EDI LIMITED

SCOPE

We have performed a limited assurance engagement in relation to the subject matter contained in Downer EDI Limited's ('Downer') 2012 Sustainability Report ('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

- Total direct emissions of greenhouse gases (scope 1) (page 16)
- Total indirect emissions of greenhouse gases (scope 2) (page 16)
- Total recordable injury frequency rate (TRIFR) (page 7)
- Total number of significant environmental spills (>100 litres or kilograms) (page 15)
- Total number of significant environment infringements fines (page 15)
- Implementation of the 10 Cardinal Rules (page 8)
- GRI application check

CRITERIA

Downer has determined its approach to reporting on key performance indicators related to the subject matter as outlined within the Report and has utilised the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines to assess and self-declare a GRI application level.

MANAGEMENT RESPONSIBILITY

The management of Downer ('Management') are responsible for the collection, preparation and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on whether the subject matter is presented in accordance with the criteria. Our limited assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ASAE 3000').

LEVEL OF ASSURANCE

A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. 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 review 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.

OUR APPROACH

Our assurance procedures performed included, but were not limited to:

- Interviewing selected corporate and site personnel to understand the processes for the collection and accurate reporting of the subject matter;
- Where relevant, performing walkthroughs of systems and processes for data aggregation and reporting;
- Checking the accuracy of calculations performed;
- Reviewing selected management information and documentation supporting assertions made in the subject matter;
- Conducting site visits;
- Comparing year on year data;
- Checking that data and statements had been correctly transcribed from corporate systems and/or supporting evidence into the Report;
- Obtaining and reviewing evidence to support key assumptions in calculations and other data; and
- Reviewing Downer's self-declared application level of the Global Reporting Initiative's (GRI) G3 reporting guidelines

INHERENT LIMITATIONS

There are inherent limitations of any assurance engagement arising from the evidence on which the assurance practitioner draws conclusions upon being persuasive, as it relies on selected data to be representative, rather than conclusive. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions that are developed by the reporting entity.

Our assurance was limited to the Sustainability Report 2012 only and did not include any forward looking statements of Management. Whilst our limited assurance procedures included referencing information contained on Downer's website at the date of this assurance report, our conclusion does not extend to statements, data or information presented on the website.

USE OF REPORT

Our responsibility in performing our limited assurance activities is to the Directors of Downer only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk. No statement is made as to whether the criteria is appropriate for the purposes described above.

OUR INDEPENDENCE AND ASSURANCE TEAM

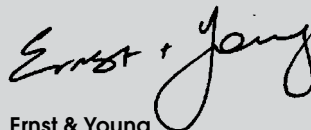
The firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. We have the required competencies and experience to conduct this assurance engagement.

ASSURANCE CONCLUSIONS

Based on our limited assurance procedures as described in this statement, 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 2012, was not presented fairly in all material respects, and calculated in accordance with the criteria detailed above.



Trent van Veen
Partner



Ernst & Young
Sydney
7th February 2013

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