



2017

Sustainability Report



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About this report

This Sustainability Report discloses our sustainability-related performance for the financial year ended 30 June 2017 for the activities of those businesses that are part of the Downer Group.

Information relating to incorporated joint ventures has not been included, which is consistent with previous reports.

This report has been prepared in accordance with the 'Core' option of the Global Reporting Initiative's (GRI) G4 Guidelines², which emphasise the importance of identifying and reporting on issues or concerns that are material to our business and our stakeholders.

As in previous years, we have retained KPMG to provide limited assurance on Downer's application of the GRI G4 Principles for Defining Report Content, as well as on the selected sustainability indicators in accordance with the GRI G4 Principles for Defining Report Quality. These selected sustainability indicators are: Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR); total direct (Scope 1³) and indirect (Scope 2⁴) GHG emissions; total energy consumption and production; any significant environmental incidents or spills; and the total number and value of safety and environmentally related fines or successful prosecutions. For ease of reference, a GRI G4 Content Index is located on page 50 of this report. KPMG's assurance statement is included on page 46.

As a member of the Minerals Council of Australia, we also accept and are guided by the principles of Enduring Value, the industry's code for sustainable development, which is based on the International Council on Mining and Metals' 10 Principles of Sustainable Development. We have indicated in the GRI G4 content index the linkages between our reporting and these principles.

Our joint ventures are detailed in our Annual Report. Any changes to the reporting boundaries or measurement methodologies applied compared to our previous Sustainability Report are addressed in the relevant report sections.

¹ G4 presents two options: Core and Comprehensive. Under the Core option, for each identified Material Aspect, the organisation should disclose the Generic Disclosures on Management Approach (DMA) and at least one Indicator.

² The GRI Sustainability Reporting Guidelines is the most widely used sustainability reporting framework in the world, providing a framework that supports a standardised approach to transparent and consistent sustainability reporting.

³ Scope 1 emissions are those produced directly by Downer Group activities.

⁴ Scope 2 emissions are indirect emissions, such as electricity consumption.

Sustainability Snapshot

Financial

\$181.5m

Net profit after tax (NPAT)



\$277.8m

Earnings before interest and tax (EBIT)



\$7.8b

Total revenue (including joint ventures and other income)



\$22.5b

Work-in-hand



People



Percentage of female employees¹



Percentage of female senior executives²



Percentage of female managers³

Health and Safety

0

Fatalities

0

Fines and prosecutions

0.55

Lost Time Injury Frequency Rate (LTIFR)⁴



3.50

Total Recordable Injury Frequency Rate (TRIFR)⁵



Environment

0

Significant environmental incidents⁶

6

Fines and prosecutions⁷

0.49

Energy intensity (TJ/AUD\$m)



33.7

Carbon Intensity (Scope 1 and Scope 2) tonnes CO₂-e/AUD\$m



12.3kt CO₂-e

Annualised GHG emissions reduction (Scope 1, 2 and defined Scope 3) (target 7.9kt CO₂-e)

1 Total workforce.

2 Australia and New Zealand only. Senior executives include the CEO, key management personnel and 'other executives/general managers' as defined in the WGEA Reference Guide 2016-17.

3 Australia and New Zealand only. Managers include senior executives, as defined above, and 'senior managers' and 'other managers' as defined in the WGEA Reference Guide 2016-17.

4 Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and any injury that results, directly or indirectly, in the death of the person. The Lost Time Injury Frequency Rate is the number of LTIs per million hours worked.

5 The Total Recordable Injury Frequency Rate is the number of lost time injuries + medically treated injuries (employees and contractors) per million hours worked. Definitions used for LTIFR and TRIFR are based on AS18811 and documented in Downer's management system. All incidents are reported and recorded in a hosted database, INX, which covers all operations under Downer's management control.

6 A significant environmental incident or significant environmental spill (>Level 4) is any environmental incident or spill where there is significant impact on or material harm to the environment; or a notifiable incident where there is a spill that results in significant impact or material harm; or there is long-term community irritation leading to disruptive actions and requiring continual management attention.

7 See performance data on page 49 for more detail.

A word from our CEO

Central to our sustainability approach is our Zero Harm philosophy. At Downer, Zero Harm means working in an environment that: supports the health and safety of our people; allows us to deliver our business activities in an environmentally sustainable manner; and advances the communities in which we operate. This report outlines our management approach and our performance in these key areas.



Downer has again demonstrated its resilience by reporting strong financial results for the 2017 financial year. We exceeded our full-year guidance and delivered on all of our key financial metrics. Our work-in-hand of \$22.5 billion reflects the success of our strategy to focus on growth in public infrastructure and service delivery. Overall, our strong competitive position in all of our major markets, together with market growth, is driving significant opportunities across the Group.

Downer's continued growth is directly linked to the success of our people. The health and safety of our employees and contractors will always be the number one priority for Downer and we remain focused on ensuring that all our people return home safely to their families at the end of their working day. I am proud to say that we continue to perform well against our key health and safety indicators due to our ongoing focus on 'critical risks' – the low-likelihood, high-consequence risks that have the potential to cause serious injury or death.

Developing environmentally sustainable solutions for our customers is also a focus for Downer. Our customers often look to us to deliver best practice options that will support their sustainability credentials. In particular, our Government contracts (which make up a significant proportion of our business) include strict environmental performance criteria.

Downer is one of the largest and most experienced providers in renewable energy. In FY17 we were awarded a \$200 million contract to construct one of Australia's largest solar energy projects, the Ross River Solar Farm near Townsville in Queensland. When the solar farm is completed, Downer will have facilitated the delivery of more than 2.3GW of renewable energy to the Australian market.

We are also committed to supporting the communities in which we operate by creating enduring relationships that deliver lasting benefits. We do this by recruiting locally, partnering with local suppliers and investing in important community initiatives in a variety of ways – by providing both financial and in-kind support.

A standout initiative for Downer this year was the launch of our Reconciliation Action Plan (RAP). Our RAP has brought structure to our commitment to furthering the advancement of Aboriginal and Torres Strait Islander peoples and their communities. Supported by the efforts of our RAP Working Group, which comprises representatives from key parts of our business and several senior leaders, our RAP is now well embedded in the culture of the Company.

I would like to take this opportunity to thank our employees, our customers, and the communities we operate within – as well as our business partners and suppliers – for their continued support. I look forward to working with you to grow our business as we work towards a more sustainable future.



Grant Fenn
Managing Director and
Chief Executive Officer

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

It's the trusted relationships we build with our customers, colleagues and communities that allow us to create and sustain our modern environment. Our business is founded on four Pillars that support our Promise and our Purpose.

Our Purpose

We exist to create and sustain the modern environment by building trusted relationships with our public and private sector customers.

Our Promise

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

Our Pillars

Safety

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



Delivery

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

Relationships

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

Thought leadership

We remain at the forefront of our industry by employing the best people and having the **courage** to challenge the status quo





About Downer

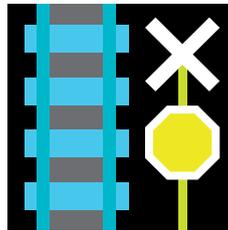
Downer is a leading provider of services to customers in markets including:



Transport



Utilities



Rail



Engineering,
Construction
& Maintenance
(EC&M)



Mining

Our People

Total workforce

20,000

Downer employs about 20,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.



Our Services

FY17 total revenue by service line

\$7.8b

Our total revenue in FY17 was \$7.8 billion. The contribution of each service line to total revenue shows the level of diversification and scope of services in our business. Our work-in-hand as at 30 June 2017 was \$22.5 billion. Detailed financial statements are provided in our Annual Report.



Transport	27.5%
Utilities	19.4%
Rail	10.9%
EC&M	25.6%
Mining	16.6%

Service

Capabilities

Results

Transport

- Road construction
- Road maintenance
- Rail infrastructure
- Rail systems
- Light Rail construction
- Light Rail maintenance
- Bus operations
- Multi-modal operations
- Airport lighting and pavements
- Airport services
- Automatic fare collection systems

- Market leader in road maintenance responsible for more than 33,000km of road networks in Australia and more than 25,000km in New Zealand
- Growth in Infrastructure Projects including Newcastle Light Rail, NSW Transport Access Program and Victoria's HCMT Depot

Utilities

- Power generation, distribution and transmission
- Gas transmission and distribution
- Water infrastructure
- Water operations
- Wind energy
- Solar energy
- Intelligent Transport Systems (ITS)
- Fibre networks
- Copper networks
- Mobile networks
- Radio networks
- Public transport ticketing

- Maintain over 110,000km of electricity and gas networks across more than 185,000km²
- Erected over 1,000 steel lattice transmission towers
- Designed and built over 100 substations
- Connects 35,000 new power and gas customers each year
- 2GW of installed Renewable Energy Capacity across wind and solar including 15 wind and three solar farm projects
- Major supplier to both NBN in Australia and Chorus in New Zealand providing high speed broadband across both countries
- Operate the ticketing systems in both Canberra and Perth
- Maintain all of VicRoads ITS assets in Victoria

Rail

- Passenger rolling stock manufacture
- Passenger rolling stock operations and maintenance
- Freight rolling stock manufacture
- Freight rolling stock operations and maintenance
- Network management
- Asset management and through life services
- After market parts and services

- Waratah is a global benchmark in reliability
- National operations with maintenance centres in every major jurisdiction
- Largest multi-modal transport operator in Australia offering bus, ferry, light rail and heavy rail solutions

Engineering, Construction and Maintenance (EC&M)

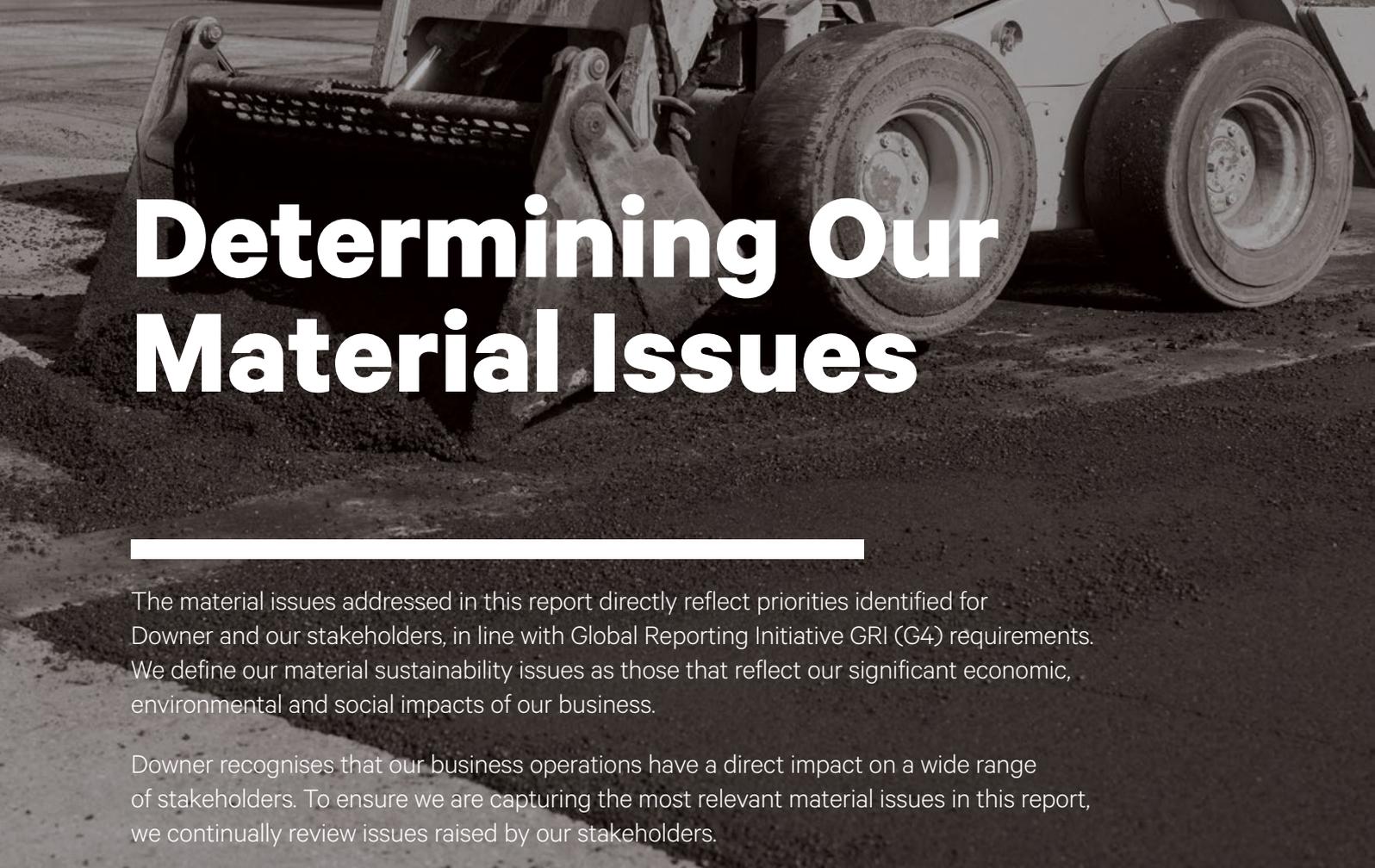
- Oil and Gas and Heavy Industrial Processing Plants
- Bulk Commodities (Coal and Iron Ore)
- Precious and Base Metals, Industrial Minerals
- Commercial Building and Social Infrastructure
- Transport Infrastructure M&E
- Defence

- Major maintenance services contracts with Chevron, ConocoPhillips and Santos
- Electrical and Instrumentation package at Wheatstone Project
- Miscellaneous EIC and SMP works contract at Gorgon Project
- Power station, zone substation and transmission line works for Onslow Distributed Energy Resource project (Horizon Power)

Mining

- Blasting
- Exploration drilling
- Mine planning
- Open cut mining
- Underground mining
- Minerals and metals processing
- Asset management
- Tyre management
- Mine site rehabilitation

- Global workforce of ~4,000
- Servicing 60 mine sites in Australia, New Zealand, Papua New Guinea, South America and Southern Africa



Determining Our Material Issues

The material issues addressed in this report directly reflect priorities identified for Downer and our stakeholders, in line with Global Reporting Initiative GRI (G4) requirements. We define our material sustainability issues as those that reflect our significant economic, environmental and social impacts of our business.

Downer recognises that our business operations have a direct impact on a wide range of stakeholders. To ensure we are capturing the most relevant material issues in this report, we continually review issues raised by our stakeholders.

How we engage with our stakeholders

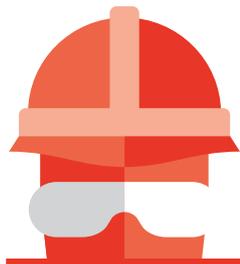
Stakeholder	How we engage
Directly affected	
Customers	Meetings, surveys, joint sustainability initiatives, social media channels, website
Employees and contractors	Engagement surveys, presentations, meetings, performance reviews, competitions, Intranet, Enviro News, Downer News (printed and electronic newsletter), social media channels
Communities	Project-specific community engagement plans, local media, employment opportunities, local supply arrangements, community investment projects
Business partners	Joint venture boards and operating committees, meetings, workshops
Shareholders and investment community	Annual General Meeting, Annual Report, Sustainability Report, ASX releases, half-year and full-year results presentations and webcasts, Investor Day, social media channels
Suppliers	Inductions and training, meetings, contractor Zero Harm days, tender and contract documents
Actively interested	
Government and regulators	Reporting, meetings
Industry associations	Representation on boards and committees, meetings
Media	Media releases, briefings and interviews, website, social media channels
Non-government organisations	Participation in forums, meetings
Unions	Meetings

Material issues

Our material sustainability issues have been identified through a materiality assessment by reviewing our risk registers and internal documents, consulting with our key corporate functional leaders and divisional senior managers, public literature reviews on issues identified by regulators, peers, stakeholders (i.e. customers, suppliers, employees, shareholders) and consideration of societal views (through media analysis). These priority areas for our business form the structure of this report.

People

Recruiting and retaining the right people is fundamental to being able to deliver the best service options to our customers and providing a workplace that motivates people to excel.



Health and Safety

The health and safety of our people and our communities is our first priority. Our Zero Harm culture is built on leading and inspiring, rethinking processes, applying lessons learnt, and adopting and adapting practices that aim to achieve zero work-related injuries.

Environment

Developing environmentally sustainable solutions for our customers is a focus for Downer. We focus on managing risks associated with environmental management and climate change. Our customers often look to us to deliver best practice options.

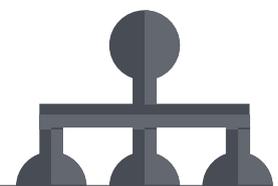


Communities

Understanding the capability and the needs of our host communities allows us to adapt the way in which we deliver our services and products to minimise short-term impacts and create lasting benefits.

Governance

Our governance framework provides a platform for decision making based on our Purpose, Promise and Pillars.



Our People



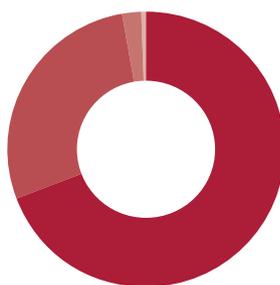
The continued growth of our Company is directly linked to the success of our people. We recognise that to create a high performance culture our employees need to feel inspired, engaged and empowered. It is for this reason that we place a high priority on providing them with the skills, systems and support they need to meet their personal and professional goals.

Workforce breakdown

In FY17, we employed around 20,000 people. Approximately 65% of our employees based in Australia and New Zealand are covered by collective agreements and industry-based awards. We have a wide variety of employment arrangements across the Group, including individual contracts of employment and collective agreements. This reflects the diverse sectors in which we operate.

Workforce —
97.4%
in Australia and NZ

Total workforce by region



Australia	69.2%
New Zealand	28.2%
Southern Africa	2.0%
South America	0.5%

Our approach: Embracing difference

We believe that embracing difference fuels innovation and enables more informed decision making, which is why we promote diversity and inclusiveness in our workplace.

We can maximise opportunities and build capability across our business sectors by recruiting and retaining a skilled workforce that is capable and flexible which allows us to leverage capability and expertise within our Group.

We recognise that by learning from the many and varied experiences of our people, and listening to their perceptions and ideas, we will become both more resilient and more resourceful.

Diversity at Downer

Downer works to foster a diverse and inclusive workplace that facilitates opportunity and respect for all our employees. We are committed to developing a workforce comprising motivated employees from the widest possible pool of available talent. Downer's commitment to diversity and inclusion is formalised in the Company's Diversity and Inclusiveness Policy, which can be accessed on our website (refer to the 'About us' section).

Since 2015 we have been committed to taking a broader and more strategic approach to diversity and inclusion. This has seen us centre our diversity initiatives on both our current employee demographics and our business needs.

The following three focus areas inform our strategy:

1. Gender



2. Generations



3. Cultural diversity



Our Diversity Framework

In July 2016, Downer launched a revised Diversity Framework. This framework now includes six Divisional Diversity Steering Committees (DDSCs), representing each of our business divisions, which report quarterly to an overarching Group Diversity Steering Committee (GDSC). The objective of the DDSCs is to support and promote a diverse and inclusive workplace through the implementation of their Diversity and Inclusiveness Plans. This structure enables us to capture and share successful initiatives, and set realistic targets through better understanding opportunities and challenges within each of our divisions.

Target —

20%

female workforce
by 2020



1. Gender diversity

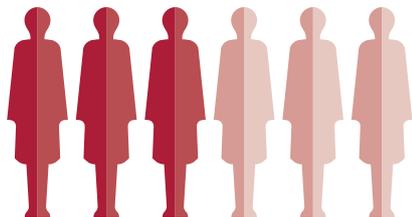
Downer has set a target to ensure 20% of our workforce is female by 2020, comprising 12% female managers.

Downer operates across several sectors in which female equality has traditionally lagged behind other major industries. We are committed to overcoming the challenges this presents by focusing on practical ways to attract, develop and retain female talent.

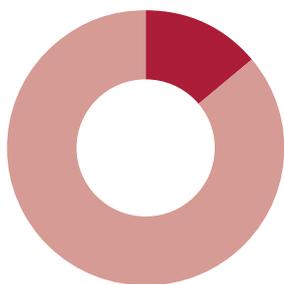
As at 30 June 2017, our gender representation metrics were as follows:

13.5%

of Downer's workforce consists of women (approx)



Three of our six Non-Executive Directors on the Downer Board are women



Women make up 13.9% of senior executive roles

11.1%

of management roles are held by women

We are focused on increasing female participation in our workforce through practical initiatives to better attract, support and provide opportunities to our female employees. These include:

- **Performance Development:** Regular talent reviews across the business to improve visibility of the female talent that we have within Downer. As a result of the Performance Development Review (PDR) process, eight female employees have participated in Downer's Executive Development (ExeLD) program in the past 18 months.
- **Gender Pay:** A 'like for like' Gender Remuneration Review for salaried employees commenced in December 2015 and has been ongoing. Recommendations implemented as a result of this review include:
 - The creation of a gender remuneration action plan;
 - Identification of causes for the gaps;
 - Reporting of pay equity metrics to the Downer Board and Executive Committee; and
 - Correction of like-for-like gaps.
- **Flexible Work:** Through the DDSCs there has been a renewed focus on flexible work. In our Rail division, a pilot for flexible work has commenced, which will roll out flexible work options to all salaried and waged employees. It will be supported with the appropriate tools and training. It will be used as a pilot case for the roll-out to our other business divisions to ensure that individual and business needs are met.
- **Recruitment:** We have identified and implemented initiatives that affect equity, diversity and inclusiveness in employment. The 'Refer a Female Friend' program (piloted by our Mining division and launched within our Infrastructure Services division) has yielded very positive results in terms of delivering new female employees and is a good example of our divisions working together to encourage diversity. Recently, our EC&M division became a member of Diverse City Careers, a female-only jobs board, which pre-screens employers based on their commitment to diversity and inclusion.

Our focus in FY18

Our focus in FY18 will be to ensure that our identified top female talent have active performance and development plans in place, which are tracking well. We will also work to ensure that workplace flexibility becomes more mainstream and policies such as Parental Leave are refreshed as appropriate, so that they are more attractive and market competitive.



Recruiting for Women in Mining

In FY17 Downer launched a recruitment campaign aimed at increasing the number of female employees in our Mining business.

Clare Hudson, Group Manager, Recruitment at Downer, said: “Downer is committed to increasing the number of female employees in our Mining division. We are leading with a two-pronged approach; designating roles to females only and launching female-centred advertising templates.”

However, beyond the highly targeted recruitment advertising campaigns, Clare explains there are some practicalities that have also been addressed.

“One of the key challenges we face is that females have long been under-represented in the industry, making it difficult for us to find women with specific mining experience. Therefore we’ve expanded our job criteria to include transferrable skills and experience, from any industry.”

Before launching the female-focused campaign Clare said all legal obligations were explored. “An organisation is permitted to implement strategies aimed at addressing a minority imbalance or the disadvantage of a minority group in all States across Australia (with New South Wales requiring additional steps to obtain an exemption from the anti-discrimination laws). Driving female equality in the workforce is hot on the national agenda and the law is shaped to support this. Downer is proud to be taking a lead on the issue.”



Case Study



Jacquiline being congratulated by Luke Gmelig – Mining Superintendent

Jacquiline Bowsher

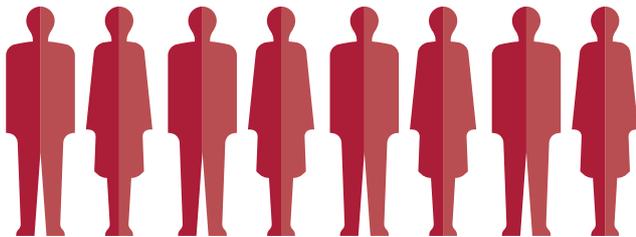
Downer recently appointed Jacquiline Bowsher to the role of Trainee Leading Hand. Jacquiline joined Downer back in 2012 and has worked at both the Christmas Creek and Roy Hill operations as a mobile plant operator.

Over the years Jacquiline has built upon her skillset, has a very strong commitment to safety and has forged great relationships with her fellow workmates who hold her in high esteem.

Jacquiline will be mentored by the operation’s existing supervisors, superintendents and senior management, as well as have a detailed career pathway drawn up for her, to ensure she is getting the best education and knowledge to help her succeed.

2. Generational diversity

It is important to us to have a workforce composed of different age demographics as each generation brings different perspectives and levels of experience to our business. We have a significant number of employees considering retirement in the next five to 10 years. Our renewed focus on workplace flexibility will allow our older employees to best manage their changing work-life requirements whilst allowing skills and experience to be retained within the business.



In 2017, Downer provided scholarships to eight Federation University students.

In order to support and grow a strong talent pipeline, Downer has partnered with Federation University and The Smith Family through cadet-based programs. In 2017, Downer provided scholarships to eight Federation University students and the opportunity to work full-time within the Rail and Infrastructure Services divisions over a six-month period.

Another example of Downer working with educational institutions to inspire young workers is provided in the case study to the right.



Case Study

Creating a clearer pathway from school to industry

As part of our broader Diversity program, our Group HR team is currently involved in a project aimed at connecting schools with industry. The purpose of the project is to build a pipeline of talent from school to industry, through education, with a focus on Science, Technology, Engineering, Mathematics and Trades (STEM-T).

Taking a grassroots approach, Downer will welcome teachers from Roseville College to visit our Rail Maintenance site at Auburn. Here, teachers will interact with and observe a range of Downer employees who will support them to get first-hand knowledge of what it is like to work in a STEM-T related industry in an ASX top-100 organisation. Through this site visit and key interactions with industry experts, teachers will build their capabilities with a view to supporting increased female participation in STEM-T careers.

3. Cultural diversity

In September 2016, Downer launched its inaugural Reconciliation Action Plan (RAP). The implementation and delivery of this RAP affirms our commitment to the reconciliation process and formalises our commitment to Aboriginal and Torres Strait Islander employees and their communities. It also extends upon our existing partnerships and our broader Diversity and Inclusion (D&I) Strategy, which has a cultural component. Key outputs from our RAP Working Group in 2017 included:

- A database to identify and build relationships with Aboriginal and Torres Strait Islander peoples, communities and organisations;
- A business case for increasing awareness of Aboriginal and Torres Strait Islander cultures, histories and achievements within the organisation;
- The launch of a RAP survey to assess our employees' current level of knowledge and understanding of Aboriginal and Torres Strait Islander cultures, histories and achievements;
- The development and launch of an Aboriginal and Torres Strait Islander Cultural Protocols document;
- Division-based business cases for Aboriginal and Torres Strait Islander employment within our organisation; and
- A business case which supports procurement from Aboriginal and Torres Strait Islander owned businesses.

We also continued our partnership with Jawun, a not-for-profit organisation that places secondees from corporate, government and philanthropic partners into Aboriginal organisations across Australia to share their skills. By assisting Aboriginal leaders, organisations and communities to achieve their own development goals, our employees have a unique and rewarding experience while delivering lasting benefits to their host communities.

In FY17, 12 of our people completed secondments at Cape York, West Kimberley and Inner Sydney. A number of Downer executives also demonstrated their support and commitment to the program by participating in a shortened Executive Visit.

We also acknowledge the special place that Māori hold as Tangata Whenua (people of the land) in New Zealand and are committed to creating an environment that promotes opportunities for Māori. This begins with executive sponsorship, and is reflected in our recruitment messaging, education and awareness strategies.

Aboriginal and Torres Strait Islander Supplier Diversity

One element of Downer's workplace RAP requires us to demonstrate a commitment to creating opportunities for Aboriginal and Torres Strait Islander people and their communities.

This has led to the development of a business case, which sets out our approach to encouraging and embedding greater diversity and inclusion into our supply chain.

Our next step, and key objective, is to implement this business case to support Aboriginal and Torres Strait Islander sustainable enterprises and communities by procuring from accredited Aboriginal and Torres Strait Islander owned businesses.

The successful implementation of this business case requires engagement with the right stakeholders including Downer executives and the leaders in our Procurement team. Downer will also connect with Aboriginal and Torres Strait Islander owned businesses and ensure Key Performance Indicators are in place to measure our success.





What our people say

Downer's 'Have Your Say' Employee Engagement Survey

Every year we roll out an employee engagement survey in order to understand how our employees feel about their workplace and the areas they feel we need to improve in as an organisation. In FY17 almost 8,300 of our people completed the survey, which represents over 40% of our workforce.

At the Group level, our engagement score (which measures job satisfaction, commitment to Downer as an organisation and intention to stay at Downer) increased by two percentage points to 73%. The positive feedback on our commitment to 'safety' remained particularly encouraging and the results for 'teamwork' and 'role clarity' also remained very positive.

Engagement with our employees is a key measure of our sustainability performance and is included as part of the short-term remuneration incentive.

Developing our employees

At Downer we build strategic capability to ensure our people have the right knowledge, skills and attitudes to deliver results for our customers safely.

We have developed customised learning and development frameworks and programs that are responsive to our current business needs and focused on future capability drivers for performance.

Downer's learning and development goals include:

- Support our Zero Harm culture;
- Grow our leaders to achieve outstanding results;
- Embed project management excellence;
- Build skills to enhance business relationships;
- Build skills to strengthen business acumen; and
- Support organisational learning, change and transformation.

Capability development is underpinned by our four Pillars and aligns to the behaviours that will deliver Downer's Purpose and Promise.

Safety

Our continued focus on critical risk awareness is reinforced by the re-designed STOP (Supervising Traffic Operations and People) training initiative. In FY17, we trained 333 supervisors, demonstrating our commitment to safety and acknowledging the critical role supervisors play in ensuring the safety of people on-site. STOP aims to build the capability of supervisors to understand their role in eliminating incidents on-site involving vehicle movement, mobile plant and equipment.

Additionally, Downer's Achieving Zero Harm program involves senior leaders working with their supervisory teams on how to achieve and manage Zero Harm and gain skills in leading a 'safety culture'. The Our Safety Focus is an annual re-induction that is mandatory for all employees. It covers a range of Zero Harm topics and reinforces the importance of committing to a safe workplace.

Relationships

Leadership development is a key priority and will support business performance. The Leadership Excellence at Downer program continues to be supported and delivers value to our operations. Programs are underpinned by the LEaD Capability Framework and seek to build safety, people and customer leadership, while increasing business knowledge.

ExeLD is Downer's Executive Development Framework. It focuses on the development journey for leaders at Downer. Through ExeLD we ensure we have the right leadership capability to deliver against current and future business goals.

In FY17, 60 executives undertook ExeLD. Through the training they are able to demonstrate higher order thinking and look beyond organisational boundaries.

Our newly developed Industrial Relations at Downer training program aims to develop skills and knowledge of both the HR and operational community, with a view to strengthening relationships and delivering for our customers. This program was developed using internal capability; developed by our people, for our people.

At the completion of Industrial Relations at Downer, employees are equipped with the confidence, knowledge and skills to contribute to the labour strategy and minimise Downer's exposure to industrial dispute, lost time and lost revenue.

Delivery

Projects are the lifeblood of our business:

1,156

project practitioners have been trained since the launch of our foundational Project Management program, *Fundamentals for Successful Downer Projects*, in 2014; this includes 121 in FY17.

Thought Leadership

Downer is investing in attracting, sourcing and developing graduates who can deliver thought leadership. Graduates are challenged to question the status quo and expedite their learning and development.

Graduate development will support our growing pipeline of work and help us deliver innovative solutions for our customers.



Case Study

Downer's LEaDYP program

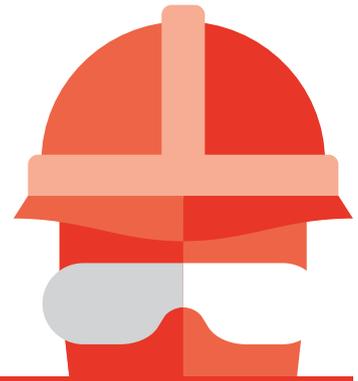
Ongoing professional development is important for all Downer employees to ensure that our people and their capabilities grow with the business. Our focus on development is designed to ensure that we deliver maximum value to our customers and the services we provide. LEaDYP is a leadership program for Downer's Young Professionals (YPs). To be nominated for the program, employees need to be identified as a talented young professional in the business. Fourteen YPs recently attended the first block of the 12-month development program in Melbourne.

Candice Mesecke, Executive Manager, Organisational Development and Change Downer Group, said: "This is the third year we have run the LEaDYP program. Block One is themed around thought leadership and our YPs are asked to consider what thought leadership means to them and how they can embed it into their roles day-to-day. The group benefited from hearing from a multitude of speakers over the two days. They also went on a site tour at Somerton Asphalt Plant in Melbourne where they were able to see first-hand how thought leadership is a competitive advantage."

The group reconvened two more times during the year to develop and deliver a business improvement project, continuing to draw on the behaviours and values represented by our four Pillars.

Program participant, Min Lim, Admin Team Leader from Downer's Utilities team, said: "I found the program to be very inspiring, especially to be able to learn from the different speakers, and hear what they have been through and how they got to where they are. Something that really resonated with me was that their success is really a lot of hard work, it is not a fluke ... it's what you put into it as a leader. Since attending the program I am trying to become more of an informal mentor, guiding better, which is a key way for me to help my team grow."

Health and Safety



Our business is founded on the deeply held value of Zero Harm. As it applies to safety, we remain focused on ensuring that all our people return home safely to their families at the end of their working day.

Our Zero Harm safety culture is built upon our ability to lead and rethink processes, adopting practices that aim to achieve zero work-related injuries. Our approach to safety is a market differentiator for Downer as it enables us to work in industry sectors where there are inherent hazardous environments. We firmly believe that any injury is unacceptable and preventable. In everything we do, the health and safety of our people and communities is always our top priority.

Our approach

The commitment we have to our goal of Zero Harm is supported by strong leadership. Our executive and senior managers actively empower our people to maintain safe working environments.

Downer prides itself on having an established and mature safety culture. Achieving Zero Harm requires strong leadership and relentless commitment. We work to achieve this through:

- setting clear leadership expectations, developing and involving our people, and acting with integrity;
- two-way engagement with our workforce focusing on a message of personal commitment, active caring, critical risk management, control effectiveness, and data analysis. Our people at all levels are actively involved and accountable;

- learning from our experiences, and investing in our workplace culture to the extent that all employees and contractors have enhanced commitment and capability;
- continuing to improve and simplify our management systems to support the way we work;
- continual focus on managing risks that have the potential to cause harm to our people or the community; and
- aligning our values throughout our organisation.





Our National Research and Development Laboratory in Australia is leading the development of alternative fluxing agents with several options being trialled in the business. We are developing an emulsion-based approach that will perform better with a longer shelf life. It will also completely eliminate all risk of ignition or explosion, making it a true cold mix.

Case Study

Eliminating diesel from cold mix asphalt

There are inherent dangers in the manufacturing process of diesel-based cold mix asphalt, which can cause an ignition or explosion, risking worker health and safety. Historically, diesel was used as a fluxing agent to allow the bitumen to be workable at ambient temperatures. However, diesel has a relatively low flash point (> 61.5°C) – the temperature at which it can ignite.

Numerous manufacturing and safety controls must be implemented to manage the safety risks associated with using diesel. Missing a critical step, or a plant malfunction during production, can lead to safety incidents.

Diesel is used in one of our New Zealand asphalt plants. However, the plant configuration means that the diesel is introduced at a different point in the process, away from potential sources of ignition, thus reducing risks and improving the safe handling of diesel and bitumen.

We urge all asphalt manufacturers to review their safety processes in relation to diesel-based cold mix and applaud those in our industry who are taking the steps to continually innovate and improve their products and services to make them safer and more sustainable.



Zero Harm is a priority focus in all our operations and Downer has put that into practice during FY17 by ceasing the production of diesel-based cold mix in Australia. Instead, we have developed new, safer cold mix asphalt alternatives, which also provide a more environmentally sustainable solution.

Robust risk management

Downer is continuing to improve upon its Zero Harm performance across health and safety with a particular focus on critical risk management. We have maintained our focus on understanding and managing risks that have the potential to cause serious harm to our people. These include risks arising from plant or equipment maintenance, plant or vehicle operation, third-party interactions, underground and overhead services, falling objects, electrical work and working at heights.

During FY17, we implemented the Group-wide Zero Harm Management System Framework, which aims to ensure a consistent and comprehensive approach to managing Zero Harm across our business. This governance framework clearly outlines how we can deliver on the commitments made in our Health and Safety Policy.

The top 10 categories of High Potential Incidents remain the same as in previous years. However there have been substantial reductions in the occurrence of the majority of these over the past three years (since the commencement of

our Critical Risk program). The business remains committed to reducing these incidents through various programs within each of our divisions, focusing on:

- **EC&M** – Working at Heights, Working with Electricity, and Falling/ Dropped Objects;
- **Infrastructure Services** – Mission Possible (Working around Plant and Equipment), and Uncontrolled Vehicle Movements;
- **Mining** – Uncontrolled Movement of Suspended Loads, Fire on Plant/Equipment, and Falling or Dropped Objects;
- **New Zealand** – Permit to Work/ Authority to Work, Working around Plant and Equipment, Underground Service Strikes, Isolation, and Working at Heights; and
- **Rail** – Isolations, Exclusion Zones, Uncontrolled Movement of Rolling Stock, and Working at Heights.

We have further improved our management systems to ensure critical controls are defined and in place. This has enabled us to enhance the management of risks that carry the potential to cause serious harm.

Our focus has been on fostering:

- Visible, caring, informed, involved, evidence-based management;
- Active workforce involvement, enhancing the capability of our frontline teams to manage Zero Harm;
- Information, training, instruction, mentoring, coaching and supervision for competency;
- Knowledge of critical risks and their controls at all levels of the organisation;
- Consolidating, enhancing and focusing work practices around critical risk controls;
- A high level of reporting and benchmarking, with a focus on lead indicators, and communication about lessons learned;
- Culturally embedded risk management and planning, with consideration of Zero Harm in design, manufacturing, importing, supply, installation and construction;
- Consequence management for errors and non-compliances;
- Auditing implementation and effectiveness; and
- Fighting complacency; and fostering 'chronic unease'.

A culture of accountability

Responsibilities and accountability for Zero Harm are clearly defined through our governance framework and Zero Harm management systems.

- The Board Zero Harm Committee oversees the development and implementation of systems, procedures, policies and practices to ensure compliance with our legal and regulatory obligations and other commitments;
- Our Executive Team has overall accountability for our Zero Harm performance. It is incumbent on the

Executive Team to ensure that robust systems and processes are in place to enable our people to deliver on our commitments;

- Our divisional and operational managers are accountable and responsible for implementing these systems and processes, and for driving continuous performance improvement; and
- Our people have a responsibility to follow, and be involved in developing, agreed work practices, complying with our Cardinal Rules and, when required, to **stop, challenge** and **report** work practices that are unsafe or environmentally irresponsible.

10 CARDINAL RULES

WORKPLACE RULES THAT WILL SAVE YOUR LIFE. ALL WORKERS HAVE AN OBLIGATION TO STOP AND REPORT UNSAFE WORK.

-  **NEVER** WALK DIRECTLY BEHIND OR IN THE PATH OF A REVERSING VEHICLE
 -  **NEVER** WORK AT A HEIGHT WITHOUT FALL PROTECTION
 -  **NEVER** ENTER A DESIGNATED CONFINED SPACE WITHOUT TRAINING AND A PERMIT
 -  **NEVER** BE UNDER A SUSPENDED LOAD
 -  **NEVER** ENTER A DESIGNATED EXCLUSION ZONE WITHOUT AUTHORISATION
 -  **NEVER** WORK ON PLANT AND EQUIPMENT WITHOUT VERIFYING ISOLATION, TAGGING AND TESTING
 -  **NEVER** TAMPER WITH, REMOVE OR BYPASS ANY SAFETY DEVICE
 -  **NEVER** OPERATE PLANT OR MOBILE EQUIPMENT UNLESS LICENSED/COMPETENT OR UNDER SUPERVISED TRAINING
 -  **NEVER** OPERATE A VEHICLE WHILE USING A HANDHELD MOBILE PHONE OR WITHOUT WEARING A SEATBELT, WHERE FITTED
 -  **NEVER** CONSUME OR BE UNDER THE INFLUENCE OF ALCOHOL OR NON-APPROVED DRUGS IN THE WORKPLACE
- BREACHES OF THESE RULES WILL PUT YOUR LIFE IN IMMINENT DANGER, WILL BE INVESTIGATED AND MAY RESULT IN DISCIPLINARY ACTION OR DISMISSAL.

The short-term remuneration incentive plan for senior managers includes 20% allocated for health and safety, for performance against safety-related key performance indicators, with a balance of leading and lagging indicators, including:

- Safety performance – fatal incidents, LTIFR and TRIFR;
- Leadership – ensuring a focus on meaningful conversations between senior managers and the frontline employees on critical risk, control verification, and cross-divisional information sharing; and
- Critical risk management program progress.

To ensure that our people remain informed and involved, we regularly consult on Zero Harm matters across all our operations, including in 'pre-start', 'toolbox' and Health and Safety Committee meetings, 'safety moments' at the beginning of meetings, site visits and observations by senior management, and competitions. These efforts are supported by resources such as Zero Harm noticeboards and our intranet.

Rewarding our Zero Harm culture

The Downer team in New Zealand recognises and rewards 'Safety Heroes' every month. These are employees who have made an impression for their dedication to our Zero Harm culture. Our people are invited to put forward their nominations through our employee engagement channels such as our intranet.

Most recently, the June 2017 Safety Heroes were the members of our Transpower Facilities Management Team. The team looks after the buildings, ground and fences for our customer Transpower, across the South Island of New Zealand, and they reported zero injuries in 2017.

This is due to the planning that goes into their work, the extreme caution they exercise in carrying out their duties and their ability to collaborate as a team, across all levels of seniority.

There are often a number of hazards they need to be aware of as they can work in some particularly difficult environments, including in regionally remote areas and high voltage switch yards. Their efforts have also received praise and recognition from Transpower.



Downer
Relationships creating success



What our employees say

The feedback we received through our annual employee engagement survey continues to confirm the existence of a strong, inclusive safety culture within our organisation. Close to 90% of all employees who responded to the survey agreed that they are aware of their health and safety responsibilities, compared to benchmark industries that recorded 78%.

Wellness in the workplace

The health and wellbeing of our employees is fundamental to maintaining an effective workforce and a number of workplace health programs are available to our employees including:

- a dedicated injury management service to assist employees with both work-related and non-work-related injuries and illnesses to enable their return to work;
- health assessments, including pre-employment screening, industry-defined medical assessments and executive medicals;
- an Employee Assistance Program (EAP) for employees and their families that includes confidential counselling and access to a home doctor service and accredited practising dieticians;
- a Manager Assistance service that helps managers and team leaders to manage difficult workplace situations;
- education programs, supported through the EAP and regular testing of our people to support our zero tolerance to impairment due to alcohol or other drugs in the workplace;
- participation in health promotion events, such as Movember, R U OK? Day and Stress Down Day; and
- a suite of benefits accessible to employees and their families, such as discounts on gym memberships, health insurance and holidays.

Our performance

Downer continues to understand and manage the 'critical risks' that have the potential to cause serious injury to people. The implementation of our health and safety plan in FY17 focused on the ongoing evaluation and assurance of critical safety controls. It was implemented through our senior managers and frontline leaders.

We have continued to focus on the development of our frontline leaders to ensure they have the capability to manage Zero Harm. Our internal learning and development programs provide a broad range of training options that support our people and foster an aware and involved workforce, including online (e-learning) and face-to-face training. We have annual re-induction programs that are enhanced by specific training on safety leadership and critical risk management. We want our people to fully understand the risks they face

in the workplace and have the right knowledge and skills to take action to protect themselves, their colleagues and the community, as they go about their work.

The lag indicators demonstrate continued results for TRIFR below 4 and maintenance of LTIFR below 1; additionally the severity rate has decreased over the period (see table below). There were no fatal incidents arising from our operations.

In line with our previous reporting practice we have quarantined the safety incident data for the acquisitions made during the year, as we use a 12-month rolling average to report our safety performance data. Incorporating data from the acquisitions at this stage would take into consideration safety incidents from the period outside of Downer's operational control. Segregating the data from the acquisitions allows the business to align data collection, management systems and processes.

Additional safety metrics

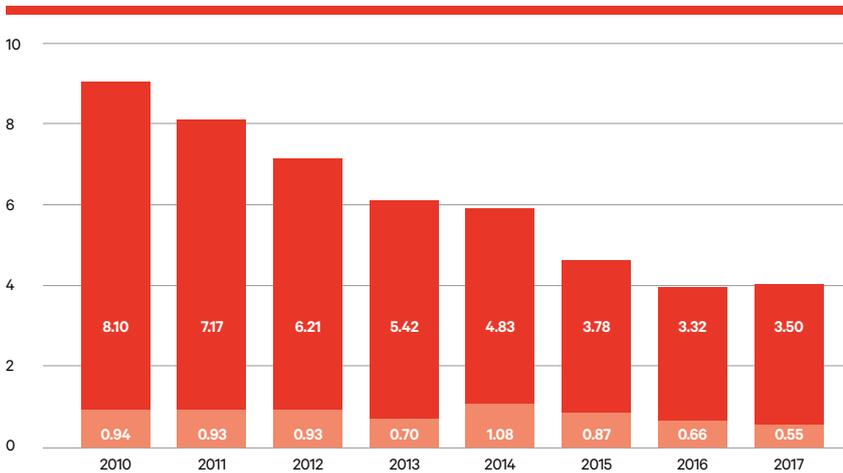
The additional safety metrics of severity rate (lost days) and occupational disease rate have been calculated by gender and region for our Australian and New Zealand employees, who comprise 97% of our workforce.

The TRIFR and severity rate are higher, respectively, for our male employees in New Zealand than in Australia. The severity rate for our female employees, who account for 13.5% of our workforce, is considerably lower than that of their male counterparts in both Australia and New Zealand. The occupational disease rate is similar for male and female employees in Australia, whereas in New Zealand it is significantly lower for females than for males.

The principal cause of occupational diseases that resulted in medical treatment or lost days (total recordable injuries) was musculoskeletal disorders, which comprised 31% of all occupational diseases reported. This is consistent with trends published for Australian workplaces¹, and is due to the type of physical work often undertaken in engineering, construction and mining, such as manual handling, twisting, bending, repetitive work and working with vibrating machinery. We are continuing to implement initiatives that are aimed at reducing the incidence and severity of these types of injuries.

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

Key: ■ LTIFR ■ TRIFR



¹ Safe Work Australia Industry Factsheets for Transport and Storage, Construction, Mining and Manufacturing 2011-12.

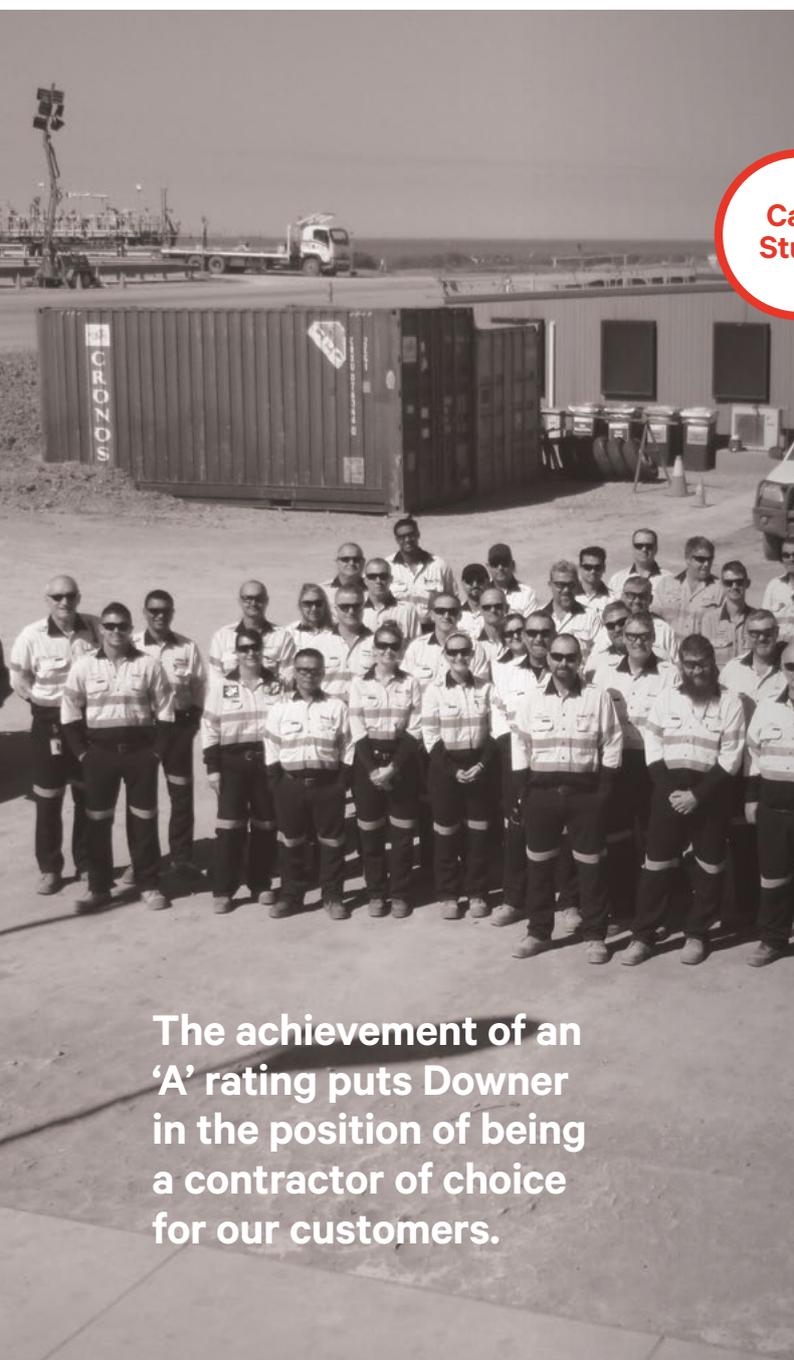


Our focus in FY18

In the year ahead we will focus on:

- Continuing to enhance the technical and leadership skills of our frontline managers and supervisors by building their capability in managing Zero Harm. In FY18 we will deliver further Critical Risk Management and Our Safety Focus annual re-induction training modules. A revision of the current new starter induction module is also being undertaken to ensure the messaging continues to support our Zero Harm cultural journey;
- Strategically managing our critical risks and further embedding our critical risk program. We will continue to enhance our employees' understanding and engagement in the program and encourage an approach of 'Celebrating the Red', where people are recognised for finding a critical control that is not in place or not effective, and correcting it;
- Continuing to review, measure and benchmark our performance across a range of leading and lagging indicators, to provide assurance that the business has the necessary processes in place to manage Zero Harm risks, in order to minimise the number of incidents;
- Strengthening and simplifying our management systems with a consistent approach to Zero Harm across the business, including our recent acquisitions; and
- Providing appropriate skills, leadership and training to employees and contractors.

For two consecutive years, Downer has secured and maintained its 'A' rating (the highest possible rating) for Zero Harm performance and this year we achieved the best overall rating on-site. This rating can only be achieved when the performance is high over a sustained period of time and there is strong commitment from everyone on the project team.



Case Study

Safety performance on Gorgon project scores 'A' rating

Downer's class leading Zero Harm performance has been recognised by our customer, Chevron, for achieving an outstanding, international standard performance in its Zero Harm program on the Gorgon LNG Miscellaneous Works project.

Chevron's worldwide Contractor Health Environment Safety Management (CHESM) process uses a dynamic rating system to measure contractor Health, Environment and Safety (HES) performance across a broad range of areas: safety management systems, TRIFR, safety questionnaires, HES audits, field competency verifications, field feedback forms and the working relationship throughout the lifecycle of the contract.

The rating system acts as a driver for our leadership and performance in Zero Harm. First, as a process that strives for operational excellence, to achieve an incident and injury free operation. Secondly and more pragmatically, the achievement of an 'A' rating puts Downer in the position of being a contractor of choice for our customers.

The achievement of an 'A' rating puts Downer in the position of being a contractor of choice for our customers.

Our Environment



Developing environmentally sustainable solutions for our customers is a focus for Downer. Our customers often look to us to deliver best practice options.

We recognise that it is not possible to provide our diverse products and services without having some impacts on the environment. These impacts generally relate to GHG emissions, land, air and water from the activities we carry out for our customers.

Downer is focused on developing solutions to reduce our energy consumption and GHG emissions, while at the same time increasing our cost competitiveness.

In particular, government contracts, which make up a large proportion of our business, are increasingly setting more stringent sustainability and environmental management performance criteria. If we fail to offer leading environmentally sustainable solutions, our ability to win work will suffer.

While focusing our attention on managing the risks associated with environmental management and in particular, climate change, we are also taking advantage of the commercial opportunities this presents for our business.

We are pleased to say that Downer is one of the largest and most experienced providers of design, build and maintenance services to Australia's renewable energy market.



Our approach

Our environmental commitments are outlined in Downer's Environmental Sustainability Policy, which is available on our website, and the delivery of these is supported by the performance requirements set out in our Management Framework and a set of **10 Environmental Principles**:

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

These principles are critical to ensuring our employees and broader stakeholder groups are engaged and aware of our environmentally sustainable commitments.

Our Zero Harm management framework

Our framework guides our approach to the key areas of risk management, compliance, minimising environmental impacts, and maximising resource efficiency.

Each of our business divisions has management systems in place, which are certified to the international environmental management system standard ISO14001. Downer also adheres to other third-party standards, guidelines and regulations, as well as customer-specific requirements.

Our management systems are reviewed regularly, undergoing internal and external auditing, which ensures effective controls are maintained and opportunities for continuous improvement are identified.

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

Senior management short-term incentive plan

10% allocated to environmental sustainability measures

5% related to management of critical environmental risks and delivery of a critical environmental risk mitigation program

5% related to energy efficiency and GHG emissions reduction



Case Study

Lighting the way with VicRoads

Our Road Network Management business has won a \$28 million 10-year VicRoads contract to replace and maintain street lighting in Melbourne. The contract involves the upgrade and maintenance of approximately 8,000 street lights in the Melbourne metropolitan area to new LED (light emitting diode) technology, with central monitoring and control capability.

Stuart Billing, National General Manager – Road Network Management said: “We’re very pleased to continue growing our partnership with VicRoads by bringing even more value to the local community, by delivering on our customer’s strategy to build, operate and maintain a more sustainable road system.”

“LED street lighting improves safety and security through improved visibility, saves money by consuming less electricity and has a positive impact on the environment due to the increased life expectancy of LED luminaires.”

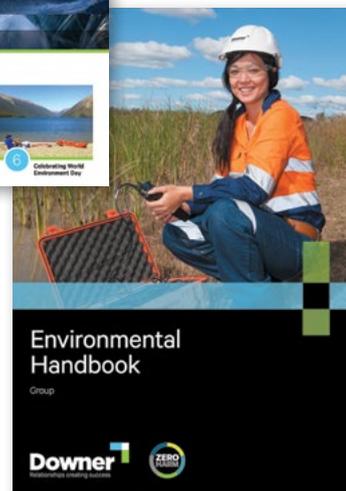
“What’s more, the technology of the new network for VicRoads will see more efficient asset management and increase energy saving.”

The smart lighting control system can control each individual light remotely to adapt to, for example, environmental factors. The initial upgrade of the network will take about a year and is the first large-scale smart lighting roll-out in a major metro area in Australia.

Creating an environmentally conscious workforce

During the year, we continued to develop our environmentally sustainable workforce capability by providing learning and awareness opportunities to our people. These included:

- The chance for employees to participate in industry networking events, influencing the adoption of more sustainable practices;
- Group-wide employee participation in activities aligned with Earth Hour and World Environment Day;
- The publication of **Enviro News**, an internal newsletter highlighting our environmental solutions, performance and commendable achievements;
- The roll-out of the Accredited Advanced Environmental Awareness training and the Introduction to IMS environmental standards training, which is targeted at Project Managers, Construction Managers, Supervisors and Zero Harm Advisors; and
- The publishing of an **Environmental Handbook**, an employee sustainability reference guide, based on our 10 Environmental Principles.



Our performance

We record all environmental incidents, using a six-level severity rating. In FY17 there were no significant environmental incidents¹ (≥Level 4) and we achieved our Group-wide target of no Level 5² or Level 6³ environmental incidents.

In FY17, Downer received four fines in our Australian operations, totalling AUD\$34,780. In New Zealand we received two, totalling NZD\$1,500.

Environmental data has been incorporated into the Group Sustainability Report for each of the acquisitions except for Spotless and Hawkins. Sustainability reporting for Spotless and Hawkins will commence in FY18.

We have enhanced our management systems to meet the new requirements of ISO14001:2015. The revised standards require consideration of the 'lifecycle perspective' in our upstream and downstream value chain. This includes the stages of the lifecycle that Downer can control or influence. It also stipulates that we are required to provide information to our external stakeholders (customers, contractors, transport providers etc) about any potentially significant environmental impacts associated with our services.

Our efforts in applying the 'whole of life' approach have included:

- Using LCA software to:
 - achieve Green Tag certification for our asphalt and bitumen emulsion products in the transport services division; and
 - develop LCAs for products such as low carbon asphalt and train sets with a view to obtaining Environmental Product Declarations.

- Substituting waste or recycled products in manufacturing processes to reduce the use of virgin materials. For example we:
 - reuse waste oil as a diesel substitute in blasting products;
 - substitute post-consumer materials, such as printer cartridge toner, tyre rubber crumb, glass, fly ash, slag, recycled oils and recycled bitumen pavements, for virgin materials in the road surfacing process;
 - substitute asphalt and concrete products to reduce energy and GHG emissions; and
 - divert waste from landfill by providing options and implementing systems for recycling materials (paper, cardboard, metal, plastic, batteries, tyres) at work sites.

Climate resilience

Downer's response to climate change requires an integrated approach focusing on compliance, business improvement and business development opportunities. Downer is committed to participating in climate change solutions by developing processes and technology to reduce its direct emissions and overall energy consumption. We are also committed to supporting our customers in implementing sustainable solutions.

Climate Change is an opportunity and a risk, with potential implications for our long-term business strategy. We are committed to carefully reviewing these through a comprehensive assessment with reference to the recommendations of the Financial Stability Board's Task Force in Climate-related Financial Disclosure (TCFD), which were issued in June 2017. This detailed assessment will inform our future disclosures.

Downer provides diverse services across the public sector. These include public transport services (buses, light rail and heavy rail), managing and maintaining road networks, operating and maintaining water and wastewater treatment plants and constructing telecommunications networks to households and businesses. We are one of Australia's largest and most experienced providers in the renewable energy sector offering design, build and maintenance services for wind and solar farms.

Mining services is part of our portfolio and includes contract services for the extraction of minerals. Downer does not own mineral reserves but works closely with its customers to provide environmentally compliant services and low-carbon solutions.

1 A significant environmental incident or significant environmental spill (≥Level 4) is any environmental incident or spill where there is significant impact on or material harm to the environment; or a notifiable incident where there is a spill that results in significant impact or material harm; or there is long-term community irritation leading to disruptive actions and requiring continual management attention.

2 A Level 5 environmental incident is defined as any incident that causes significant impact or serious harm to the environment, where 'material harm' has occurred and if costs in aggregate exceed \$50,000.

3 A Level 6 environmental incident is defined as an incident that results in catastrophic widespread impact on the environment resulting in irreversible damage.

Managing foreseeable climate-related risks

Downer conducts its business in a way that is sustainable, taking into account a range of factors, including climate-related risks and opportunities.

We recognise the need to consider additional ways we can address our climate change impacts, in line with the Paris Agreement. Downer has identified the potential climate-related risks relevant to industries we operate within, as they relate to the recommendations and expectations of the TCFD.

Downer's diversified portfolio means that it interacts with society in many ways. It makes positive contributions in industry sectors such as utilities, renewables, public transport and infrastructure. To some extent, this allows us to mitigate our exposure to climate risks and maximise business opportunities.

However our operations also have impacts on the environment. We have sought to identify and respond to these through our risk management framework and materiality process. For example, we consider carbon emissions from our operations. We are also committed to improving energy efficiency and implementing innovative solutions to reduce our use of raw materials.

Whilst we have a diverse commercial portfolio, we have limited exposure to fixed long-lived capital assets. This flexibility allows us to re-deploy our assets, including our people, to high-growth areas as markets change.

As societal and market expectations shift on climate change, we recognise the importance of planning for and responding to these evolving expectations. As a contractor exposed to the value chain of mineral extraction (including fossil fuel) and use, any long-term decline in minerals (fossil fuel) use driven by the Paris Agreement may have an impact on our work in the mining, oil and gas sectors. Conversely, the demand for more renewable energy will see our utilities business accelerate.

Downer has invested significantly in providing renewable energy and recycling solutions to its customers. Downer is now one of Australia's most experienced providers of renewable energy (wind and solar generation) and recycling solutions (including water treatment and pavement recycling).

We have also invested in world-leading software to enhance our ability to manage energy consumption and greenhouse gas emissions. This is supported by comprehensive plans to reduce greenhouse gas emissions over time, which are linked to executive remuneration.

Downer contributes to the decarbonising of the modern environment through our contribution to public transport, wastewater treatment, low-emission technology and the circular economy. We do this because we see business opportunities, and the policy, market and physical risks flowing from climate change will catalyse further growth.

This year we conducted a high-level review of climate-related risks and opportunities associated with our activities, with reference to the recommendations of the TCFD, and we will undertake a detailed assessment against the TCFD over the next reporting period. This will further inform our future direction on governance, strategy, metrics and targets, and our disclosures of climate-related risks.

Type	Climate-related risks	Horizon
Transitional	Policy and Legal	
	Climate and energy policy uncertainty	▶
	Deepening of renewable/clean energy targets	▶
	Increased disclosure regulations	▶
	Exposure to litigation	▶
	Technology	
	Substitution of existing products with lower emissions options	▶▶
	Delays in implementing new technology	▶▶
	Markets	
	Increased disruption, emissions competitiveness	▶
	Changing customer/end-user preferences	▶
	Reputation	
	Alignment with societal expectations	▶▶
Stigmatisation of sector	▶	
Physical	Acute	
	Increased severity of cyclones/rain storms	▶▶
	More frequent and hotter hot days	▶▶
	Increased time in drought	▶▶
	Chronic	
	Rising sea level	▶▶▶
	Decreased availability of water	▶▶▶
Increased risk of erosion (coastal and fluvial)	▶▶▶	

Horizon: ▶ Short-term (<2020) ▶▶ Medium-term (2020-2035) ▶▶▶ Long-term (2036-2050)

Issue Area	Opportunities
Low-Carbon Markets	Expected growth in low-carbon products and services across sectors including renewable energy, green logistics solutions and energy and water efficient products.
Policy	Introduction of new policies and strengthening of existing legislation, for example investment in R&D, emissions trading and encouraging adaptation of coastal cities.
Transport Services	Expected growth in low-carbon services, for example green logistics solutions (e.g. use of biofuels, fuel additives, maximising efficiency through maintenance and new fleet technology).
Mining	Increased deployment of wind, solar and energy storage batteries is expected to promote a growing market for copper, iron ore, lead, lithium and rare earth metals.
Energy and Industrial Engineering	Downer's exposure to engineering, construction, and maintenance projects will see increased demand for products as climate change leads to an increase in damaging weather events.
Utilities	Introduction of new policies and strengthening of existing legislation, for renewable energy targets, investment in R&D and emissions trading.
Technology and Communication Services	Expected growth in demand for products related to the acute and chronic effects of climate change, for example minimising business disruption during power outages and emergency and disaster warning systems.
Facilities and Open Space Management	There is likely to be a greater demand for consumer products and solutions to track and reduce energy and water use, energy audits, and energy and water efficient systems.



We work in partnership with our customers to address climate-related risks by providing leading design, engineering and low-carbon solutions that deliver mutual benefit.

Managing GHG emissions

During FY17, we increased our total energy consumption by 2.0% and total Scope 1 and 2 emissions (236.6 kilotonnes CO₂-e) by 0.6%, compared to FY16. Consumption and emissions increased for the year due to the inclusion of acquisitions (except Hawkins and Spotless) and growth in the business, as reflected by the 5.7% increase in total revenue for the year.

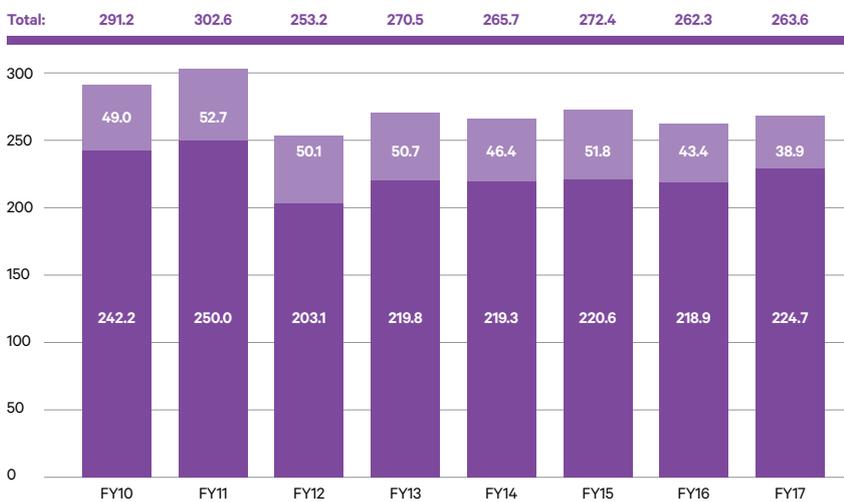
As a contract service provider operating within carbon-intensive industries, a key challenge for us is the effective management of our carbon-related activities.

Again, the primary source (71%) of our total Scope 1 and 2 GHG emissions is the consumption of liquid fossil derived fuels (mostly diesel oil) used in our transport fleet and the production of stationary energy in our asphalt and other manufacturing plants.

Our carbon intensity¹ and energy intensity² vary from year to year, due to changes in production, project opportunities and fluctuations in revenue streams. In FY17, carbon intensity decreased by 4.7% and energy intensity decreased by 3.4%. During the year, our Scope 2 emissions reduced by 5.7%, partly through consolidation of locations and a program of ongoing energy efficiency projects. 52 new projects were implemented during the year with combined capacity to deliver 186 terajoules of annualised energy savings, equivalent to the abatement of over 12 kilotonnes of CO₂-e emissions across Scopes 1, 2 and defined Scope 3 (energy consumption for non-operational control projects, substitution and reuse of materials in construction including fly ash, slag, optimising delivery routes for materials).

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

Key: ■ Scope 1 ■ Scope 2



Efficiency drive

Downer began implementing energy efficiency initiatives and effective energy management programs in FY10. We enhanced these programs with business specific five-year energy and GHG emissions reduction plans in FY14. Since then, we have seen a 30% reduction in GHG emissions intensity and a 25% reduction in energy intensity.

25%
reduction in energy intensity since FY10

1 Downer uses the carbon intensity metric of annual Scope 1 and Scope 2 GHG emissions relative to total revenue (i.e. tonnes CO₂-e/AUD\$m) to provide a comparative measure of carbon performance. Normalising annual GHG emissions in this manner allows the Company to track carbon performance over time and make year-on-year comparisons.

2 Energy intensity for Scope 1 and Scope 2 emissions is measured as energy consumed relative to total revenue (i.e. terajoules/AUD\$m).

Adopting sustainability rating tools

The application of sustainability rating tools for nominated infrastructure projects allows us to address, mitigate and manage climate-related risks. This includes the Transport for NSW Sustainable Design Guidelines and the Infrastructure Sustainability Council of Australia (ISCA)³ IS Rating Tool.

Some of Downer's standout successes in infrastructure sustainability to date include:

- First to achieve a 'platinum' sustainability design rating from Transport for NSW – Gosford Passing Loops project;

- First 'excellent' ISCA Design and As Built rating – Whitsunday Sewage Treatment Plant Upgrade; and
- First 'excellent' ISCA Operational rating for the Yarra Park Water Recycling Facility.

Downer's ISCA Renewable Energy Projects in progress⁴:

The Infrastructure Sustainability Council of Australia (ISCA) is a member-based not-for-profit public and private industry council. ISCA is the peak industry body for advancing sustainability outcomes in infrastructure.

- Ararat Windfarm and Sunshine Coast Solar Farm – ISCA As Built rating.

Downer's ISCA Projects Targeting an 'Excellent' rating:

- High Capacity Metro Train project, Melbourne – Design, As Built, Operational ratings;
- Newcastle Light Rail – Design, As Built, Operational; and
- Auckland City Rail Link project (tunnels and Britomart station entrance) Pilot Project for use of ISCA in New Zealand.

Leading the way in infrastructure sustainability

Beneficial use of waste

Materials such as glass and toner from print cartridges normally end up in landfill. Downer has maintained its focus on using such materials to manufacture asphalt, thus keeping them out of our waste stream.

In FY17, Downer used recycled materials in the production of asphalt with consequent GHG emissions reduction as follows:

- Toner from printer cartridges – a total of 534 tonnes (138 tCO₂-e);
- Fly ash (by-product of coal combustion in power stations) – 1,286 tonnes (598 tCO₂-e); and
- Glass – 7,116 tonnes (33 tCO₂-e).

Across Victoria and New South Wales in our road stabilising works we have been able to substitute resources to reduce GHG emissions by replacing:

- 2,438 tonnes of cement with slag (1,285 tCO₂-e); and
- 310 tonnes of fly ash with lime (275 tCO₂-e).

³ ISCA developed and administers the Infrastructure Sustainability (IS) rating scheme which is the only comprehensive rating system in Australia and New Zealand for evaluating sustainability across design, construction and operation of infrastructure. IS evaluates the sustainability (including environmental, social, economic and governance aspects) of infrastructure projects and assets.

⁴ Projects in progress subject to submission and verification by ISCA.



Case Study

Revitalisation of Newcastle

Newcastle Light Rail is a key part of revitalising Newcastle and will provide a frequent and reliable travel option throughout the city centre and open up great urban renewal opportunities.

Downer has played a significant role in this revitalisation project by clearing the town's heavy rail corridor on behalf of Transport for NSW, to make way for the light rail. This has been a major undertaking, requiring the removal of 8.8 kilometres of rail, 7,300 sleepers, four kilometres of overhead wiring and 18,000 tonnes of ballast.

An important element of this project has been Downer's ability to facilitate the reuse (or recycling) of the redundant rail infrastructure and building materials. The key highlights are as follows:

- 400 tonnes of concrete and 120 tonnes of steel was removed from the corridor;
- 100% of the copper was recycled at local facilities in Newcastle;
- Specialist signalling equipment and over 7,500 tonnes of ballast will be reused elsewhere across the NSW rail network; and
- Material from redundant overhead pedestrian footbridges removed as part of the project was recycled locally.



Before

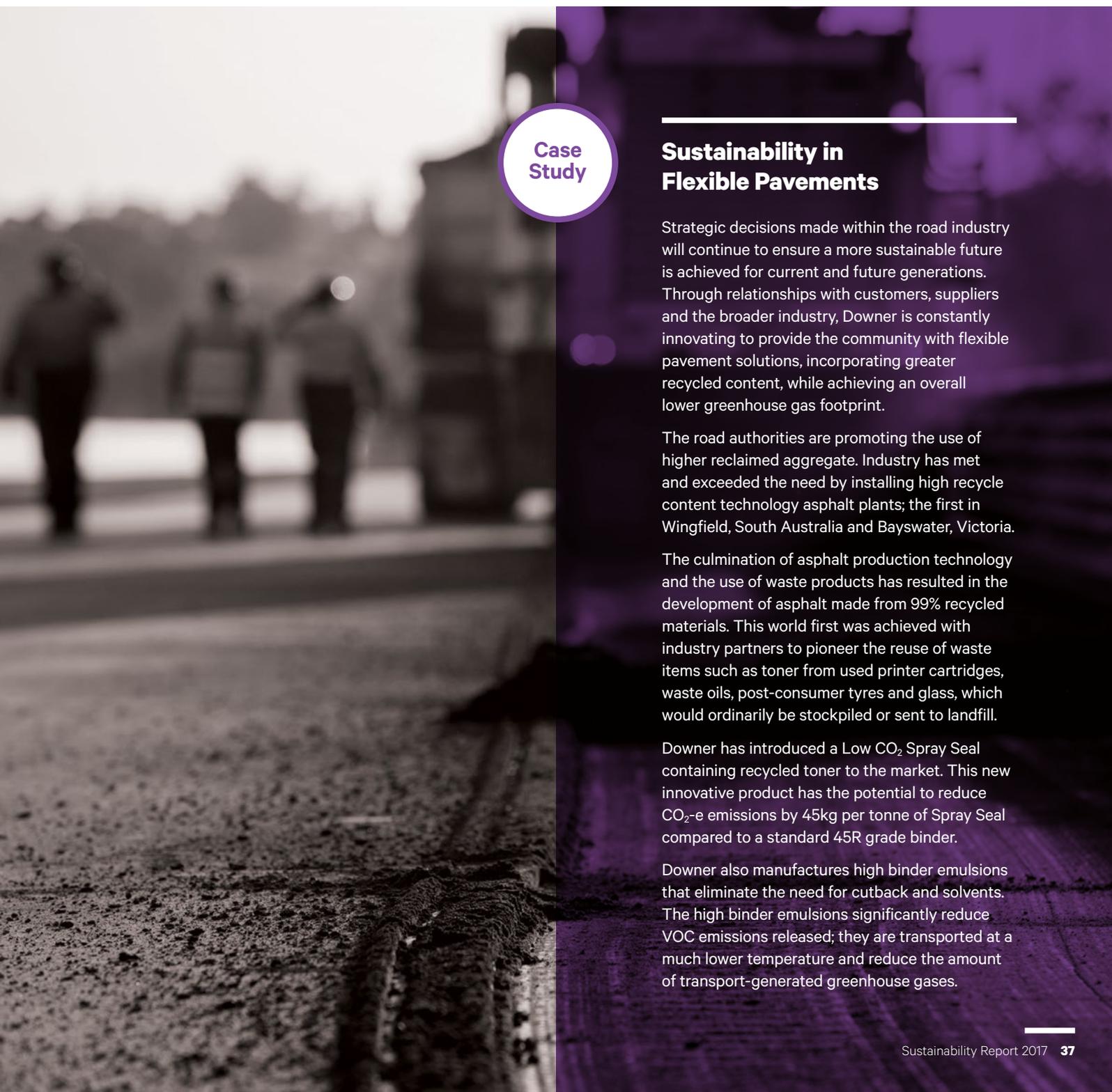
Our focus in FY18

Downer is focused on driving improvement in our environmental and sustainability performance wherever possible. We are committed to strengthening our position to understand, manage and disclose climate risks through:

- Continuing to diversify our business and providing services to sectors that promote a sustainable future, including renewable energy, water treatment, telecommunications and transport;
- Enhancing the resilience of our operations and continuing to transition our business to a low-carbon economy by continuing to invest in low-emission technology;
- Strengthening our position by undertaking a comprehensive review of climate-related risks associated with our activities and aligning our climate-related disclosures with the recommendations of TCFD;
- Continuing to work in partnership with our supply chain to reduce our environmental risks, identify energy efficiency opportunities and take further action to reduce our GHG emissions;
- Influencing our customers and suppliers to improve their GHG emissions performance;
- Strengthening our management systems and preparing for certification of ISO14001:2015 across all parts of the business;
- Continuing our focus on the resilience and assurance of environmental critical risk controls;
- Developing Company-wide procedures to ensure a consistent approach to identifying and assessing land contamination at our sites (that we have acquired, leased or sub-leased);
- Expanding the application of LCA to our Transport (rail and road) division and providing Global Green Tag⁵ labels and environmental product disclosure statements for our products and services; and
- Adopting the ISCA IS Rating Framework for our infrastructure projects, to improve our sustainability performance.

⁵ Global Green Tag is a globally recognised certification to help consumers select healthy eco products (see www.globalgreentag.com).

We are committed to transitioning to a low-carbon economy by continuing to invest in low-emission technology.



Case Study

Sustainability in Flexible Pavements

Strategic decisions made within the road industry will continue to ensure a more sustainable future is achieved for current and future generations. Through relationships with customers, suppliers and the broader industry, Downer is constantly innovating to provide the community with flexible pavement solutions, incorporating greater recycled content, while achieving an overall lower greenhouse gas footprint.

The road authorities are promoting the use of higher reclaimed aggregate. Industry has met and exceeded the need by installing high recycle content technology asphalt plants; the first in Wingfield, South Australia and Bayswater, Victoria.

The culmination of asphalt production technology and the use of waste products has resulted in the development of asphalt made from 99% recycled materials. This world first was achieved with industry partners to pioneer the reuse of waste items such as toner from used printer cartridges, waste oils, post-consumer tyres and glass, which would ordinarily be stockpiled or sent to landfill.

Downer has introduced a Low CO₂ Spray Seal containing recycled toner to the market. This new innovative product has the potential to reduce CO₂-e emissions by 45kg per tonne of Spray Seal compared to a standard 45R grade binder.

Downer also manufactures high binder emulsions that eliminate the need for cutback and solvents. The high binder emulsions significantly reduce VOC emissions released; they are transported at a much lower temperature and reduce the amount of transport-generated greenhouse gases.

Communities



Downer is committed to supporting the success of the communities in which we operate, by fostering and maintaining enduring relationships built upon trust. This is achieved through our commitment to open and transparent communication and the recognition of our responsibility to contribute positively to society.

Our approach: Creating enduring relationships

We fully recognise the significant and lasting socio-economic benefits our presence in the community can bring and we honour the responsibility that comes with that. For this reason we seek to engage with local suppliers and contractors, and actively participate in regional business groups and chambers of commerce.

We implement a range of strategies focusing on social responsibility, local and Indigenous employment, cultural heritage management and stakeholder engagement.

Our robust stakeholder engagement processes are in place to help us understand the true extent of our social, economic and environmental impacts. For example, we know that our construction operations can cause concern for local residents due to the potential noise implications they bring.

Our teams are required to tackle issues in a structured manner, and with the utmost respect for the local community.

Our performance

Due to the nature of the sectors in which we work, our operations are sometimes situated in regional and remote locations, where the creation of job opportunities is of key concern. We recognise that we are well placed to provide these communities with opportunities for economic participation through employment, skills development and business opportunities. As much as possible we recruit locally, particularly on long-term projects. We also look to provide training and apprenticeship opportunities.

We often carry out work in remote areas, which have significant Aboriginal and Torres Strait Islander populations. As such we continue to implement a range of initiatives across the Group to position ourselves as an employer of choice for Aboriginal and Torres Strait Islander peoples. We are also involved in activities around mine reclamation and land rehabilitation works and we provide financial support to many charitable organisations that support Indigenous peoples and their businesses.

Our Reconciliation Action Plan

Our 'Reflect' Reconciliation Action Plan (RAP) confirms our commitment to furthering the advancement of Aboriginal and Torres Strait Islander peoples. It provides a 12-month action plan for investigating opportunities to increase Aboriginal and Torres Strait Islander participation in not only our workforce but also our supply chain. It also seeks to promote cultural awareness through employee engagement; through our participation in events such as National Reconciliation Week and NAIDOC Week.

In addition to providing local employment opportunities, Downer is focused on making a difference through sponsorships and donations, either financial or in-kind.



Case Study

Downer launches the Aboriginal People and Torres Strait Islanders in Mining program (ATSI program) in Blackwater

The first five-week, work readiness program for local Aboriginal People and Torres Strait Islanders in Blackwater was rolled out by Downer at the end of 2016. The program was run in partnership with the PCYC Blackwater and was designed to provide support and training to prepare the participants for work in the mining industry.

Six participants committed to the voluntary program and were all offered full-time positions at Blackwater Mine. The participants started employment in late November 2016 and chose positions ranging from Production Operator, Serviceperson and an Auto Electrical Apprenticeship to kick-start their Downer careers.

To celebrate the successful completion of the program, the participants spent two days at the Capricorn Coast PCYC Leadership Development Centre and were accompanied by Downer Production Operators Duncan Hall and Mathew Jarvis.

The program has continued in 2017 and many applications have been received from eager locals who are keen to work for Downer and start their careers in the mining industry.

Downer supports many community and not-for-profit organisations. The key initiatives we supported in FY17 included:



Photo courtesy of The Australian Literacy & Numeracy Foundation.



Great Barrier Reef Foundation



Wall of Hands

Downer has been a proud supporter of the Australian Literacy & Numeracy Foundation's Wall of Hands Appeal since 2013. The ALNF works with Indigenous communities and schools around Australia with the aim that five out of five kids will learn to read.

The ALNF is the first national charity dedicated to raising language, literacy and numeracy standards in Australia.

Closing the Indigenous literacy gap is a serious, long-term issue and Downer is a proud supporter of this very worthy cause.

Wandering Warriors

Downer is proud to support the Wandering Warriors charitable organisation, a fundraising initiative run by the Australian Special Air Service Association, comprising mainly ex-servicemen and women, committed to the care and support of our veterans. The organisation provides mentoring, education, coaching and employment opportunities to veterans through their transition from military to civilian life.

This initiative provides a platform for prominent business and military leaders to step into non-executive support roles.

Great Barrier Reef Foundation

The Great Barrier Reef Foundation was established in 2000 for the purpose of funding vital research to protect and preserve Australia's Great Barrier Reef. The Great Barrier Reef is made up of 2,900 reefs along 2,300 kilometres of Queensland's coastline. It is visible from space and one of the largest United Nations World Heritage areas.

The Reef contributes an estimated \$6 billion annually to the Australian economy and generates more than 67,000 jobs.

Jawun

Downer is proud to support Jawun, a not-for-profit organisation which works with corporate, government and philanthropic partners to offer skills and resources to Indigenous communities.

Jawun's mission is to build the capacity of Indigenous people so they can choose a life they have reason to value.

Jawun places skilled people from companies like Downer, and also government agencies, into Indigenous organisations. These secondees transfer skills and support Indigenous leaders to achieve their goals.

Downer continued its partnership with Jawun, a not-for-profit organisation that places secondees from corporate and government partners into Indigenous organisations. By assisting Indigenous leaders, organisations and communities to achieve their own development goals, our employees have a unique and rewarding experience while delivering lasting benefits to the community. The secondments are always varied, depending on the skills of the participants. They include a focus on things such as:

- providing project management expertise to enable an Indigenous business to qualify for government grants;
- conducting risk assessments for not-for-profit organisations; and
- developing communication and promotional channels to assist in raising money for a cause.

During 2017, 12 Downer employees took part in the Jawun program, in regions including Cape York, Inner Sydney and West Kimberley.

Sunshine Coast Lightning

In March 2017 Downer announced that it had become the major partner for Sunshine Coast Lightning, one of the eight professional teams competing in Suncorp Super Netball, Australia's new national netball competition. Downer has a significant presence in Queensland with 3,500 employees working across about 40 sites and projects.

Netball is the highest participation sport for women in Australia and Suncorp Super Netball features the best players in the world. Sunshine Coast Lightning is the region's first national sporting team and it has quickly attracted strong

support from the local community, including the Sunshine Coast Council and the University of the Sunshine Coast.

The CEO of Sunshine Coast Lightning, Danielle Smith, said: "There are obvious similarities between the two organisations. Customers are at the heart of everything Downer does just like members and fans are the backbone of our club. Downer also has a focus on building strong relationships with communities, just like Lightning."

In June, the Sunshine Coast Lightning became the inaugural Super Netball champions, defeating the Giants 65-48 at the grand final in Brisbane. A total of 9,000 fans attended the game, including many Downer employees from the local Brisbane and Sunshine Coast regions.



Case Study

Downer supports National Youth Mental Health Foundation

In 2017 Downer teamed up with the National Youth Mental Health Foundation to support its *headspace* program. *headspace* aims to promote, support and improve the wellbeing of young people in areas of mental health, physical health, work and study support. Downer's goal with *headspace* is to provide young adults with work experience and teach important skills in areas such as computer processing, teamwork, problem-solving and critical thinking.

Downer achieves this by giving jobs to young people from the program, bringing them into the Downer community and providing training and guidance.

Joseph Sfeir, from the Technology and Communication Services team, has been working at Downer for over a year and is enjoying the Downer culture and learning important skills he will take with him throughout his career.

"I love what I do at Downer. I'm a Land Access Representative for the telecommunications business and I work on the nbn contracts," Joseph said. An important objective of the Downer *headspace* program is to provide support to the individuals to ensure they are maximising their learning and enjoying their work.

Joseph added: "My group leader Mitchell has been really supportive, we have a great team. They answer any questions that I have and always help me with my work if I need it."

Not only does Downer assist in teaching important business skills, we also promote career progression and provide the necessary tools to be able to move into management roles.

"In five years I'd like to be a permanent employee at Downer and get a post-graduate degree in finance. The management team are really supportive of my career goals. I love being here and I'm excited for what I can achieve in the years to come," Joseph said.



Case Study

Running for charity

In early 2017, Downer's New Zealand project teams participated in the annual Round the Bays run to fundraise for the Starship Foundation. The Round the Bays run is New Zealand's largest fun run and walk, taking place every year in Auckland. The fun run attracts more than 30,000 participants and contributes over \$50,000 to charity. This year, the Downer team chose to support the Starship Foundation.

The Starship Foundation is an organisation that raises funds for the Starship Child Health service – a paediatric healthcare service and teaching centre dedicated to providing centred care for young children throughout New Zealand. The Downer team had a great turnout and achieved some great running times.

Our focus for FY18

- We will continue to strengthen our community engagement processes to aid better understanding of our impacts and to better direct our sponsorships and donations to support the areas where they're most needed.
- We will continue to build on our community partnerships, through promoting employee involvement.

Downer has begun establishing a supplier diversity program, as we recognise this will further strengthen our relationships with Indigenous communities.



Case Study

Downer chips in for Gladstone tradies

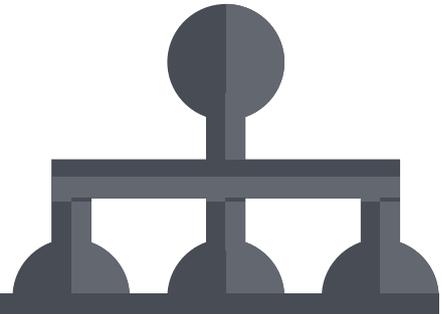
Downer's Operations, Maintenance and Services business in Queensland recently donated \$20,000 worth of equipment to Central Queensland University's Skills Centre to assist in the training of local trades, operations and engineering students.

The equipment, donated to the university's process plant operation training facility, will be used to help students build more equipment as part of their two-year course training.

Top image: Downer Operations, Maintenance and Services General Manager, David Videroni and Contract Manager Central Queensland, Neville McLucas presented a shipping container full of equipment to CQ University Acting Associate Vice Chancellor, Joe Rees, and process plant teacher, Shane Hansen, at the campus.



Our Governance



Downer is committed to the highest levels of governance and we actively work to foster a culture that values exemplary ethical standards, personal and corporate integrity, and a high level of respect for our stakeholders.

Our robust governance framework plays a key role in demonstrating our transparency and accountability to shareholders. Critically, it works to strengthen our relationships with them and in doing so, facilitates the sustainable growth of our Company.

Our approach

Downer's corporate governance framework provides the platform from which we identify, assess and manage material risks to our business.

Recognising the need for the highest standards of corporate behaviour, our Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the benchmark for good governance in Australia. Our Corporate Governance Statement for the year ending 30 June 2017 (in which we report against these principles) is included in our Annual Report.

Promoting a risk-aware culture

Downer's risk management governance framework promotes a risk-aware culture, which works to enable us to address known risks and emerging issues effectively. It incorporates evaluation and continuous improvement metrics in line with the principles, framework and processes set out in the international standard ISO31000:2009 Risk management – Principles and guidelines.

Several Board Committees assist the Board in discharging its responsibilities. The charters for the Board and these Committees are available on our website in the Corporate Governance section.

Board Committees:

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee oversees the practices for selecting and appointing Directors, and for reviewing the performance of the Board. It also plays an overarching role in ensuring compliance with our corporate governance commitments and legal and regulatory obligations.

Remuneration Committee

The Remuneration Committee has responsibility for reviewing and making recommendations to the Board on senior executive recruitment, retention, succession planning, remuneration and incentive plans.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in its oversight of our risk policies and profile, the effectiveness of our Risk Management Framework, and the integrity of our accounting and financial reporting practices.

Zero Harm Committee

The Zero Harm Committee is pivotal to the continuous improvement of our health, safety, environmental and quality performance. It assists the Board by overseeing the development and implementation of management systems, procedures, policies and practices to ensure compliance with our obligations and commitments.

Tender Risk Evaluation Committee

The Tender Risk Evaluation Committee assists the Board in the evaluation and approval of high-value tenders, by reviewing such matters as our capability and capacity to conduct the work, the suitability of partners and contractors, the project's strategic fit and financial returns, and the operational, legal and Zero Harm risks that it presents.

Monitoring effectiveness

To monitor the effectiveness of our governance framework we conduct a biannual assessment of our Directors, senior executives and senior managers through the Financial and Corporate Governance Self-Assessment (also referred to as the Directors' and Officers' Questionnaire). It covers both financial and non-financial material risks and provides assurance to our Board that compliance and risk management processes are operating effectively. It ensures that we meet our legal, regulatory and ethical obligations.

Corporate and personal integrity

Our Standards of Business Conduct sets out Downer's expectations of how our people should conduct themselves when representing Downer. It is approved by our Board and administered by the Group General Counsel and Company Secretary.

The Standards of Business Conduct applies to all our people including contractors and agents of Downer and its subsidiary companies throughout the world. It addresses matters such as:

- workplace behaviour;
- corporate governance;
- engaging with stakeholders;
- workplace safety;
- conflicts of interest, including bribery and corruption;
- sustainability; and
- diversity and inclusiveness.

Our people are required to familiarise themselves with the Standards of Business Conduct as part of the induction process for new employees, Directors and business partners and refresher training must be undertaken every two years. The training is rolled out via e-learning modules and a quiz. Employees who do not have access to computers are given training in a face-to-face session.

Reporting and investigating breaches of the Standards of Business Conduct

We have a formal 'whistle-blower' policy which is supported by Our Voice; an external and independent reporting service that enables employees to anonymously report potential breaches of the Standards of Business Conduct, including misconduct or other unethical behaviour.

Downer's Anti-Bribery and Corruption Policy also addresses business conduct issues such as working with government, political donations, as well as gifts and benefits. We recognise that our employees may be confronted with some challenges when conducting business in certain international environments where bribery and corruption present a real risk. We are committed to complying with the law in all jurisdictions and upholding the strength of our corporate reputation.

Influencing sustainability policy

Downer holds membership in a variety of important industry bodies and organisations, which puts us in the unique position of being able to inform and influence sustainability-related policy. Some of these include:

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

We are also represented on the Boards of the ACA and MCA, CMEWA Council and AMMA Board Reference Group.

Assurance Statement



Independent Limited Assurance Report to the Directors of Downer EDI Ltd

Conclusion

Based on the evidence we obtained from the procedures performed, for the year ended 30 June 2017

- We are not aware of any material misstatements in the Sustainability Report with regards to Downer EDI Ltd's application of the GRI G4 principles for defining report content and quality.
- We are not aware of any material misstatements in the Selected Sustainability Information, which has been prepared by Downer EDI Ltd, in accordance with the GRI G4 principles for defining report content and quality.

Information subject to assurance

The Selected Sustainability Information, as presented in the Downer EDI Ltd (Downer) Sustainability Report 2017 and available on Downer's website, comprised the following:

Selected Sustainability Information	Value assured
Direct emissions of greenhouse gases (scope 1)	224.7 kt CO ₂ -e
Indirect emissions of greenhouse gases (scope 2)	38.9 kt CO ₂ -e
Energy consumed	3843.5 TJ
Energy produced	93,476 TJ
Number of significant environmental incidents	0
Number of environmental fines and prosecutions	6
Number of safety fines and prosecutions	0
Total Recordable Injury Frequency Rate (TRIFR)	3.50 per million hours worked
Lost Time Injury Frequency Rate (LTIFR)	0.55 per million hours worked

Criteria used as the basis of reporting

The criteria used in relation to the Sustainability Report content are the GRI G4 principles for defining report content and in relation to the Selected Sustainability Information the criteria are the GRI G4 principles for defining quality and Downer's policies, procedures and methodologies.

Basis for conclusion

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

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

Summary of procedures performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Downer staff, and review of selected documentation, to assess the appropriateness of Downer's process for the application of GRI G4 principles for defining report content and quality;



- enquiries with relevant Downer personnel to understand the internal controls, governance structure and reporting process of the Selected Sustainability Information;
- review and challenge of Downer's materiality assessment process;
- analytical procedures and sample testing over the Selected Sustainability Information;
- site visit to Mineral Technologies Carrara
- walkthroughs of the Selected Sustainability Information to source documentation; and
- review of the Downer Sustainability Report 2017 in its entirety to ensure it is consistent with our assurance work.

How the Standard defines limited assurance and material misstatement

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

Greenhouse gas reporting

Greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to determine emissions factors and the values needed to combine emissions of different gases.

Use of this Assurance Report

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

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs;
- preparing and presenting the Selected Sustainability Information in accordance with the criteria;
- determination of Downer's GRI level of disclosures in accordance with the GRI G4 guidelines; and
- establishing internal controls that enable the preparation and presentation of the Selected Sustainability Information that is free from material misstatement, whether due to fraud or error; and maintaining integrity of the website.

Our responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Selected Sustainability Information for the year ended 30 June 2017, and to issue an assurance report that includes our conclusion.

Our independence and quality control

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

KPMG

Sydney

27 October 2017

Performance Data

Health and Safety

(employees and contractors)

Safety performance	FY16	FY17
LTIFR per million hours worked	0.66	.55
TRIFR per million hours worked	3.32	3.50
Fatalities	1	0
Fines and prosecutions	0	0

Detailed safety performance FY17 (Australia and New Zealand)

	Gender	Region	
		Australia	New Zealand
TRIFR per million hours worked	Male	3.57	4.79
	Female	0.58	1.42
Occupational disease rate (number of cases per million hours worked)	Male	0.70	0.73
	Female	0.58	0.00
Severity rate (lost days per million hours worked)	Male	6.13	26.94
	Female	0.00	9.25
Fatalities	Male	0	0
	Female	0	0

People

Employees by region and gender FY16

	Total %	Male %	Female %
Australia	69.2	87.4	12.6
New Zealand	28.2	84.3	15.7
Southern Africa	2.0	93.5	6.5
South America	0.5	86.6	13.2
Other (India, Singapore, USA and Vanuatu)	<0.1	100	0
Total	100.0	86.5	13.5

Employees by category and diversity – Australia and New Zealand only

	Gender %	
	Male	Female
Senior executives	86.1	13.9
Total managers ¹	88.9	11.1

¹ Includes 'senior managers' and 'other managers' as defined in the WGEA Reference Guide 2016-17.

Environment

	Units	FY16	FY17
Significant environmental incidents ²	Number	1	0
Fines and prosecutions	Number	3	6
Fines and prosecutions	AUD\$	\$19,538	\$36,175 ³
GHG emissions			
Scope 1 – Direct GHG emissions	kilotonnes CO ₂ -e	218.9	224.7
Scope 2 – Indirect GHG emissions	kilotonnes CO ₂ -e	43.43	38.9
Scope 3 – GHG emissions	kilotonnes CO ₂ -e	806.6	487.4
Total GHG emissions	kilotonnes CO₂-e	1,068.8	751.0
Intensity (Scope 1 and 2)	tonnes CO ₂ -e/AUD\$m	35.5	33.7
GHG emissions (Scope 1 and 2) by source			
Electricity used by facility	kilotonnes CO ₂ -e	43.4	38.9
Liquid fuels	kilotonnes CO ₂ -e	189.4	186.7
Natural gas	kilotonnes CO ₂ -e	27.8	36.6
Fugitive emissions from coal mining	kilotonnes CO ₂ -e	1.6	1.5
Other substances	kilotonnes CO ₂ -e	0.1	<0.1
Total Scope 1 and 2 GHG emissions	kilotonnes CO₂-e	262.3	263.6
GHG emissions Scope 3			
Emissions from contract mining operations not under Downer's operational control	kilotonnes CO ₂ -e	741.9	434.6
Emissions from construction projects not under Downer's operational control	kilotonnes CO ₂ -e	9.2	6.6
Air travel – business flights for Australia and New Zealand based employees	kilotonnes CO ₂ -e	55.5	46.3
Total Scope 3 GHG emissions	kilotonnes CO₂-e	806.6	487.4
Energy			
Energy consumption – total	terajoules	3,752.5	3,843.5
Energy consumption – liquid fuels	terajoules	2,979.9	2,901.4
Energy consumption – natural gas	terajoules	535.8	704.4
Energy consumption – electricity	terajoules	224.6	214.6
Energy consumption – other substances	terajoules	12.2	23.2
Energy intensity	terajoules/AUD\$m	0.51	0.49
Energy production	terajoules	95,386	93,476

2 A significant environmental incident or significant environmental spill (≥Level 4) is any environmental incident or spill where there is significant impact on or material harm to the environment; or a notifiable incident where there is a spill that results in significant impact or material harm; or there is long-term community irritation leading to disruptive actions and requiring continual management attention.

3 In FY17 Downer paid a total of AUD\$34,780 for four environmental fines issued in Australia and NZD\$1,500 (approximately AUD1,395) for two fines issued in New Zealand: (i) the release of wastewater from a wastewater treatment plant with elevated levels of faecal coliforms (\$11,780, Queensland Department of Environment and Heritage Protection); (ii) two fines, each of \$4,000 for subcontracting a logistics haulage company to transport product from our explosives manufacturing facility when the subcontractor's vehicles failed to comply with transport of dangerous goods requirements (total \$8,000, NSW Environment Protection Authority); (iii) contravening a condition of the licence at our explosives manufacturing facility with regard to storage of chemicals (\$15,000, NSW Environment Protection Authority); (iv) non-compliance with erosion and sediment control at a culvert replacement project (NZD\$750, Waikato Regional Council, New Zealand); and (v) non-compliance with the erosion and sediment control conditions of Resource Consent for project (\$750, Northland Regional Council, New Zealand).

GRI G4

Content Index

Enduring
Value
principles
reference

Indicator	Description	Location of information	Notes	Enduring Value principles reference
General standard disclosures				
Strategy and analysis				
G4-1	Statement from the most senior decision-maker of the organisation	A word from our CEO – page 2		
Organisational profile				
G4-3	Name of the organisation	About this report – inside front cover		
G4-4	Primary brands, products and services	About Downer – pages 6-7		
G4-5	Location of organisation's headquarters	Annual Report - page 120, inside back cover		
G4-6	Number of countries where the organisation operates, and names of countries with either major operations or ones that are specifically relevant to the sustainability topics covered in the report	About Downer – page 6		
G4-7	Nature of ownership and legal form	Annual Report – pages 87-96, 120-121		
G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	About Downer – pages 6-7 Annual Report – pages 4-10, 59-61		
G4-9	Scale of the organisation	About Downer – pages 6-7 Annual Report – pages 4-12, 53-61	Quantity of products and services not identified	
G4-10	Total workforce by employment type, gender, employment contract and region	About Downer – page 6 Our People – pages 10-19 Performance Data – page 48		3
G4-11	Percentage of total employees covered by collective bargaining agreements	Our People – page 10		3
G4-12	Describe the organisation's supply chain	Annual Report – pages 15-16		
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	Annual Report – pages 78-93, 119-121		

Indicator	Description	Location of information	Notes	
G4-14	Is the precautionary approach or principle addressed and, if so, how?	About Downer – pages 6-7 Our Governance – pages 44-45 Annual Report – pages 13-14, 117	The precautionary principle is an intrinsic component of our operational risk management approach	2, 4
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	About this report – inside front cover Health and Safety – page 20 Our Environment – page 28 Our Governance – pages 44-45 Annual Report – pages 109, 111		10
G4-16	Memberships of associations	Our Governance – page 45		

Identified material aspects and boundaries

G4-17	List of entities included in the organisation's consolidated financial statements and any that are not	Annual Report – pages 94-95		
G4-18	Explanation of the process for defining the report content and the Aspect Boundaries, and how the Reporting Principles for Defining Report Content have been implemented	About this report – inside front cover About Downer – pages 6-7		
G4-19	List of all Material Aspects identified in the process for defining the report content	Determining Our Material Issues – pages 8-9		
G4-20	Aspect Boundary within organisation for each Material Aspect	Determining Our Material Issues – pages 8-9		
G4-21	Aspect Boundary outside organisation for each Material Aspect	Determining Our Material Issues – pages 8-9		
G4-22	Explanation of the effect of any restatements of any information provided in previous reports		No restatements	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries		No significant change	

Stakeholder engagement

G4-24	List of stakeholder groups engaged by the organisation	Determining Our Material Issues – page 8		
G4-25	Basis for identification and selection of stakeholders with whom to engage	Determining Our Material Issues – page 8		
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Determining Our Material Issues – page 8		
G4-27	Key topics and concerns that have been raised through stakeholder engagement (attributed to the relevant stakeholder group) and the organisation's response to those key topics and concerns, including through its reporting	Determining Our Material Issues – page 9		

Indicator	Description	Location of information	Notes	
Report profile				
G4-28	Reporting period for the information provided	About this report – inside front cover	Reporting period is for financial year 2016-17.	10
G4-29	Date of most recent previous report		2016 Sustainability Report and 2016 Annual Report.	
G4-30	Reporting cycle	About this report – inside front cover	Annual.	
G4-31	Contact point for questions regarding the report or its contents	Back cover		
G4-32	'In accordance' option chosen and respective GRI Content Index	About this report – inside front cover, pages 50-54		10
G4-33	Current policy and practice with regard to seeking external assurance for the report	About this report – inside front cover KPMG assurance statement – pages 46-47	Limited assurance – Independent Limited Assurance Statement included in the report.	10
Governance				
G4-34	Governance structure of the organisation, including committees responsible for decision-making on economic, environmental and social impacts	Health and Safety – page 22 Our Environment – page 29 Our Governance – pages 44-45 Annual Report – pages 111-116	Board and Committee Structure: http://www.downergroup.com/board-and-committees Accountability for good governance and sustainability performance are embedded in short-term incentive plans for senior managers. Biannual assessment of Directors, senior executives and senior managers through the Financial and Corporate Governance Self-Assessment. Board Zero Harm Committee Charter: http://www.downergroup.com/board-and-committees	1, 2, 4
Ethics and integrity				
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Page 4 Our Governance – pages 44-45 Annual Report – pages 116-117	Standards of Business Conduct: http://www.downergroup.com/board-policies	1, 2

Specific standard disclosures

Category: Economic

Aspect: Economic performance

DMA	Disclosure on Management Approach	Annual Report – pages 11, 13-15		
G4-EC1	Direct economic value generated and distributed	Sustainability Snapshot – page 1 About Downer – page 6 Annual Report – pages 5-12, 53-56 Communities – pages 38-43	Community investment expenditure is not reported. Community partnerships discussed pages 38-43. Sourcing of contractors, plant, equipment, raw materials, consumables etc mostly through Australian and New Zealand suppliers.	

Indicator	Description	Location of information	Notes	Enduring Value principles reference
Category: Environmental				
Aspect: Energy				
DMA	Disclosure on Management Approach	Our Environment – pages 28-33		6
G4-EN2	Percentage of materials that are used that are recycled input materials	Our Environment – page 35-36	Data not currently collected at Group level. Downer provides products and services with increased efficiency of resource use and greater use of recycled or re-purposed materials which reduces costs for customers.	6, 8
G4-EN3	Energy consumption within the organisation	Our Environment – page 34 Performance Data – page 49		6
G4-EN5	Energy intensity	Our Environment – page 34 Performance Data – page 49		6
G4-EN6	Reduction of energy consumption	Our Environment – page 34 Performance Data – page 49		6
Aspect: Emissions				
DMA	Disclosure on Management Approach	Our Environment – pages 28-33		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Our Environment – page 34 Performance Data – page 49		6
G4-EN16	Energy indirect GHG emissions (Scope 2)	Our Environment – page 34 Performance Data – page 49		6
G4-EN17	Other indirect GHG emissions (Scope 3)	Our Environment – page 34 Performance Data – page 49		6
G4-EN18	GHG emissions intensity	Our Environment – page 34 Performance Data – page 49		6
G4-EN19	Reduction of GHG emissions	Our Environment – pages 31-37 Performance Data – page 49	Reduction of GHG emissions from products and services to meet customer requirements of lower carbon and lower costs.	6
Aspect: Effluents and waste				
DMA	Disclosure on Management Approach	Our Environment – pages 28-33		7
G4-EN24	Total number and volume of significant spills	Our Environment – page 31 Performance Data – page 49		
Aspect: Products and services				
DMA	Disclosure on Management Approach	Our Environment – pages 28-33	Customer relationships are enhanced by ability to deliver products and services with efficient use of resources and/or reduced GHG emissions.	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Our Environment – pages 28-35		8

Indicator	Description	Location of information	Notes	
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Aspect: Compliance

DMA	Disclosure on Management Approach	Our Governance – pages 44-45 Our Environment – pages 28-35		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Our Environment – page 31 Performance Data – pages 48-49		

Category: Social

Sub-category: Labour practices and decent work

Aspect: Employment

DMA	Disclosure on Management Approach	Our People – pages 10-16		
G4-LA1	Total number and rates of new hires and employee turnover by age group, gender and region	About Downer – page 6 Our People – page 10 Performance Data – page 48		

Aspect: Occupational health and safety

DMA	Disclosure on Management Approach	Health and Safety – pages 20, 22		5
G4-LA6	Type of injury and rates of injury, occupational disease, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	Health and Safety – page 25 Performance Data – page 48	Report does not include absenteeism rate.	5

Aspect: Diversity and equal opportunity

DMA	Disclosure on Management Approach	About Downer – page 6 Our People – pages 10-16		3
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Our People – page 10 Communities – page 38 Performance Data – page 48 Annual Report – pages 2-3 and 111-115		3

Aspect: Compliance

DMA	Disclosure on Management Approach	Our Governance – pages 44-45		9
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Performance Data – page 48		

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