What are material issues?

Downer seeks to identify the issues that matter most to the business and its stakeholders, and have the greatest potential to impact our future success and returns to shareholders. We refer to these as our material issues. This year, Downer revisited its materiality assessment in accordance with the Global Reporting Initiative (GRI) Standards. Independent expert, Materiality Counts, led a process to engage internal and external stakeholders to identify and understand our material economic, social, environmental and governance risks and opportunities.

Why we do this

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

Our materiality process

The independent materiality process consisted of the following three steps:

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

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

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

Materiality results

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

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

Key
● Material issues   ● Other issues
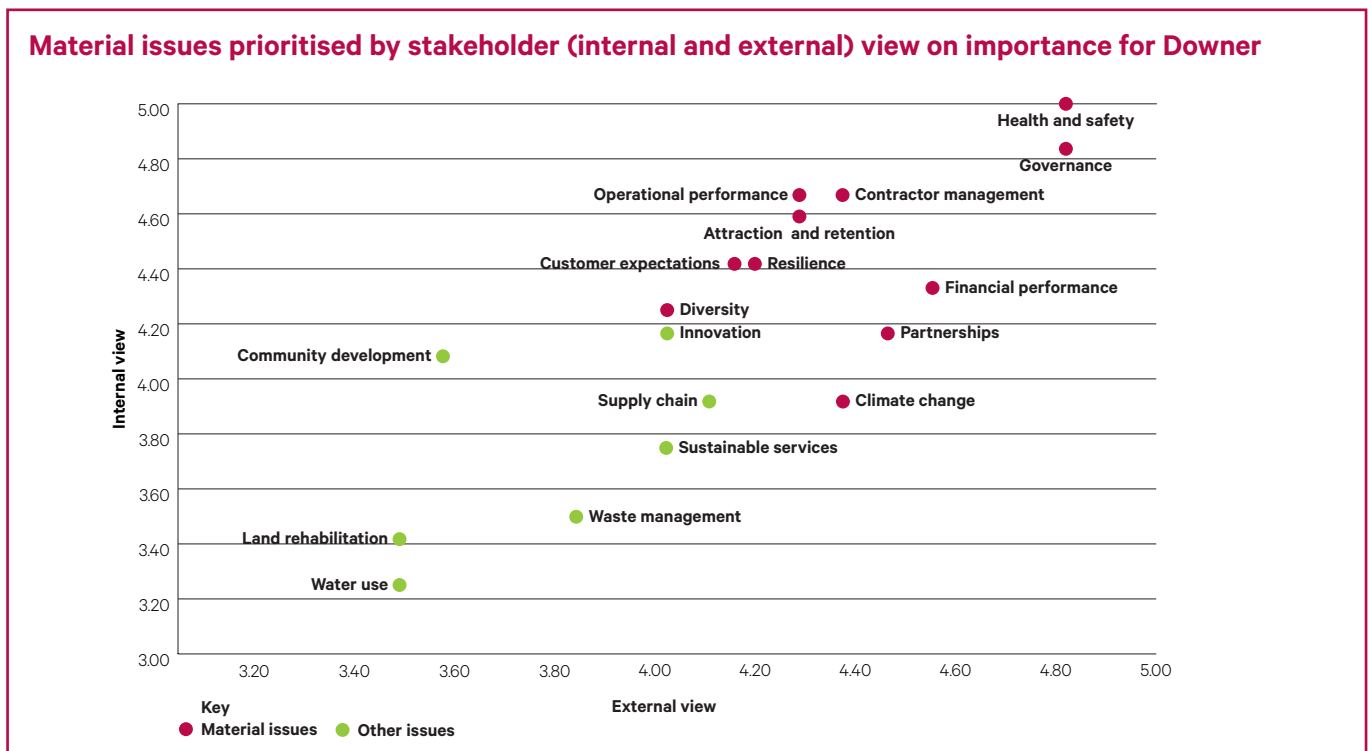
This materiality assessment identified a prioritised list of 11 material issues and the context behind each are as follows:

Material issues by ranking	Definition	Issue relevance to broader value chain	Relevant Sustainable Development Goal	Section/Page number
1. Health, safety and wellbeing of our people	Maintaining a high standard Zero Harm culture through accountability. Commitment to local purchasing, stakeholder engagement, the health and safety of our people through strong safety leadership, workforce engagement and a continual organisation-wide focus on managing risks and aligning values. This includes policy, injury management, health promotion, early intervention, wellness facilities and programs and staff benefits.	Subcontractors Suppliers Customers Community JVs and alliances Regulators		Health and safety, pages 26-35
2. Strong governance and ethical conduct	Embedding a strong corporate culture that rewards high ethical standards and personal integrity through a focus on risk management, regulatory compliance, human rights (modern slavery) and data security.	Investors Regulators Customers Subcontractors Suppliers JVs and alliances		Governance and ethical conduct, pages 18-25
3. Contractor management	Maintaining a Zero Harm culture through our contractor management. Commitment to the health and wellbeing of our contractors through leadership, engagement, aligning values and managing risks. This includes policies and procedures to reduce risks.	Subcontractors JVs and alliances Community	8 DECENT WORK AND ECONOMIC GROWTH	Governance and ethical conduct, pages 18-25 Health and safety, pages 26-35 Environment, pages 52-71
4. Operational performance	Running our business as efficiently as possible.	Investors Subcontractors Suppliers Customers JVs and alliances	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Downer's Annual Report
5. Financial performance	Balancing growth against sustainable profit.	Investors Subcontractors Suppliers Customers JVs and alliances	8 DECENT WORK AND ECONOMIC GROWTH	Downer's Annual Report
6. Attraction and retention of skilled people	Attracting and retaining skilled and engaged people by establishing Downer as a sought-after employer. Providing rich career development opportunities and attractive employee benefits. Developing leadership capability, project management excellence and commercial acumen.	Subcontractors JVs and alliances Community	5 GENDER EQUALITY	People, pages 36-51

Material issues by ranking	Definition	Issue relevance to broader value chain	Relevant Sustainable Development Goal	Section/Page number
7. Partnerships and stakeholder engagement	Developing enduring collaborative partnerships and alliances with customers, suppliers, contractors, government, communities and Indigenous people.	Investors Subcontractors Suppliers Customers Community JVs and alliances		Governance and ethical conduct, pages 18-25

Communities, pages 72-77 |
| **8. Customer expectations and adding value** | Keeping pace with customer expectations via engagement and feedback to ensure we improve the value and services we provide both our customers and their customers. | Investors Subcontractors Suppliers Customers JVs and alliances | | A word from the CEO, page 1

Our sustainability approach pages 5-6

About Downer, pages 8-11 |
| **9. Business resilience** | Driving sustainable strategic growth into new markets for further diversification. Adapting to dynamic and changing markets. | Investors Subcontractors Suppliers Customers Community JVs and alliances Regulators | | A word from the CEO, page 1

Our sustainability approach, pages 5-6

Downer's Annual Report |
| **10. Climate change** | Managing our contribution to climate change by reducing our greenhouse gas emissions from energy use. Improving the resilience of our assets and portfolio to the impacts of climate change. | Investors Regulators Subcontractors Suppliers Customers Community JVs and alliances | | Environment, pages 52-71 |
| **11. Diverse and inclusive workforce** | Developing a diverse and inclusive workforce that reflects, and is informed by, the customers and communities we serve. Focus on increasing the number of women employees, Indigenous employees and generational diversity. | Subcontractors JVs and alliances Customers Community | | People, pages 36-51 |

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

The other issues, in order of priority are:

Other issues by ranking	Definition
12. Innovation and technological change	Keeping pace with technological innovation to ensure we are embedding operational technology into core service offerings to remain market competitive and meet customer expectations. Increasing investment in, and utilisation of, asset management and data analytics tools.
13. Sustainable supply chain	Engaging with suppliers and contractors to tackle modern slavery and human rights within the supply chain. Aligning our procurement systems and processes to ISO20400: 2017: Sustainable Procurement – Guidance.
14. Sustainable products and services	Creating sustainable products and services for the market and our customers. This includes environmental and sustainability ratings, certifications and product stewardship.
15. Community development, relationships and trust	Supporting the success of the communities in which we operate through partnerships, sponsorships, donations, training and employment opportunities – including for Indigenous people, local purchasing and heritage management. Improving community living standards and contributing to the economy by providing jobs, infrastructure and preparing the community for site closure.
16. Waste management and resource efficiency	Reducing the amount of waste we generate through resource recovery, avoidance, reuse and recycling. Supporting the circular economy through the creation of new products, like Reconomy.
17. Land rehabilitation	Rehabilitating land, including revegetation at facilities, both pre- and post-closure, and rehabilitation of contaminated land.
18. Water use	Managing water consumption to reduce the amount of potable water used in our business through resource efficiency and onsite treatment and reuse.

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

Changes from previous years

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

UN Sustainable Development Goals

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

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

In this year's Sustainability Report we have aligned our material issues and case studies to the SDGs, using icons to show which ones we are contributing to each time.