

Climate risk and Downer's decarbonisation pathway

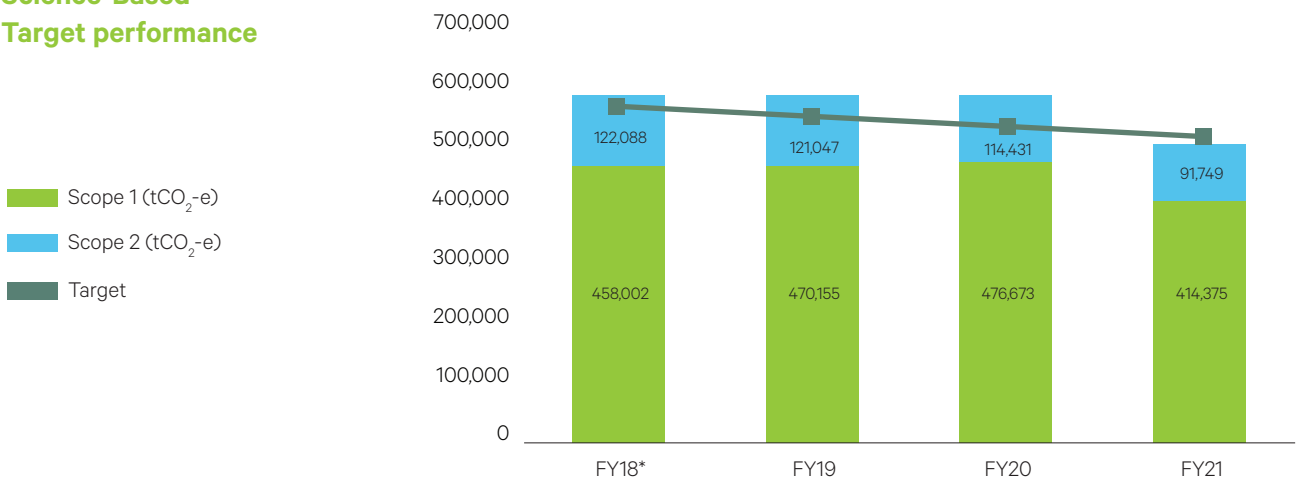
Downer acknowledges that climate change mitigation is a shared responsibility. To support the transition to a low-carbon economy in an equitable manner, Downer recognises the need to develop emissions reduction targets that align with the 2015 Paris Agreement goals to pursue efforts to limit the temperature increase to 1.5°C by the end of this century.

In 2019, we leveraged the Science-Based Target Initiative's framework and guidance to set an ambitious long-term GHG emissions reduction target (aligned to a 1.5°C pathway). We committed to the decarbonisation of our

absolute Scope 1 and 2 GHG emissions by 45-50 per cent by 2035 from a FY18 base year, and to being net zero in the second half of this century. In FY21, we tightened this commitment by pledging to be net zero by 2050.

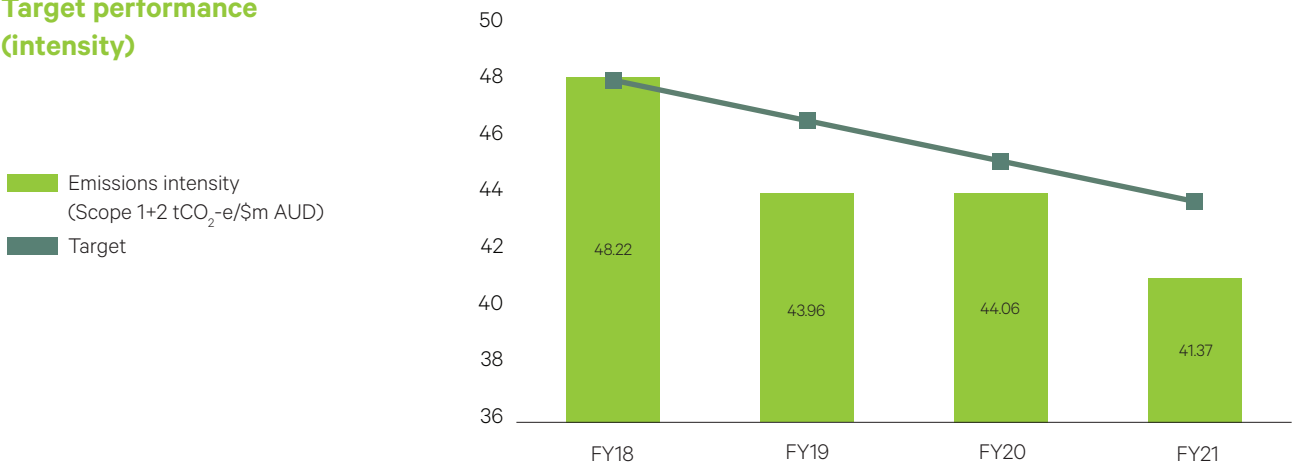
Downer will track our progress towards these emissions reduction targets and review our emissions reduction approach in line with Intergovernmental Panel on Climate Change (IPCC)'s updated scientific reports, while also considering other developments in low-emissions technology to ensure a practical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

Science-Based Target performance



* Split between Scope 1 and 2 emissions for FY18 has been re-stated due to the provision of more accurate data. Total Scope 1 and 2 emissions for FY18 remains unchanged.

Science-Based Target performance (intensity)



As Downer continues to focus on its Urban Services businesses, the expected economies of scale in being a larger player in a smaller number of sectors should continue to provide benefits from an emissions intensity perspective.

Downer has a clear pathway to being net zero by 2050, which aligns to our Urban Services strategy. Downer's decarbonisation pathway, key tenets and progress are outlined below:

Progress on decarbonisation pathway

Strategy	Timeframe	Progress
1. Divesting high capital, carbon intense businesses and focusing on lower carbon activities.	(2020>)	In FY21, Downer successfully divested its Laundries business and completed the sale of its Mining business with the exception of Open Cut East. We are continuing to explore opportunities to divest Open Cut East. In the event Downer is unable to complete the sale, we will fulfill our contractual commitments. Once the terms of these contracts are complete, Downer will have no further participation in Mining services. The exit of these businesses will substantially reduce the Group's capital expenditure and reduce our Scope 1 and 2 GHG emissions by approximately 35 per cent.
2. Continue to focus on energy efficiency and GHG emissions reductions.	(2010>)	In FY21, Downer performed a reset of its Short Term Incentive (STI) program, which governs Executive remuneration. Business Units which had a significant contribution to Downer's emissions portfolio were incentivised to create three-year plans of initiatives to achieve a level of decarbonisation that is in line with Downer Group's Science-Based Aligned target. Further, all businesses were incentivised through the 'Stretch' component of the STI to develop a long-term decarbonisation plan, inclusive of key milestones and initiatives, to help Downer achieve its goal of being net zero by 2050.
3. Decarbonise our fixed assets with new technology and fuel switching.	(2025>)	In FY21, Downer opened its Brendale Sustainable Road Resource Centre, which will assist Downer's decarbonisation goals and aid our contribution to the circular economy through its ability to accept a high proportion of Reclaimed Asphalt Product (RAP) within its mixes.
4. Decarbonise Downer's fleet through Electric Vehicles (EV) and Alternate Fuel Vehicles.	(2025>)	In FY21, Downer has continued to pilot EVs throughout the organisation. One example is in the Hamilton Infrastructure Alliance project in New Zealand, which has procured 10 MG ZS EVs for its fleet. Given New Zealand's electricity grid has a relatively low emissions intensity compared to other markets, including Australia, these vehicles will provide significant decarbonisation benefits compared to a gasoline or diesel fueled alternative.
5. Increase uptake of renewables both on- and off-grid.	(2010>)	In FY21, Downer finalised works on the Chichester Solar Farm, and Bango Wind Farm. These renewable projects will commence generating energy in FY22.
6. Reducing Scope 3 emissions through the use of low-carbon materials, and working with suppliers to lower their emissions.	(2018>)	In FY21, Downer refreshed its Scope 3 inventory in accordance with the Greenhouse Gas Protocol's <i>Corporate Value Chain (Scope 3) Standard</i> . The results of this inventory are shown on pages 57-58. Downer intends to commit to a Scope 3 target in FY22, upon registration of our broader GHG emissions targets with the SBTi. Downer notes that a large portion of its Scope 3 emissions is derived from its purchased goods and services. To facilitate engagement with suppliers, and to enable the more accurate collection of data, Downer has signed up to CDP's supply chain program. Downer will report data collected from the supply chain program's data module in our FY22 Scope 3 emissions portfolio.

In addition to these strategies, in September 2020 Downer New Zealand signed the Energy Transition Accelerator (ETA) partnership with the Energy Efficiency and Conservation Agency, which secures funding for developing decarbonisation roadmaps and recruiting an Energy and Carbon Graduate. Led by Downer New Zealand's Sustainability Governance Group, the program has so far focused on our asphalt and bitumen plants, which are carbon intensive by nature and represent approximately 20 per cent of our carbon footprint. After running workshops with the operational teams of these assets, we have finalised the first drafts of the roadmaps, which outline the steps and investments that need to be taken to achieve our decarbonisation goals without impacting operational performance.

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



Refer to our website for further disclosures on Downer's response to climate change and how we have specifically addressed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.