

# Corporate Governance

for the year ended 30 June 2019

## Overview

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

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

Downer continues to enhance its policies and processes to promote leading corporate governance practices.

The Board endorses the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles).

## Principle 1: Lay solid foundations for management and oversight

The Downer Board Charter sets out the functions and responsibilities of the Board and is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The Board Charter states that the role of the Board is to provide strategic guidance and to effectively oversee management of the Company. Among other things, the Board is responsible for:

- Overseeing the Company, including its control and accountability systems;
- Appointing and removing the Group CEO and senior executives;
- Monitoring performance of the Group CEO and senior executives; and
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Before appointing a Director, the Board undertakes appropriate checks and provides shareholders with all material information which is relevant to the decision to elect or re-elect a Director.

Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

The Board Charter also describes the functions delegated to management, led by the Group CEO.

The primary goal set for management by the Board is to focus on enhancing shareholder value, which includes responsibility for Downer's economic, environmental and social performance.

The Group CEO is responsible for the day-to-day management of Downer and his authority is delegated and authorised by the Board.

Downer has written employment agreements with each of its senior executives and the performance of those senior executives is regularly reviewed against appropriate measures, including performance targets linked to the business plan and overall corporate objectives. In 2019, Downer's senior executives participated in periodic performance evaluations where they received feedback on progress against these targets.

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Details of Downer's Directors and the Executive Leadership Team are available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

## Diversity at Downer

Downer is committed to ensuring that it has a diverse and inclusive workforce, which fulfils the expectations of its employees, customers and shareholders while building a sustainable future for its business. This is formalised through the Downer Diversity & Inclusiveness (D&I) Policy which outlines the Company's commitment to developing a diverse and inclusive workforce.

In 2016, Downer launched a revised Diversity Framework. The purpose of this framework is to support the D&I Policy and implementation of Divisional D&I strategies.

The Diversity & Inclusiveness Policy is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

## ASX diversity recommendations – diversity statement

This diversity statement outlines Downer's performance throughout 2019 with respect to its broader diversity program, but with a particular focus on gender, and specifically includes:

- Details of Downer's key gender representation metrics;
- An overview of the gender diversity initiatives undertaken by Downer throughout 2019; and
- An outline of Downer's measurable gender diversity objectives for 2020.

## Gender representation metrics

As at 30 June 2019, Downer's female gender representation metrics were as follows:

– Board	37%
– Senior Executive <sup>1</sup>	21%
– Management <sup>2</sup>	22%
– Workforce	36%

1 For present purposes, "Senior Executive" refers to CEO, KMP and Other Executives/General Managers as defined in the Workplace Gender Equality Agency Reference guide to the workplace profile and reporting questionnaire (WGEA Reference Guide).

2 For present purposes, "Management" refers to CEO, KMP, Other Executives/General Managers, Senior Managers and Other Managers as defined in the WGEA Reference Guide.

## Corporate Governance – continued

for the year ended 30 June 2019

### Looking back: 2019 measurable objectives

Focus Area	Objective	Targets	Outcome
Brand and Reputation	To enhance the brand and reputation of Downer Group through partnerships related to our diversity focus areas and to ensure Downer Group continues to be viewed as an organisation that is committed to D&I.	Establish two partnerships with reputable diversity agencies.	<ul style="list-style-type: none"> <li>– Re-established partnership with the Diversity Council of Australia.</li> <li>– Became a member of Work180, an Australian jobs network that operates at the forefront of recruitment and advocacy for women.</li> </ul> <p>Employees have received stories of interest reinforcing a commitment to a diverse and inclusive culture through a range of communication and media, including Downer and Spotless intranet pages, Downer Connect, Downer and Spotless websites and LinkedIn. Highlights include:</p> <ul style="list-style-type: none"> <li>– Celebrating events of significance for gender and Indigenous cultures, such as International Women's Day, participation in Habitat for Humanity and National Reconciliation Week.</li> <li>– Graduate series of stories featuring talent and success (focusing on female graduates).</li> <li>– 60 Seconds series, being interviews with Senior Leaders.</li> <li>– Indigenous participation stories around the Waanyi Downer JV, Cowboys House, the PCYC Blackwater and Mundine Means Business.</li> </ul>
Gender Diversity	To improve opportunities for women to reach their potential through an inclusive work environment while positioning Downer Group as a preferred employer for women in its industries.	<p>37% women in the workforce by 2020.</p> <p>20% women in Management by 2020.</p>	<p>Parental Leave Policy is currently under review. Extensive research, benchmarking and internal consultation was undertaken to understand Downer and Spotless' relative position on Parental Leave Policies in the market place and as a competitive positioning tool in the attraction and retention of talent.</p> <p>Downer refreshed and relaunched the Downer Mentoring program in this period. 30 mentoring relationships were established with 15 high performing females participating.</p> <ul style="list-style-type: none"> <li>– As part of Downer's Talent Management and Succession Planning, all female employees at CEO-2 and high potential female employees have an active talent profile and development plan.</li> <li>– Seven female executive leaders participated in the Downer Executive Development Program (ExeLD).</li> <li>– Two executive leaders participated in the Chief Executive Women Development Program.</li> </ul> <p>An information sheet that increases knowledge on how to mitigate unconscious bias in recruitment was made available to hiring managers in this period.</p>

Focus Area	Objective	Targets	Outcome
Cultural Diversity	To build on Downer Group's commitment to closing the gap by increasing Indigenous workforce participation and developing strategic partnerships with Indigenous organisations and community groups.	3% Aboriginal and Torres Strait Islander employees by 2020.	<ul style="list-style-type: none"> <li>– Downer launched its second Reconciliation Action Plan (RAP) 'Innovate', endorsed by Reconciliation Australia, which outlines our reconciliation vision, strategy and targeted initiatives.</li> <li>– Spotless is closing out its second RAP 'Innovate', having implemented all initiatives.</li> <li>– Spotless is consulting with Reconciliation Australia on its 'Stretch' RAP, which is anticipated to launch Q2 FY20.</li> <li>– Partnerships developed with PCYC Blackwater and Aboriginal Employment Strategy (AES).</li> <li>– Became a registered member of Supply Nation. Supply Nation is Australia's largest national directory of verified Aboriginal and Torres Strait Islander businesses.</li> <li>– Continued to work closely with government partners in NZ, including the Ministry of Social Development and Te Puni Kōkiri to provide employment opportunities for Māori people who may experience challenges to securing and/or maintaining ongoing employment.</li> <li>– Evolved the Māori Leadership program, Te Ara Whanake, into a program specifically designed for non-Māori leaders.</li> <li>– Worked in partnership with Te Puni Kōkiri to create Whakatipu Tētēkura a program to attract and recruit Māori school leavers.</li> <li>– Launched a custom-built Indigenous Cultural Awareness Training e-learn program for Australian supervisors and above during this period.</li> </ul>
Generational Diversity	To establish Downer Group as a sought-after employer for all age-groups and as an organisation that builds a talent pipeline of thought leaders and continues to value experience.	<p>Build Downer's LinkedIn ranking (as of 30 June 2018, the 12th most sought-after business to work for).</p> <p>Maintain or increase the number of graduate employees' year-on-year until 2021.</p>	<p>Downer did not improve its LinkedIn ranking, due to a change in focus to promote the diversity of our people (amongst other things) on Downer Connect, the internal social media platform that was launched in this period.</p> <p>Downer continues to build its pipeline of talent by investing in youth through the:</p> <ul style="list-style-type: none"> <li>– Downer Graduate Program – intake for 2018 was 28 and in 2019 increased to 40, a 40% increase year on year.</li> <li>– LEaD: Emerging Leaders Program (Downer's leadership program for emerging leaders), had 37 participants in FY19 – double the intake of the previous four years.</li> </ul> <p>Downer commenced consultation and development of the governance structure and framework for the Apprentices and Trainees Program.</p> <p>The Downer 'Our Brand' guidelines have been updated to include diverse and inclusive imagery and instruction to promote and support our commitment to D&amp;I.</p>

## Corporate Governance – continued

for the year ended 30 June 2019

### Looking ahead: 2020 measurable objectives

Focus Area	Objective	Targets	Initiatives
Flexibility, Diversity and Inclusion	To continue developing Downer's commitment to representing the businesses and communities in which it serves through a focus on D&I.	Report quarterly to EXCO on progress towards targets and objectives.	<ul style="list-style-type: none"> <li>– Continue the governance structure through Divisional Diversity Steering Committees (DDSCs) with progress and initiatives reported quarterly to the Executive Committee (EXCO).</li> <li>– Leverage our partnership with Work180 as an endorsed employer to utilise its job board for Downer targeted positions.</li> <li>– Review and modify the Downer Mandatory Induction to ensure they promote the Company's commitment to a diverse and inclusive workforce and working environment.</li> </ul>
Gender Diversity	To improve opportunities for women to reach their potential through an inclusive work environment while positioning Downer Group as a preferred employer for women in its industries.	<p>37% women in the workforce by 2020.</p> <p>23% women in Management positions by 2020, a 3% increase on the disclosed measurable objective outlined in Downer's FY18 Annual Report.</p> <p>22% women in Senior Executive positions by 2020.</p> <p>30% women on the Board – the Board's composition currently meets this objective.</p>	<ul style="list-style-type: none"> <li>– Deliver on Downer's Workplace Gender Equality Agency (WGEA) Pay Equity Ambassador commitments.</li> <li>– Undertake a pilot program showcasing how to incorporate Downer's Flexible Working Arrangements for an operational team and site. Share learnings broadly.</li> <li>– Develop capability to effectively lead and manage a diverse workforce via a series of manager guides. Content to include: inclusive language, strategies for managing a culturally diverse workforce and everyday sexism in the workplace.</li> <li>– Implement a second intake of the Downer Mentoring program where high performing women are paired with high performing leaders to support their development goals.</li> <li>– Develop and launch a Female Network to highlight opportunities and networking.</li> <li>– Develop and launch a 'Manager Toolkit' for supporting Primary Carers on Parental Leave before, during and as part of return to work.</li> <li>– Build the anti-unconscious bias capability of hiring managers and recruitment specialists via access to an online learning module.</li> </ul>

Focus Area	Objective	Targets	Initiatives
Cultural Diversity	To build on Downer Group's commitment to closing the gap by increasing Indigenous workforce participation and developing strategic partnerships with Indigenous organisations and community groups.	3% Aboriginal and Torres Strait Islander employees by 2020.	<ul style="list-style-type: none"> <li>– Make progress on the commitments outlined in the 'Innovate' RAP (close out due 2021).</li> <li>– Launch Spotless 'Stretch' RAP and commence delivery on the commitments.</li> <li>– Develop five new partnerships with Indigenous businesses and/or communities.</li> <li>– Remaining Australian supervisors and above to complete Downer's Indigenous Cultural Awareness Training Program.</li> <li>– Develop an Indigenous Cultural Awareness training module for non-Indigenous employees, available via e-learn and a 'toolbox' training kit for site-based employees.</li> <li>– Build on the NZ based Whatakipu Tētēkura program for Māori school leavers at risk of becoming NEETs (not in education, employed or training) consisting of a series of marae-based residential workshops, pastoral care and supporting career development pathways into permanent roles.</li> <li>– Support and engage non-Māori leaders to participate in the Te Ara Maramatanga. (Building on Te Ara Whanake (the Māori Leadership Program) by participating in the 24-hour marae-based immersion program that allows employees to experience Māori culture. Continue to provide employment opportunities to migrant workers and further build manager capability by providing cultural awareness training. Conduct pre-employment programs quarterly.</li> </ul>
Generational Diversity	To establish Downer Group as a sought-after employer for all age-groups and as an organisation that builds a talent pipeline of thought leaders and continues to value experience.	Maintain or increase the number of graduate employees' year-on-year until 2021.	<p>Continue to build a talent pipeline by investing in entry level programs that align to Downer's diversity focus and priority areas, including:</p> <ul style="list-style-type: none"> <li>– The Downer Graduate Development Program (continue to unify a 'one Downer' approach to graduate recruitment).</li> <li>– Implementation of a governance structure and framework for the Downer Apprentice and Trainee Program that supports strategic attraction, selection and retention.</li> <li>– Explore partnership opportunities with organisations that manage the transition of ex-Defence personnel into Downer employment opportunities.</li> </ul>

## Corporate Governance – continued

for the year ended 30 June 2019

### Principle 2: Structure the Board to add value

Throughout the 2019 financial year, the Board was comprised of a majority of independent Directors.

The Board is currently comprised of the Chairman (Mike Harding, an independent, Non-executive Director), six other independent, Non-executive Directors and an Executive Director (the Group CEO, Grant Fenn). Details of the members of the Board, including their skills, experience, status and their term of office are set out in the Directors' Report on pages 4 to 5 and are also available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The composition of the Board is reviewed and assessed by the Nominations and Corporate Governance Committee to ensure the Board is of a composition, size and commitment to effectively discharge its responsibilities and duties.

Directors are required to bring their independent judgement to bear on all Board decisions. To facilitate this, it is Downer's policy to provide Directors with access to independent professional advice at the Company's expense in appropriate circumstances.

Downer's Non-executive Directors recognise the benefit of conferring regularly without management present, and they do so at various times throughout the year.

The Board considers that an independent Director is a Non-executive Director who is not a member of management and who is free of any business or other relationship that could (or could reasonably be perceived to) materially interfere with the independent exercise of their judgement. The Board regularly assesses the independence of each Director to ensure that each Director has the capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Downer as a whole.

Downer's governance framework requires each Director to promptly disclose actual and possible conflicts of interest, any interests in contracts, other directorships or offices held, related party transactions and any dealing in the Company's securities.

At least one Director must retire from office at each Annual General Meeting (AGM). No Non-executive Director can serve more than three years without offering themselves for re-election.

The Chairman of the Board is an independent, Non-executive Director. He is responsible for the leadership of the Board and for the efficient organisation and functioning of the Board. The Chairman is appointed by the Board to ensure that a high standard of values, governance and constructive interaction is maintained.

The Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and the Board and management. He also represents the views of the Board to Downer's shareholders and conducts the AGM.

The roles of Chairman and Group CEO are not exercised by the same person and the division of responsibilities between the Chairman and the Group CEO have been agreed by the Board and are set out in the Board Charter and Downer's Delegations Policy.

The Board has established a number of committees to assist the Board to effectively and efficiently execute its responsibilities. A list of the main Board Committees and their current membership is set out in the table below.

Board Committee	Chairman	Members
Audit and Risk	N M Hollows	S A Chaplain T G Handicott C G Thorne P L Watson
Zero Harm	C G Thorne	S A Chaplain G A Fenn P L Watson
Nominations and Corporate Governance	R M Harding	S A Chaplain T G Handicott
Remuneration	T G Handicott	P S Garling R M Harding
Disclosure	T G Handicott	G A Fenn R M Harding
Rail Projects	P S Garling	G A Fenn T G Handicott R M Harding
Tender Risk Evaluation	C G Thorne	G A Fenn R M Harding P L Watson

The names of members of each committee, the number of meetings and the attendances by each of the members of the various committees to which they are appointed is set out in the Directors' Report on page 20.

The Tender Risk Evaluation Committee's primary purpose is to oversee tenders and contracts that exceed the delegation of the Group CEO. The Tender Risk Evaluation Committee, is chaired by an independent Director and comprises five members, including the Group CEO. Meetings of the Tender Risk Evaluation Committee are convened as required to review tender opportunities.

The Board has established the Nominations and Corporate Governance Committee to oversee the practices for selection and appointment of Directors of the Company.

The Nominations and Corporate Governance Committee's primary purpose is to support and advise the Board on fulfilling its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and leading governance practice.

The Nominations and Corporate Governance Committee has a charter which sets out its roles and responsibilities, composition, structure, membership requirements and the procedures for inviting non-committee members to attend meetings. The Nominations and Corporate Governance Committee Charter gives the Nominations and Corporate Governance Committee access to internal and external resources, including advice from external consultants and specialists. The Nominations and Corporate Governance Committee Charter is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The Nominations and Corporate Governance Committee, all members of which are independent Directors, is chaired by an independent Director and has a minimum of three members.

The Committee's responsibilities include:

- Assessing the skills and competencies required on the Board;
- Assessing the extent to which the required skills are represented on the Board;
- Establishing processes for the review of the performance of individual Directors and the Board as a whole;
- Establishing processes for identifying suitable candidates for appointment to the Board (including undertaking a formal due diligence screening process); and
- Recommending the engagement of nominated persons as Directors.

When appointing Directors, the Nominations and Corporate Governance Committee aims to ensure that an appropriate balance of skills, experience, expertise and diversity is represented on the Board. This may result in a Non-executive Director with a longer tenure remaining in office to bring that experience and depth of understanding to matters brought before the Board.

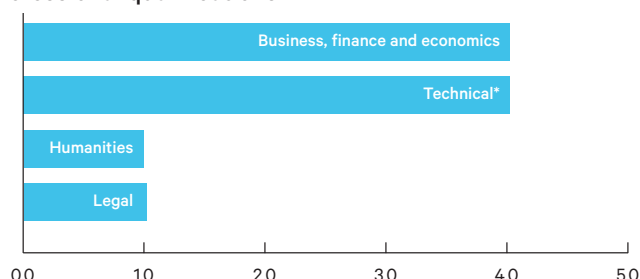
Given the breadth of Downer's service offerings across a range of markets, the Board seeks to ensure that it maintains an appropriate range of technical skills across engineering, geology, construction and scientific disciplines as well as professional services when considering the appointment of a new Director. The Board identified that the review of major tenders, successful delivery of major projects in an increasingly complex commercial environment and experience in services activities were required. It is for this reason that in undertaking the selection process for its most recently appointed Director, the Board selected a candidate with engineering qualifications and experience as a CEO of an ASX listed company.

## Corporate Governance – continued

for the year ended 30 June 2019

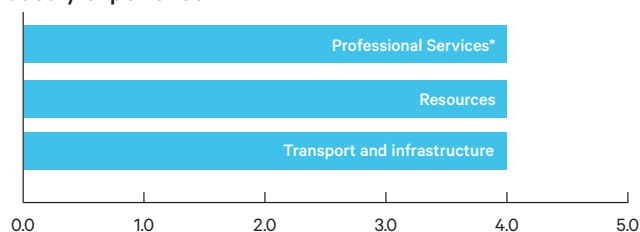
The chart below illustrates the balance achieved with the current Board composition. The Company recognises the value of diversity which has been a component of the appointment process over the past few years.

### Professional qualifications



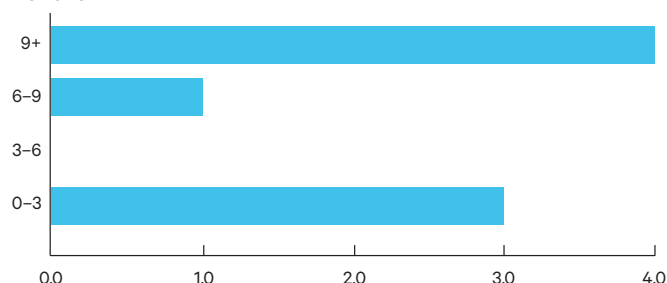
\*Comprises construction, engineering, metallurgy and science.

### Industry experience

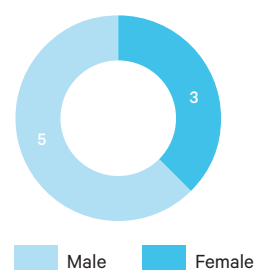


\*Includes banking, finance and legal.

### Tenure



### Gender diversity



From time to time, Downer engages external specialists to assist with the selection process as necessary, and the Chairman, Board and Group CEO meet with candidates as part of the appointment process.

Nominations for re-election of Directors are reviewed by the Nominations and Corporate Governance Committee and Directors are re-elected in accordance with the Downer Constitution and the ASX Listing Rules.

As part of its commitment to leading corporate governance practice, the Board undertakes improvement programs, including externally facilitated periodic reviews of its performance and that of its Committees and Directors. The last review was completed during FY16.

The Company has formal induction procedures for both Directors and senior executives. These induction procedures have been developed to enable new Directors and senior executives to gain an understanding of:

- Downer's financial position, strategies, operations and risk management policies;
- The respective rights, duties and responsibilities and roles of the Board and senior executives; and
- Downer's culture and values.

Directors are given an induction briefing by the Company Secretary and an induction pack containing information about Downer and its business, Board and Committee charters and Downer Group policies. New Directors also meet with key senior executives to gain an insight into the Company's business operations and the Downer Group structure.

Directors are encouraged to continually build on their exposure to the Company's business and a formal program of Director site visits has been in place since 2009. Directors are also encouraged to attend appropriate training and professional development courses to update and enhance their skills and knowledge and the Company Secretary regularly organises governance and other continuing education sessions for the Board.

The Board is provided with the information it needs to discharge its responsibilities effectively. The Directors also have access to the Company Secretary for all Board and governance-related issues and the appointment and removal of the Company Secretary is determined by the Board. The Company Secretary is accountable to the Board, through the Chair, on all governance matters.

### Principle 3: Promote ethical and responsible decision-making

Downer's Purpose is to create and sustain the modern environment by building trusted relationships with our customers. Its Promise is to work closely with our customers to help them succeed, using world-leading insights and solutions. Downer's Purpose and Promise are founded on the Pillars of Zero Harm, Delivery, Relationships and Thought Leadership and define the way it manages its business and are the foundations that support Downer's culture. An overview of the Purpose, Promise and Pillars can be found on the Downer website at [www.downergroup.com](http://www.downergroup.com).

Downer strives to attain the highest standards of behaviour and business ethics when engaging in corporate activity. The Downer Standards of Business Conduct sets the ethical tone and standards of the Company and deals with matters such as:

- Compliance with the letter and the spirit of the law;
- Workplace behaviour;
- Prohibition against bribery and corruption;
- Protection of confidential information;
- Engaging with stakeholders;
- Workplace safety;
- Diversity and inclusiveness;
- Sustainability; and
- Conflicts of interest.

Downer has a formal whistleblower policy and procedures for reporting and investigating breaches of the Standards of Business Conduct. This includes the Our Voice service, an external and independent reporting service which enables employees to anonymously report potential breaches of the Standards of Business Conduct, including misconduct or other unethical behaviour. Reports received through Our Voice are investigated where appropriate, with the Company Secretary overseeing the completion of any remedial action. The Board is informed of material incidents reported under the whistleblower policy.

The Standards of Business Conduct applies to all officers and employees and is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

Downer endorses leading governance practices and has in place policies setting out the Company's approach to various matters, including:

- Securities trading (stipulating 'closed periods' for designated employees and a formal process which employees must adhere to when dealing in securities);
- The Company's disclosure obligations (including continuous disclosure);
- Communicating with shareholders and the general investment community; and
- Privacy.

Downer has an Anti-Bribery and Corruption Policy which expands upon the prohibition against bribery and corruption currently contained in the Standards of Business Conduct, and which addresses key issues such as working with government, political donations, human rights, conducting business internationally and gifts and benefits. The Board is informed of material breaches of the Anti-Bribery and Corruption Policy.

As Downer has operations in foreign jurisdictions, Downer employees are confronted by the challenges of doing business in environments where bribery and corruption are real risks. However, regardless of the country or culture within which its people work, Downer is committed to compliance with the law, as well as maintaining its reputation for ethical practice.

These policies are available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

### Principle 4: Safeguard integrity in financial reporting

The Company has in place a structure of review and authorisation which independently verifies and safeguards the integrity of its financial reporting.

The Audit and Risk Committee assists the Board to fulfil its responsibilities relating to:

- The quality and integrity of the accounting, auditing and reporting practices of the Company with a particular focus on the qualitative aspects of financial reporting to shareholders;
- The Company's risk profile and risk policies; and
- The effectiveness of the Company's system of internal control and framework for risk management.

The Audit and Risk Committee is structured so that it:

- Consists of only Non-executive Directors;
- Consists of a majority of independent Directors;
- Is chaired by an independent Chairman (who is not the Chairman of the Board); and
- Has at least three members.

The Audit and Risk Committee comprises only independent Directors, includes members who are financially literate and has at least one member who has relevant qualifications and experience.

The Audit and Risk Committee Charter sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements and the procedures for inviting non-committee members to attend meetings.

## Corporate Governance – continued

for the year ended 30 June 2019

The Board receives assurances from the Group CEO and the Group CFO that the declarations provided to it in relation to the annual and half-year financial statements, in accordance with sections 295A and 303(4) of the *Corporations Act 2001* (Cth) are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Downer's external auditor attends the Company's AGMs and is available to answer any questions which shareholders may have about the conduct of the external audit for the relevant financial year and the preparation and content of the Audit Report.

Information regarding the number of times the Audit and Risk Committee convened in FY19, together with the individual attendances of members at the meetings, is set out in the Directors' Report on page 20.

The Audit and Risk Committee Charter is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

### Principle 5: Make timely and balanced disclosure

The Company's Disclosure Policy sets out processes which assist the Company to ensure that all investors have equal and timely access to material information about the Company and that Company announcements are factual and presented in a clear and balanced way. It includes that new and substantive investor or analyst presentations are released on the ASX Market Announcements Platform ahead of the presentation. A copy of the Disclosure Policy is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The Disclosure Policy also sets out the procedures for identifying and disclosing material and market-sensitive information in accordance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules. The Board receives copies of all material market announcements promptly after they have been made.

Downer's Disclosure Committee consists of two independent, Non-executive Directors (one of which is the Chairman of the Board) and the Group CEO. The Disclosure Committee oversees disclosure of information by the Company to the market and the general investment community.

### Principle 6: Respect the rights of shareholders

Downer empowers its shareholders by:

- Communicating effectively, openly and honestly with shareholders;
- Giving shareholders ready access to balanced and understandable information about the Company and its governance;
- Making it easy for shareholders to participate in general meetings; and
- Giving shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically.

The Downer Communication Policy sets out the Company's approach to communicating with shareholders and is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The Company publishes corporate information on its website ([www.downergroup.com](http://www.downergroup.com)), including Annual and Half Year Reports, ASX announcements, investor updates and media releases.

Downer encourages shareholder participation at members meetings through its use of electronic communication, including by making notices of meetings available on its website and audio casting of general meetings and significant Group presentations. All substantive resolutions at meetings of shareholders are conducted by poll.

The Directors and key members of management attend the Company's AGMs and are available to answer questions.

### Principle 7: Recognise and manage risk

To mitigate the risks that arise through its activities, Downer has various risk management policies and procedures in place that cover (among other matters) interest rate management, foreign exchange risk management, credit risk management, tendering and contracting risk and project management.

Downer has controls at the Board, executive and business unit levels that are designed to safeguard Downer's interests and ensure the integrity of reporting (including accounting, financial reporting, environment and workplace health and safety policies and procedures). These controls are designed to ensure that Downer complies with legal and regulatory requirements, as well as community standards.

Downer has a Risk Management Framework in place to enable business risks to be identified, evaluated and managed. The Board ratifies Downer's approach to managing risk and oversees Downer's Risk Management Framework, including the Group risk profile and the effectiveness of the systems being implemented to manage risk. The last comprehensive review of the Risk Management Framework was completed in 2016. However, the Board reviews the Group risk profile twice each year and considers other risk matters, such as business resilience, tender review processes, risk appetite, and specific risk areas, on a regular basis, as well as regular reports from senior management, the internal audit team, and the external auditor.

Downer's annual Sustainability Report provides a detailed overview of Downer's approach to managing its environmental and social risks. The Sustainability Report is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

The Company's internal audit function objectively evaluates and reports on the existence, design and operating effectiveness of internal controls. Downer's internal audit team is independent of the external auditor and reports to the Audit and Risk Committee.

Downer's Audit and Risk Committee assists the Board in its oversight of Downer's risk profile and risk policies, the effectiveness of the systems of internal control and Risk Management Framework and Downer's compliance with applicable legal and regulatory obligations. The Audit and Risk Committee Charter is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

Management reports regularly to the Audit and Risk Committee on the effectiveness of Downer's management of its material business risks and on the progress of mitigation treatments.

### **Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration Committee and has adopted the Remuneration Committee Charter which sets out its role and responsibilities, composition, structure and membership requirements and the procedures for inviting non-committee members to attend meetings.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board about:

- Executive remuneration and incentive policies;
- The remuneration, recruitment, retention, performance measurement and termination policies and procedures for all senior executives reporting directly to the Group CEO;
- Executive and equity-based incentive plans; and
- Superannuation arrangements and retirement payments.

Remuneration of the Group CEO, Executive Directors and Non-Executive Directors forms part of the responsibilities of the Nominations and Corporate Governance Committee.

Downer's remuneration policy is designed to motivate senior executives to pursue the long-term growth and success of the Company and prescribes a relationship between the performance and remuneration of senior executives.

The Remuneration Committee is structured so that it:

- Consists of a majority of independent Directors;
- Is chaired by an independent Director; and
- Has at least three members.

The Executive Director is not a member of the Remuneration Committee.

The maximum aggregate fee approved by shareholders that can be paid to Non-executive Directors is \$2.0 million per annum. This cap was approved by shareholders on 30 October 2008. Further details about remuneration paid to Non-executive Directors are set out in the Remuneration Report at page 22.

Retirement benefits are not paid to Non-executive Directors.

Non-executive Directors do not participate in any equity incentive schemes.

The remuneration structure for Executive Directors and senior executives is designed to achieve a balance between fixed and variable remuneration taking into account the performance of the individual and the performance of the Company. Executive Directors receive payment of equity-based remuneration as short-term and long-term incentives.

Executive Directors and senior executives are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any of the Company's equity-based remuneration schemes, as set out in the Securities Trading Policy. A copy of the Securities Trading Policy is available on the Downer website at [www.downergroup.com](http://www.downergroup.com).

Further details about the remuneration of Executive Directors and senior executives are set out in the Remuneration Report at page 22 and details of Downer shares beneficially owned by Directors are provided in the Directors' Report at page 6.