



DOWNER GROUP SUSTAINABILITY-LINKED LOAN 2023



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Prepared by: DNV Business Assurance Australia Pty Ltd.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Terms except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.dnv.com)



DNV'S INDEPENDENT ASSESSMENT

Scope and Objectives

Downer designs, builds and sustains assets, infrastructure and facilities and is the leading provider of integrated services in Australia and New Zealand. With a history dating back over 150 years, Downer is listed on the Australian Securities Exchange and New Zealand Stock Exchange as Downer EDI Limited (DOW). Downer employs 32,415 people across more than 300 sites, primarily in Australia and New Zealand.

Downer has publicly committed to:

- Net Zero across Scope 1, 2 and 3 emissions by 2050
- A 50% Reduction by 2032 across Scope 1 and 2 emissions against a 2020 Baseline
- A 30% Reduction by 2032 across Scope 3 emissions against a 2020 Baseline
- Lost Time Injury Frequency Rates (LTIFR) <0.90 and Total Recordable Injury Frequency Rate (TRIFR) <3.50
- 40% women in workforce by 2026, 25% women in management positions by 2026, 28% women in executive positions by 2026.
- >4.5% EBITA Margin in FY25
- >\$100m in benefits in FY25

Downer has developed a Sustainability-Linked Finance Framework to support the issuance of Sustainability-Linked Loans and contingent facilities. Downer is seeking to establish a Sustainability-Linked Finance Framework that encompasses its existing Sustainability-Linked transaction and bilateral bank debt and contingent facilities and has been working to identify Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) that will be linked to the financing facilities mentioned above. The Framework has been developed in alignment with the Sustainability-Linked Loan Principles 2023 (SLLP), published by the Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA) and Loan Syndications & Trading Association (LSTA).

DNV Business Assurance Australia Pty. Ltd. (DNV) has been commissioned by Downer to review the Framework and provide a Second Party Opinion on the alignment of the proposed SLL with the SLLP. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of instruments issued, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework and the Loan have met the criteria established on the basis set out below.

Responsibilities of the Management of Downer and DNV

The management of Downer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Downer management and other interested stakeholders in the SLL as to whether the Loan is aligned with the SLLP. In our work, we have relied on the information and the facts presented to us by Downer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Downer's management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our assessment methodology to create the Downer-specific Eligibility Assessment Protocol (henceforth referred to as Protocol). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the SLL and the way the SLL mechanism is set out in the facility terms (Terms) have been reviewed are grouped under the five core components:

- **Principle One: Selection of Key Performance Indicators (KPIs).** The Borrower of an SLL should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed SPTs. The KPI should be reliable, material to the Borrower's core sustainability and business strategy, address relevant ESG challenges of the industry sector and be under management control.
- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful, and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
- **Principle Three: Loan Characteristics.** The loan will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The loan documentation needs to include the definitions of the KPI(s) and SPT(s) and the potential variation of the SLL's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
- **Principle Four: Reporting.** Borrowers should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle 5) outlining the performance against the SPTs and the related impact and timing of such impact on the Loan's financial and/or structural characteristics, with such information to be provided to those institutions participating in the Loan at least once per annum.
- **Principle Five: Verification (Post-issuance).** The Borrower should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, at least once per annum. It is recommended that verification of the performance against the SPTs should be made publicly available where appropriate.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Downer in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Downer-specific Protocol, adapted to the purpose of the SLL, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Downer on the SLL and supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of Downer's published materials and websites;
- Discussions with Downer management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings on the alignment with Sustainability-Linked Loan Principles are listed below:

Principle One: Selection of Key Performance Indicators (KPIs). DNV confirms that Downer's KPIs are core, relevant, material, and consistent with the company's overarching sustainability position and strategy. Downer's KPIs have been defined as follows:

- KPI 1, Scope 1 and 2 Emissions Intensity Reduction
- KPI 3, Australian and New Zealand Cultural Training
- KPI 4, Mental Health First Aid Training

The rationale and process for KPI selection, definition, measurability, and verifiability, are deemed to be based on materiality assessment, are robust, reliable and in accordance with the SLLP. The proposed KPIs are considered to be material to the activities of Downer and that these are core to the sustainability of the organisation, its stakeholders and are appropriate in the context of the business operations and their geographical extent.

Principle Two: Calibration of Sustainability Performance Targets (SPTs). DNV concludes that the SPTs are meaningful and relevant in the context of Downer's broader sustainability and business strategy and represent a material improvement over a predefined timeline. DNV concludes that Downer's targets are ambitious and deemed to go beyond what is considered 'business-as-usual' based on historic performance and market context. DNV has also reviewed the credibility of Downer's approach to achieve the SPTs and considers them to be achievable within the timing set. Refer to Schedule 2, Section 2 for further information.

Principle Three: Loan Characteristics. DNV reviewed the disclosures related to loan characteristics stated in the Sustainability-Linked Finance Framework and in our opinion the financial characteristics of the Loan that could be impacted based on performance under the SPTs, are in line with the SLLP. This impact includes margin adjustments for both discount and premium thresholds. DNV considers that the SLL characteristics and structure are set in such a way that encourages performance through the term of the instrument and is consistent with the criteria of the SLLP.

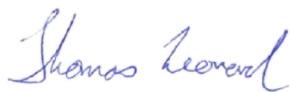
Principle Four: Reporting. DNV concludes that the Framework includes the required information on annual reporting of Downer's annual performance including measurement, monitoring and reporting of metrics including chosen formats for reporting and meets the requirement as outlined in the SLLP. Downer confirms that dedicated reporting will be provided at an annual interval.

Principle Five: Verification. DNV confirms that the Framework requires Downer to have its performance against the SPTs verified annually by an independent third party.

On the basis of the information provided by Downer and the work undertaken, it is DNV's opinion that the SLL proposed meets the criteria established in the Protocol and is aligned with the SLLP. The KPIs are material and relevant to Downer's business strategy, operational environment and the SPTs are considered to be ambitious and meaningful in the context of their operational environment.

For DNV Business Assurance Australia Pty Ltd.

Sydney, Australia / 1 December 2023



Thomas Leonard
Lead Assessor



David McCann
Technical Reviewer

Schedule 1. Downer Sustainability-Linked Loan Sustainability Performance Targets

As provided to DNV in October 2023

Key Performance Indicators (KPIs)	Sustainability Performance Target (SPTs)	Baseline Performance	Threshold Indicator	FY 24 (Year 1)	FY 25 (Year 2)	FY 26 (Year 3)	FY 27 (Year 4)	FY 28 (Year 5)
KPI 1: Climate Change Resilience/GHG Emissions and Energy – Scope 1 and 2 emissions intensity reduction	SPT 1: Target: Scope 1 and 2 emissions intensity reduction of 50% by 2032 from 2020 baseline	FY 20: 33.18 tonnes CO2-e/AUDm revenue	Performance Threshold	Target: 29.2 Stretch: 26.54 Penalty: 32.43	Target: 28.2 Stretch: 24.89 Penalty: 32.02	Target: 27.04 Stretch: 23.23 Penalty: 31.52	Target: 25.72 Stretch: 21.57 Penalty: 31.02	Target: 24.22 Stretch: 19.91 Penalty: 30.53
			Sustainability Discount	Target: -1.5bps Stretch: -2.5bps	Target: -1.5bps Stretch: -2.5bps	Target: -1.5bps Stretch: -2.5bps	Target: -1.5bps Stretch: -2.5bps	Target: -1.5bps Stretch: -2.5bps
			Sustainability Premium	+2.0bps	+2.0bps	+2.0bps	+2.0bps	+2.0bps
KPI 3: Australian and New Zealand Cultural Training	SPT 3: Target: number of hours of indigenous leadership and	FY 20: 3,922 hours	Performance Threshold	Target: 5,921 Penalty: 5,448	Target: 5,921 Penalty: 5,448	Target: 5,921 Penalty: 5,448	Target: 5,921 Penalty: 5,448	Target: 5,921 Penalty: 5,448
			Sustainability Discount	-1.0bps	-1.0bps	-1.0bps	-1.0bps	-1.0bps

Key Performance Indicators (KPIs)	Sustainability Performance Target (SPTs)	Baseline Performance	Threshold Indicator	FY 24 (Year 1)	FY 25 (Year 2)	FY 26 (Year 3)	FY 27 (Year 4)	FY 28 (Year 5)
KPI 4: Mental Health First Aid Training	awareness training programs in Australia and "Te Ara Whanake" suite of programs and "Te Ara Maramatanga Training in New Zealand delivered to Downer employees in the Financial Year.		Sustainability Premium	+1.0bps	+1.0bps	+1.0bps	+1.0bps	+1.0bps
	SPT 4: Target: Achievement of the Mental Health First Aid (MHFA) Australia's Workplace Recognition	Tier 2 – Advanced Workplace certification including 625 employees trained in	Performance Threshold	Target: Tier 2 Penalty: <3.5% employees trained or failure to maintain Tier 2	Target: Tier 3 Penalty: <3.5% employees trained or failure to achieve Tier 3	Target: Tier 3 Penalty: <3.5% employees trained or failure to maintain Tier 3	Target: Tier 3 Penalty: <3.5% employees trained or failure to maintain Tier 3	Target: Tier 3 Penalty: <3.5% employees trained or failure to maintain Tier 3
			Sustainability Discount	-1.0bps	-1.0bps	-1.0bps	-1.0bps	-1.0bps

Key Performance Indicators (KPIs)	Sustainability Performance Target (SPTs)	Baseline Performance	Threshold Indicator	FY 24 (Year 1)	FY 25 (Year 2)	FY 26 (Year 3)	FY 27 (Year 4)	FY 28 (Year 5)
	Program – Master Workplace accreditation (Tier 3) assessed based on the % of employees trained within the most recent three-year period, the successful implementation of MHFA training actions completed, and the duration at each tier of the recognition program	MHFA in FY23	Sustainability Premium	+1.0bps	+1.0bps	+1.0bps	+1.0bps	+1.0bps

Schedule 2. Sustainability Linked Loan Eligibility Assessment Protocol

1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	DNV Findings
1a	KPI – material to core sustainability and business strategy	<p>The Borrower's sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the Borrower's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control.</p> <p>The KPI should be of high strategic significance to the Borrower's current and/ or future operations.</p> <p>It is recommended that the Borrower communicate clearly to lenders the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>DNV has reviewed Downer's Sustainability commitments as detailed and benchmarked in the Downer Sustainability-Linked Finance Framework and the Downer Sustainability website². Downer's proposed Sustainability-Linked Loan is confirmed by DNV to be aligned with and consistent with Downer's overarching Sustainability Objectives</p> <p>Downer has publicly committed to:</p> <ul style="list-style-type: none"> • Net Zero across Scope 1, 2 and 3 emissions by 2050 against a 2020 baseline • A 50% Reduction by 2032 across Scope 1 and 2 emissions against a 2020 Baseline • A 30% Reduction by 2032 across Scope 3 emissions against a 2020 Baseline • 40% women in workforce by 2026, 25% women in management positions by 2026, 28% women in executive positions by 2026. • LTIFR <0.90 and TRIFR <3.50 • >4.5% EBITA Margin in FY25 • >\$100m in benefits in FY25 <p>The KPIs and SPTs within the SLL were considered in the context of Downer's core sustainability goals and objectives. The KPIs and SPTs were confirmed to be aligned with some of Downer's core sustainability outcomes and objectives. The KPIs within the SLL include:</p> <ul style="list-style-type: none"> • <u>KPI 1</u>, Scope 1 and 2 Emissions Intensity Reductions • <u>KPI 3</u>, Australian and New Zealand Cultural Training • <u>KPI 4</u>, Mental Health First Aid Training <p>DNV's assessment concludes that the KPIs and SPTs established by Downer are consistent with Downer's strategic sustainability policies and plans.</p>
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e., as much as possible using an external reference or definitions to facilitate the assessment of the SPTs level of ambition.</p> <p>Borrowers are encouraged, when possible, to select KPI(s) that they have already been included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow lenders to evaluate historical</p>	<p>DNV concludes that the KPIs are measurable using quantifiable performance data and established benchmarks as follows:</p> <ul style="list-style-type: none"> • <u>KPI 1</u>, Scope 1 and 2 Emissions Intensity Reductions. Measured as A divided by B, where: <ul style="list-style-type: none"> — A = the Group's absolute Scope 1 Emissions and Scope 2 Emissions for that financial year, in each case measured as tonnes of CO₂-e emitted ("tCO₂-e") as detailed in the Sustainability Report for the relevant financial year; and — B = the Group's total revenue during that financial year as detailed in the Accounts for that financial year. • <u>KPI 3</u>, Australian and New Zealand Cultural Training. Measured by the total number of training hours delivered to the Group during the Financial Year. • <u>KPI 4</u>, Mental Health First Aid Training. Measured by maintaining accreditation in MHFA Australia's Advanced Workplace Accreditation (Tier 2)

² <https://www.downergroup.com/sustainability>

Ref.	Criteria	Requirements	DNV Findings
		performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, Borrowers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.	<p>in FY 24, and Master's Accreditation (Tier 3) in the first year of eligibility, being 2 years from achieving Tier 2 accreditation in FY 23.</p> <p>All of the KPIs are simply and readily externally verifiable and are based on quantifiable evidence that may be recorded and recalled for the purposes of verification.</p> <p>DNV concludes that the measurement methodology is robust and can be relied upon to measure the KPIs selected.</p>
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology	<p>DNV confirms that the KPIs have been clearly defined and are readily understood in the correct context:</p> <p>KPI 1, Scope 1 and 2 emissions intensity reduction Defined as:</p> <ul style="list-style-type: none"> Emissions (numerator): Scope 1 and 2 Greenhouse Gas emissions under Downer Group's Operational Control. Revenue (denominator): Downer Group's Total Revenue, a non-statutory disclosure which includes revenue from joint ventures, alliances and other income. <p>KPI 3, Australian and New Zealand Cultural Training</p> <ul style="list-style-type: none"> Defined as the number of hours of indigenous cultural leadership and awareness training programs in Australia and "Te Ara Whanake" suite of programs and "Te Ara Maramatanga Training in New Zealand delivered to Downer employees in the Financial Year. <p>KPI 4, Mental Health First Aid Training</p> <ul style="list-style-type: none"> Defined as the achieving and maintaining the Mental Health First Aid (MHFA) Australia's Workplace Recognition Program – Advanced Workplace accreditation for FY 23 and FY 24 and achieving and maintaining the MHFA Australia's Workplace Recognition Program - Master Workplace accreditation along with the percentage of total employees trained in MHFA. <p>DNV concludes that the KPIs have been clearly defined and are readily understood in the correct context. The KPIs are widely used in the field and are locally relevant.</p>

2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	DNV Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic and meaningful to the Borrower's business and be consistent with the Borrowers' overall strategic sustainability/ESG strategy	<p>DNV confirms that the SPTs are consistent with the Borrower's overall sustainability strategy and have been prepared to target an ambitious level of performance in each case.</p> <p>The targets are ambitious in the context of Downer's business:</p> <p>KPI 1, Scope 1 and 2 Emissions Intensity Reduction</p> <p>The SPTs for KPI 1 are related to the achievement of set performance within each year for emissions intensity reduction related to Scope 1 and 2 GHG emissions per AUD million in revenue. This is aligned with its Corporate Target of 50%</p>

Ref.	Criteria	Requirements	DNV Findings
			<p>Absolute Emissions Reduction by 2032, with SPTs of 29.2 tCO₂-e/AUDm for FY 24, 28.2 tCO₂-e/AUDm for FY 25, 27.04 tCO₂-e/AUDm for FY 26, 25.72 tCO₂-e/AUDm for FY 27, and 24.22 tCO₂-e/AUDm for FY 28. They are also reflective of Downer's multi-faceted business and directly relates to the source of its Scope 1 and Scope 2 emissions. Currently, 80% of Downer's Scope 1 and 2 emissions profile is comprised of liquid fuels, 10% from natural gas, and 10% from electricity, primarily derived from the Transport sector and the use of liquid and gaseous fuels throughout its light and heavy vehicle fleet, as well as asphalt, bitumen and concrete plants. DNV considers the KPI/SPT 1 for reduction of emissions intensity to be appropriate and meaningful. Overall, the KPI and SPT are considered to be suitably ambitious and aligned with the emissions reduction trajectory set out under the Paris Agreement purpose of the SLLP.</p> <p>KPI 3, Australian and New Zealand Cultural training</p> <p>Downer has committed to providing cultural leadership and awareness training across countries where it holds key operations – Australia and New Zealand. Downer's target of providing 5,921 hours of employee cultural training every year for FY 24, 25, 26, 27 and 28 to both Australian and New Zealand employees is in line with Downer's commitment to providing a workplace that is diverse, inclusive, respectful, and promotes opportunities including cultural diversity. The targets also address Downer's material 'community engagement' and 'inclusion and belonging' issues as identified in the Framework.</p> <p>DNV notes that providing training in meaningful programs across 2 countries with specific and different indigenous cultural identities requires commitment and dedication from multiple layers of Downer management in order to build a lasting, respectful, inclusive workplace.</p> <p>DNV considers KPI/SPT 3 to be appropriately aligned with the Downer values regarding community and culture and are suitably ambitious in the context of the industry, and with the overall purpose of the SLLP.</p> <p>KPI 4, Mental Health First Aid Training</p> <p>Downer has proposed this KPI related to achievement of the Mental Health First Aid (MHFA) Australia's Workplace Recognition Program – Master accreditation (Tier 3)</p> <p>Downer has identified mental health as a material issue and is committed to addressing the wellbeing of its employees across a wide range of environments and conditions. Downer is targeting to achieve a Tier 3 accreditation from MHFA in the first year in which it is eligible, being 2 years from when it received the Tier 2 accreditation in FY23.</p> <p>Downer is targeting Tier 3 which is the highest Tier available in its first year of eligibility and thereafter maintaining the highest Tier possible to address this material issue. DNV notes that the baseline for KPI 4 is Tier 2 Advanced Workplace accreditation, including 625 employees trained in Mental Health First Aid, and in order to achieve and maintain Tier 3 Master accreditation Downer will be required to implement 15 actions in the workplace to support mental health first aid, and to maintain a minimum of 3% of employees trained as Mental Health First Aiders. DNV notes that Downer is setting a penalty threshold of 3.5% of</p>

Ref.	Criteria	Requirements	DNV Findings
			<p>employees trained, which represents greater ambition than the required 3% required by MHFA.</p> <p>DNV considers this KPI to be aligned with the overall corporate policies surrounding mental health, and in particular DNV notes the partnerships with Beyond Blue and the New Zealand Mental Health Foundation demonstrate the meaningfulness of the KPI to Downer's business.</p> <p>DNV considers this KPI and SPT consistent with Downer's Sustainability commitments. DNV also confirms this KPI is appropriate and meaningful and in line with Downer's identified Materiality Issues. Overall, the KPI and SPT are considered to be suitably ambitious and aligned with the purpose of the SLLP.</p>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the Loan.	<p>Baselines associated with the KPIs/SPTs have been considered as a part of this assessment. Baselines in each case were confirmed to be based on actual performance or existence of conditions or programs relevant to each KPI. DNV notes that the original SLL targets were baselined from FY 20, however Downer has chosen to demonstrate increased ambition for the FY 24 – FY 28 targets. These are considered as follows:</p> <p>KPI 1, Scope 1 and 2 Emissions Intensity Reduction In support of the baseline for the target, Downer has provided remodelled emissions data in the KPI 1 Remodelled Emissions Trajectory spreadsheet. Downer has also provided Limited Assurance Reports from KPMG that provide assurance over Scope 1 and Scope 2 emissions and the Science Based Target (SBT) Scope 1 and 2 Greenhouse Gas Emissions Intensity for FY 21, FY 22, and FY 23. This baseline data provides an appropriate and meaningful baseline demonstration and is appropriate in the context of the SLLP. The baseline for the purposes of Downer's target is set as 33.18 tCO₂-e/AUDm for FY 20. SPT1 represents a material improvement beyond business as usual as the SPT trajectory increases in ambition over the life of the loan and aligns with Downer's corporate target of 50% reduction by 2032 from 2020 baseline. All targets from FY24-FY28 are set beyond the historical performance (FY23) figures. Downer has incorporated a stretch target which exceeds the straight-line trajectory of the Corporate Absolute Reduction target demonstrating further ambition. DNV considers the setting of SPTs to be ambitious and based on recent performance levels that are relevant in the organisations current form, size, and scope.</p> <p>KPI 3, Australian and New Zealand Cultural training In support of the baseline for the target, Downer has provided an excerpt from a Board Paper (Downer Group Revised Sustainability KPI's September 23) and Limited Assurance Reports from KPMG that provide assurance over the Indigenous Cultural Awareness Training, Te Ara Whanake & Te Ara Maramatanga Training (hours delivered) for FY 21, FY 22 and FY 23. The baseline for the purposes of Downer's target is set as 3922 hours in FY 20. DNV notes that year to date actual performance against this KPI is considerably higher than the run rate required to meet the current target threshold. This has largely been driven by the New Zealand training programmes. The definition is to be revised to "Australia and New Zealand Cultural Training". The targets are also proposed to be reset to higher levels for FY24-FY28 DNV notes that the Indigenous Cultural Awareness training program commitments reflect training committed to in FY 24, and</p>

Ref.	Criteria	Requirements	DNV Findings
			<p>represents new starters to the organisation, as well as New Zealand based employees.</p> <p>Considering this, DNV considers the setting of SPTs to be ambitious and based on performance levels that are relevant in the organisation's current form, size and scope.</p> <p>KPI 4, Mental Health First Aid Training</p> <p>Downer has provided the proposed SPT of achieving and maintaining an MHFA Certification Target of Tier 2 in FY 24, and Tier 3 in FY 25 – FY28 along with a minimum percentage of the total employees trained in MHFA. DNV considers targets set with reference achieving MHFA Australia's Master Workplace Accreditation (Tier 3) to be beyond "Business as Usual", and well aligned with the SLLP.</p> <p>DNV confirms that the SPTs set are meaningful in the context of the baseline conditions and representative of Downer's broader work on ESG.</p>
2c	Target Setting – benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> 1. The Borrower's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 2. The SPTs relative positioning versus the Borrower's peers where comparable or available, or versus industry or sector standards 3. Systematic reference to science-based scenarios, or absolute levels (e.g., carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies 	<p>Based on our discussions and review of the Downer SLL materials provided, DNV confirms that the SPT target setting process and commitments have been based on an appropriate combination of methodologies including benchmarking approaches:</p> <ol style="list-style-type: none"> 1. DNV confirms that the Framework nominates the baseline years, which have been supported by materials provided by Downer setting out the performance track-record for all KPIs as set out in Schedule 1. DNV notes that the original SLL targets were baselined from FY 20, however Downer has chosen to demonstrate increased ambition for the FY 24 – FY 28 targets. Remodelled emissions data in the KPI 1 Remodelled Emissions Trajectory spreadsheet. Downer has also provided Limited Assurance Reports from KPMG that provide assurance over Scope 1 and Scope 2 emissions and the Science Based Target (SBT) Scope 1 and 2 Greenhouse Gas Emissions Intensity for FY 21, FY 22, and FY 23. The target setting associated with Downer's SPT 1 is based on remodelled emissions data in the KPI 1 Remodelled Emissions Trajectory spreadsheet. This data has been assured by KPMG in a limited assurance report for the target setting process and baseline setting. KPI 3 has a baseline set as FY 20. DNV notes that data for KPI 3 has been provided by Downer which has been assured by KPMG in a limited assurance report for FY 21, FY 22, FY 23. KPI 4 baseline was set FY 23. DNV considers the timeline of the SPT here to be appropriate as Downer achieved MHFA Tier 2 accreditation in FY 23 and can achieve Tier 3 accreditation a minimum of two years after achieving Tier 2 accreditation. 2. The KPIs relate to physical performance attributes for KPI 1 (Carbon emissions), KPI 3 (Indigenous awareness training), KPI 4 (Mental Health First Aid accreditation). These are common metrics for the evaluation of environmental and social performance and considered to be reasonable for Downer to leverage. DNV consider the physical metrics to be appropriate for the setting of SPTs. 3. DNV concludes that the procedure and commitments in the Downer SLL KPI and SPT summary associated with setting SPTs are appropriate in the context of sustainability efforts for Downer. The basis for all KPIs is based on robust methodologies including standardised GHG assessments, personnel training and enrolment data, certification body criteria.

Ref.	Criteria	Requirements	DNV Findings
2d	Target setting – disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> the timelines for the target achievement, including the target observation date(s)/ period(s), the trigger event(s) and the frequency of review of the SPTs Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place Where possible and taking into account competition and confidentiality considerations, how the Borrower intends to reach such SPTs 	<p>DNV confirms that the SLL Terms make provisions for the relevant disclosures on target setting to be appropriately referenced:</p> <ol style="list-style-type: none"> The timelines of SPT target achievement are clearly set out in the Framework. The SPTs are available for achievement by Downer for set periods to encourage the necessary achievement of incremental milestones in a timely manner. DNV confirmed the performance against the pre-defined SPTs is to be assessed at least annually. Based on the review of the Framework and discussion with Downer's management team DNV confirm that Downer have established verified baselines for the improvement of the KPIs. Any requirement for adjustments have been provided for in the SFA and the Sustainability Terms Deed Poll. The KPIs set out in the Framework have been identified due to their central focus and materiality for Downer. Downer has in place plans for the management and upgrade of operations associated with all KPIs and therefore has a justifiable and reasonable basis for setting SPTs that are achievable. <p>After a review of Downer's overall policy strategy and management approach, DNV concludes that the procedure and approach to setting SPTs is realistic and would likely be achievable.</p>

3. Loan Characteristics

Ref.	Criteria	Requirements	DNV Findings
3a	Loan Characteristics – SPT Financial/structural impact	The SLL will need to include a financial and/or structural impact based on whether the KPI(s) reach the predefined SPT(s).	<p>Downer has communicated to DNV the structure and function of the SLL mechanism with premium and discount thresholds for each KPI/SPT. DNV concludes that this is in line with the criteria outlined by the SLLP. Trigger events, with corresponding target observation date(s) and performance requirements under a specific SPT - as outlined in in the Framework and in discussion with Downer Management - will ensure that the interest rate of the SLL changes in accordance with performance and is effective to drive performance for the entirety of the SLL term in at least one area at any given time.</p> <p>Downer has disclosed to DNV the interest rate impacts for each KPI. While DNV does not provide comment on the magnitude of margin adjustment, DNV can confirm that the interest rate structure does encourage Downer to achieve the targets and provides incentive for ambition.</p>

Ref.	Criteria	Requirements	DNV Findings								
			<p>DNV has considered the potential basis by which Downer would structure the Discount and Premium thresholds for the Loan.</p> <p>The Margin Adjustment Schedule is based on the number of SPTs achieved within each year as follows:</p> <table><tr><th>Key Performance Indicator</th><th>Margin impact</th></tr><tr><td>1. Scope 1 and 2 Emissions Intensity Reduction</td><td>+2.0bps / -1.5bps (target) -2.5 bps (stretch)</td></tr><tr><td>3. Australian and New Zealand Cultural Training</td><td>+/- 1.0 bps</td></tr><tr><td>4. Mental Health First Aid Training</td><td>+/- 1.0 bps</td></tr></table> <p>DNV can confirm the proposed influence structure is set to equally reward the achievement of SPTs and to encourage the achievement of all SPTs. The levels of Premium for under performance are considered to be ambitious in context and appropriately set to encourage positive performance.</p> <p>This structure is considered to be well suited to a Sustainability-Linked Loan instrument and appropriate for the format.</p>	Key Performance Indicator	Margin impact	1. Scope 1 and 2 Emissions Intensity Reduction	+2.0bps / -1.5bps (target) -2.5 bps (stretch)	3. Australian and New Zealand Cultural Training	+/- 1.0 bps	4. Mental Health First Aid Training	+/- 1.0 bps
Key Performance Indicator	Margin impact										
1. Scope 1 and 2 Emissions Intensity Reduction	+2.0bps / -1.5bps (target) -2.5 bps (stretch)										
3. Australian and New Zealand Cultural Training	+/- 1.0 bps										
4. Mental Health First Aid Training	+/- 1.0 bps										

4. Reporting

Ref.	Criteria	Requirements	DNV Findings
4a	Reporting	<p>Borrowers of SLLs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> Up-to-date information on the performance of the selected KPI(s), including baselines where relevant A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the Loan's financial and/or structural characteristics Any information enabling lenders to monitor the level of ambition of the SPTs <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a</p>	<p>Downer has outlined in the Sustainability Linked Finance Framework the commitments associated with Reporting on the Sustainability-Linked Loan.</p> <ol style="list-style-type: none"> KPI performance relative to the SPTs to be conducted annually as minimum. Reporting on ongoing performance against the selected targets will be assured by a third party for any SLL outstanding. Downer performance will be based on a range of quantifiable metrics based on verifiable records.

Ref.	Criteria	Requirements	DNV Findings
		potential adjustment of the SLL's financial and/or structural characteristics.	

5. Verification

Ref.	Criteria	Requirements	DNV Findings
5a	External Verification	Borrowers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year.	DNV confirms that Downer has committed to obtain external and independent verification of its annual KPI performance relative to the SPTs and share the same with lenders.



WHEN TRUST MATTERS

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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