

Reporting Approach and Materiality Assessment

Approach to disclosure

Downer's 2023 Sustainability Report discloses Downer's (Downer EDI Limited) sustainability-related performance for the fiscal year ending 30 June 2023 (FY23). Sustainability performance information relating to Downer entities and joint ventures has been included in the relevant sections of the report. Further information on joint ventures is detailed in Downer's 2023 Annual Report. Performance information included in each section of the report is as follows:

- The Governance section includes Downer's Australian and New Zealand operations. While Downer's governance policies and procedures cover contractors and joint ventures, performance information in this section excludes these entities.
- The Safety, Health and Wellbeing section includes Downer Australia and New Zealand operations. The performance data also includes Downer contractors and Downer employees involved in unincorporated joint ventures.
- The Climate Change and Environment section includes Downer Australia and New Zealand, including contractors and joint ventures. Joint ventures have been included for energy and GHG emissions performance data where Downer is deemed to have operational control, as defined by the National Greenhouse Energy Reporting Act 2007.
- The People section includes Downer Australia and New Zealand, its contractors and employees involved in unincorporated joint ventures.

Our sustainability reporting, including on our website and in our Data pack is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Downer employees, customers, suppliers, communities, investors and partners contribute to our sustainability strategy, response to material sustainability risks and opportunities, and disclosures. Input from these stakeholders has provided a foundation for our materiality assessment, conducted by an independent third party, which helped us understand what issues matter most to our business and stakeholders by assessing the impact of our activities and business relationships. In 2023, we adopted the concept of 'double materiality' by assessing materiality from two perspectives:

- Impact of Downer on the economy, environment and people (including their human rights)
- Impact of our sustainability risks and opportunities on Downer's business model, strategy and cash flows

This aligns with the focus of the Global Reporting Initiative (GRI 3: Material Topics 2021) and ISSB, respectively.

Materiality Assessment

To begin the materiality assessment, Downer conducted thematic analysis to produce a comprehensive list of actual and potential impacts based on:

- Understanding the organisational context, including activities and business relationships
- Identifying actual and potential impacts (negative or positive)

As part of this analysis, we considered:

- Macro and sector ESG trends and topics
- Media and commentary high-level peer review
- Relevant internal and external documentation
- Existing stakeholder insights and research
- Prior materiality assessment outcomes
- Sustainability standards and benchmark assessments

The independent third party then consulted with internal (Board members, Executive Leadership Team members and employees) and external stakeholder (customers, suppliers, community and industry partners, investors and financial institutions) groups through a survey and interviews.

The positive and negative impacts of our business were then assessed and rated from a financial materiality perspective by key Downer stakeholders, with help from our independent third-party advisor. This process considered investor and financial institution survey responses, sustainability risks and opportunities and topics identified as potentially material for the Engineering & Construction Services sector within the Sustainability Accounting Standard materiality tool.

The outcomes of this assessment and material topics for reporting were presented to and endorsed by the Downer Board. Based on this assessment, our 2023 Sustainability Report covers the topics (defined in the appendix) found to be most material to our stakeholders and our business:

- Business ethics
- Climate change resilience
- Community engagement
- Data privacy and cybersecurity
- Economic value
- Employee development and engagement
- Employment practices and labour rights
- Governance and transparency
- Greenhouse gas emissions energy
- Health, safety and wellbeing
- Inclusion and belonging
- Non-discrimination and harassment
- Organisational transformation
- Responsible procurement
- Sustainable products and services

Downer's comprehensive, independently facilitated materiality assessment ensures our sustainability performance and reporting continues to align with the priorities of our stakeholders. Downer continues to refine its material topics for reporting as a result of changes in the organisation, and the market in which it operates. Downer undertakes a comprehensive materiality assessment every two years or when there have been significant or material changes within the business. For example, Downer's earlier materiality assessment was conducted in 2021 and took into consideration the divestment of the Laundries and Mining Services businesses.

In addition to understanding the risks and opportunities for Downer that are currently material to Downer, we also monitor for long-term emerging risks and opportunities. Many of these risks are already managed by Downer, as detailed in this report and previous reports, and are unlikely to have a significant immediate impact on our operations. However, we are aware that they require ongoing management and review for any long-term implications for our strategy and the business environment that Downer operates in. Emerging or rapidly accelerating global risks that are relevant to Downer include:

- Risks to natural ecosystems such as failure to mitigate or adapt to climate change, natural disasters and extreme weather events and biodiversity loss
- Increasing cybercrime and cyber insecurity that impacts the privacy of personal and sensitive data for our employees, customers and other stakeholders
- Geopolitical and economic instability that impacts Downer's value chain (e.g. energy supply) or results in inflation and cost of living crisis in our communities
- Risks to physical and mental health of our people and communities exacerbated by socioeconomic stressors and strain on public health systems
- Social instability and potential declines in trust, individual and collective wellbeing, inclusion and economic productivity.

Assurance

Downer engaged KPMG to provide limited assurance over selected sustainability indicators within our 2023 Sustainability Report to assess whether they have been prepared in accordance with Downer's policies and procedures, and the GRI Standards. These selected sustainability indicators are:

- Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate
- Total direct (Scope 1) and indirect (Scope 2) GHG emissions
- Total energy consumption and production
- Significant environmental incidents (Category 4+)
- The total number and value of safety and environmental related fines paid or prosecutions
- Science-Based Target (SBT) Scope 1 and 2 Greenhouse Gas Emissions Intensity (tonnes CO₂ -e/AU\$m)
- Hours delivered for Indigenous Cultural Awareness, Te Ara Whanake and Te Ara Māramatanga training
- Employees trained annually in Downer's Mental Health First Aid (MHFA) training course.

Appendix – Downer’s actual and potential impacts

Topic	Definition
Business ethics	Business ethics considers how Downer manages the potential of being involved in anti-competitive behaviour and corruption). Anti-competitive behaviour refers to potential actions of Downer or its employees that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition. Similarly, corruption has the potential to result in negative impacts such as misallocation of resources revenues, environmental degradation, abuse of democracy and human rights, and political and social instability. Downer is potentially exposed to both issues due to the sectors in which it operates, large market presence, competition for bids and tenders, project financing and permitting, management of subcontractors, volume of procurement contracts, and relationships with customers.
Climate change resilience	Climate change is a human rights issue, with potential impacts on life, health, food and living standards. Climate resilience, adaptation, just transition refers to how Downer adjusts to current and future climate change-related risks and incorporates climate change within business strategy and activities. It also covers how Downer products and services (e.g. public transport, water infrastructure, road infrastructure) contribute to the resilience of communities and the economy to adapt and mitigate the impacts of climate change. The transition to a lower carbon economy also has potential impacts on workers and local communities reliant on carbon intensive industries, some of which Downer provides products and services to. Risks and opportunities posed by climate change also have the potential to generate changes to operations, revenue, or expenditure that can impact Downer, our investors, employees and other stakeholders.
Community engagement	Downer’s activities, operations and business relationships can positively or negatively impact the human rights and economic, social, cultural, or environmental wellbeing of local communities. With operations in Australia and New Zealand, this includes respectful engagement with and support of Aboriginal and Torres Strait Islanders and Māori. Where possible, Downer is expected to anticipate and avoid negative impacts on local communities (e.g. health and safety, environmental, disturbance). Establishing a timely and effective stakeholder identification and engagement process is important to understanding local communities, their vulnerabilities and how they might be affected or impacted by Downer activities. Our presence also brings socioeconomic benefits as we are deeply embedded in our communities and have a responsibility to help them thrive and provide an enduring legacy. Downer honours this responsibility and aims to make a difference and positive impact by providing funds and practical support through our employees, partnerships and programs, sponsorships, and donations.
Data privacy and cybersecurity	The implementation of effective privacy, information security practices and prevention cybersecurity incidents are designed to protect Downer’s employees, customers and other stakeholders (e.g. suppliers). Downer information assets includes customer data, supplier data and employee data and failure to protect this information may result in privacy breaches and adverse impacts to wellbeing, disruption to delivery of products and services and financial impacts to affected stakeholders. Downer is required to comply with legal obligations to ensure that personal information used for business requirements is handled appropriately to protect the privacy of our people, customers, communities and other stakeholders.
Economic value	The creation and distribution of economic value provides an indication of how Downer has created wealth and supported development for stakeholders. Economic performance-related impacts include monetary value added to local economies, employee wages and benefits, taxes, community investment, dividends to shareholders and payments to loan providers.
Employee development and engagement	Downer’s greatest asset is its people. Downer operates in sectors that are subject to highly competitive labour markets, making employee engagement, retention and attraction strategic important. Downer impacts its employees, their level of engagement and their workplace experience through its approach to training and education, enhancement of employee skills, performance reviews and career development, transition assistance programs, and the management of retirement or termination.

Employment practices and labour rights	Labour rights are human rights, including the right to work and rights at work and rights to exercise freedom of association or collective bargaining on terms and conditions of work. Downer directly impacts its workers (and prospective employees) in its hiring, recruitment, retention and related practices, and the working conditions it provides. Negative impacts to workers may directly arise if Downer or by organisations engaged by Downer, do not meet the requirements of labour standards and legislation. Downer's employment practices and engagement with businesses in its value chain can directly or indirectly influence workers' labour rights. Some vulnerable groups employed by Downer in its facilities services business are at higher risk of labour exploitation, including cleaning, maintenance, and security roles. Downer is also linked to the employment and working conditions through its business relationships including outsourcing partners, JV partners, contractors and suppliers.
Governance and transparency	As a publicly traded company, Downer is subject to scrutiny on its governance practices and its positive or negative impacts on shareholder value. This emphasises the importance of maintaining ethical business relationships and company conduct (i.e. relationships with customers, suppliers, JV partners) and transparency. Transparency provides stakeholders with information about our activities, products and services, and sustainability performance that is accurate, complete and timely. Poor corporate governance negatively impacts investors and other stakeholders, including employees and communities in which we operate and can lead to loss of trust and confidence. Appropriate governance mechanisms include an effective board structure, oversight of audit and financial performance systems and robust stakeholder management.
Greenhouse gas emissions and energy	GHG emissions significantly contribute to climate change. Some GHGs, including methane, are also air pollutants that have significant negative impacts on ecosystems, air quality, and health. Emissions intensive areas of Downer operations include the manufacture of asphalt and within Downer's light vehicle and truck fleets. Downer sites also have electricity requirements for lighting, heating and air conditioning. Downer's value chain emissions its largest emissions source. Downer consumes energy in various forms, predominantly as fuel and electricity. Energy consumption can also occur throughout the upstream and downstream activities connected with Downer's operations. This energy is self-generated or purchased external sources and comes from renewable sources (e.g. solar) or from non-renewable sources (such as coal, petroleum or natural gas). Decarbonisation, efficient energy usage and opting for renewable energy sources are essential for combating climate change and for lowering Downer's overall environmental impact.
Health, safety and wellbeing	Healthy and safe work conditions are a human right and include both prevention of physical and mental harm, and promotion of health and wellbeing. Potential adverse impacts on people (e.g. workers, contractors or members of the public) include fatality, physical or psychosocial injury or ill health. Downer operates in some sectors exposed to high-risk activities that may result in catastrophic events for workers, local communities, or the environment and cause damage to Downer or customer assets.
Inclusion and belonging	Downer's approach to promoting diversity (e.g. age, ethnicity, nationality, religion, disability, gender, sexual orientation), inclusion and equal opportunity at work impacts its employees and community. It also provides Downer with access to a larger and more diverse talent pool, and benefits society more broadly as equity promotes social stability and supports further economic inclusion and development.
Non-discrimination and harassment	Non-discrimination is a human right. The presence and effective implementation of policies to avoid discrimination and harassment (including sexual harassment) in business activities and the workplace environment is a basic expectation of responsible conduct for Downer. Discrimination causes harm to persons or groups of people and adversely impacts their human rights, safety and wellbeing. Downer must avoid discriminating against any person on any grounds (e.g. prospective employee, employee, community), including avoiding discrimination against workers at work. Instead, each person should be treated fairly on the basis of individual merit. It is also expected to avoid discriminating against customers with respect to the provision of products and services, or against any other stakeholder, including suppliers or business partners.
Organisational transformation	Organisational transformation and restructuring aim to provide greater growth, agility and performance, with strategic clarity for our employees, customers and investors. Transformation can provide employees with greater career opportunities or potentially result in adverse impacts from a wellbeing, employee experience and economic perspective. Transformation benefits customers through increased competitiveness and access to a broader pool of resources, support, expertise and talent. Transformation also benefits Downer investors through potential for growth, cost efficiency and productivity outcomes and enhanced resilience through economic and social cycles.

<p>Responsible procurement</p>	<p>Downer’s supply chain of over 28,000 suppliers is diverse and consists of indirect and direct suppliers. Downer potentially causes or contributes to supply chain environmental impacts (e.g. carbon emissions, natural resource degradation, pollution, water management and biodiversity or nature impacts) and social impacts (e.g. employment and working condition, human rights) through its supply chain and business relationships (e.g. JV partners, contractors). Due diligence is expected to prevent, mitigate, and address actual and potential negative impacts in the supply chain. Procurement practices (such as lead times, or purchasing prices) can also cause or contribute to negative impacts in the supply chain. Conversely, procurement practices can also support sustainable development, by engaging local suppliers, and Indigenous, Māori and Pacific-owned businesses.</p>
<p>Sustainable products and services</p>	<p>Customers, investors and end users need accessible and accurate information about the environmental, quality, safety and ethical performance of Downer's products and services. The quality, timeliness and value of the products and services delivered by Downer and its partners (e.g. outsourcing) also has impacts on our customers, contractors, employees and end users (e.g. members of the community). Provision of products and services to sectors and customers with adverse social and environmental impacts has the opposite effect on sustainable development. Failure to provide quality products and services can cause impacts to health, safety and wellbeing, socioeconomic activities and cause delays. Delays may reduce access to vital infrastructure and services in the community and result in financial impacts on customers and Downer.</p>