



**Sustainability
Report 2015**

Downer
Relationships creating success

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The key to sustainable growth is improving our existing business by optimising our operational activities and converting opportunities into strategic growth.

Welcome to Downer's 2015 Sustainability Report

We continue to invest in new technology that improves the sustainability of our business, including more energy efficient asphalt plants and more effective and energy efficient mining equipment. We have also expanded our business through targeted acquisitions, increasing the diversity of our operations to help build long term sustainability.

We strive to improve our energy efficiency and reduce our greenhouse gas (GHG) emissions through a range of productivity improvements and the introduction of innovative technology across our manufacturing processes. During the year the business expanded through acquisition and this increased our total Scope 1 and Scope 2 emissions¹ by 2%. However, our efficiency measures have realised a 2.3% reduction in energy consumption across the Group. When we exclude the acquisitions, there has been an underlying 6% reduction in Scope 1 and Scope 2 GHG emissions and an 8.6% reduction in energy consumption.

We commenced the implementation of our five year GHG reduction and energy efficiency plans and the savings initiatives we implemented during the year will deliver a further 295 Terajoules (TJ) of annualised energy savings. This is equivalent to 29,000 tonnes of CO₂-e abatement across our total GHG emissions profile with 74% of the savings being Scope 1 and Scope 2 emissions. We have also targeted reductions in our Scope 3 emissions² (26%) either for work we have undertaken for our customers or within our supply chain.

Our ability to develop processes and technology to reduce our emissions and overall energy consumption across a wide range of business activities allows us to assist our customers in managing the environmental sustainability challenges that they face in their own businesses.

During the year, Downer successfully relaunched its brand and our [Relationships creating success](#) program has been received very positively by our customers and our people. Being customer-centric and helping our customers to succeed has never been more important to our business.

Downer is committed to achieving our goal of Zero Harm. We have reduced our Lost Time Injury Frequency Rate (LTIFR)³ by 20% and Total Recordable Injury Frequency Rate (TRIFR)⁴ by 22% since 2013-14. Our TRIFR has decreased by 53% in the last five years and by 75% in the last nine years.

The number of female employees remained unchanged at 12% of our Group-wide workforce and we have been working on strategies to increase female participation, particularly to increase the number of women in manager roles. We set a target to increase the number of women being short-listed for manager roles, and this has enabled us to reach 7.1% female managers (exceeding our target of 6.5%), and to increasing the number of female executives to 7.4%.

We continue to implement an extensive program of learning and development that targets our leaders and managers to provide them support and guidance across a range of business functions including leadership, project management and delivery. In particular, there has been a strong focus on training and coaching in Zero Harm across the whole workforce.

We are only able to achieve our business and sustainability objectives through the dedication of our people and I am proud of their contribution to the initiatives described throughout this report.



Grant Fenn
Managing Director
and Chief Executive Officer

¹ Scope 1 emissions are those produced directly by Downer EDI Group activities. Scope 2 emissions are indirect emissions, such as electricity consumption.

² Scope 3 emissions are those that occur from sources not owned or controlled by Downer.

³ Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and injury that results, directly or indirectly, in the death of the person. The LTIFR is the number of LTIs per million hours worked.

⁴ TRIFR is the number of lost-time injuries + medically treated injuries (employees and contractors) per million hours worked.

2015 Highlights



5 “Senior Executive” refers to CEO (Chief Executive Officer), KMP (key management personnel) and Other Executives / General Managers as defined in the Workplace Gender Equality Agency Reference guide to the workplace profiles and reporting questionnaire (WGEA Reference Guide).

6 “Manager” refers to CEO, KMP, Executive / General Managers, Senior Managers and Other Managers as defined in the WGEA Reference Guide

7 Excludes acquisitions for FY15 data to enable comparison

Financial

FY15 results with trends compared to FY14

\$210.2m

Net Profit After Tax (NPAT)



\$309.7m

Earnings Before Interest and Tax (EBIT)



\$7.4b

Total Revenue (includes joint ventures)



\$18.5b

Work in Hand



People

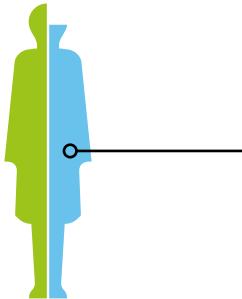
100%

Completion of development plans, career reviews and succession plans for Executive, their direct reports and next level.



7.4%

Number of female Senior Executives⁵



7.1%

Number of female Managers⁶
Target 6.5%



Group-wide mentoring program

Successfully launched

Group-wide Diversity and Inclusiveness survey

Inaugural survey undertaken in 2015



Safety

0

Fatalities
Target 0

0

Fines and prosecutions
Target 0

0.87

Lost Time Injury Frequency Rate
Target <1



3.8

Total Recordable Injury Frequency Rate
Target <5



Environment

0

Fines and prosecutions
Target 0

0

Significant environmental incidents
Target 0

-6%

Scope 1 & Scope 2 GHG emissions compared to previous year⁷

295TJ

Annualised energy savings
Target 134TJ

-8.6%

Energy consumption compared to previous year⁷



Downer EDI Limited (Downer) is a leading provider of services to customers in markets including: Transport Services; Rail; Mining; Technology and Communications Services; Utilities Services; and Engineering, Construction and Maintenance (EC&M). Downer employs about 19,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.

About Downer

Transport Services

Transport Services comprises Downer's road, rail, airport and port infrastructure businesses. It features a broad range of transport infrastructure services including earthworks, civil construction, asset management, maintenance, surfacing and stabilisation, supply of bituminous products and logistics, open space and facilities management and rail track signalling and electrification works.

Road Services

Downer offers one of the largest non-government owned road infrastructure services businesses in Australia and New Zealand, maintaining more than 40,000 kilometres of road in Australia and more than 32,000 kilometres in New Zealand.

Downer delivers a broad range of tailored pavement treatments and traffic control services and also provides high level capabilities in strategic and tactical asset management, network planning and intelligent transport systems. It continues to invest in state-of-the-art technology to drive innovation and performance, including asphalt plants that use more recycled products and substantially less energy. Downer's joint venture with Mouchel delivers a sophisticated road asset management service offering and was formed specifically to meet the changing needs of customers and markets.

Downer is also a leading manufacturer and supplier of bitumen based products and a provider of soil and pavement stabilisation, pressure injection stabilisation, pavement recycling, pavement profiling and asset management.

Rail

Downer provides total rail asset solutions including freight and passenger build, operations and maintenance, component overhauls and after-market parts. Downer provides services to a range of public and private sector rail customers with capabilities spanning the provision, maintenance and overhaul of passenger and freight rolling stock, as well as importing and commissioning completed locomotive units for use in the resources sector.

Downer has a strong national presence, with approximately 1,400 workers employed at 20 sites across Australia. Downer operates two fleet control centres focused on monitoring and management of passenger and freight fleets on behalf of its customers and four manufacturing plants.

Downer has formed strategic joint ventures with leading technology and knowledge providers to support its growth objectives in the passenger and freight market. These include partnerships with Keolis, Bombardier and Electro-Motive Diesel (owned by Caterpillar).

Customers include Pacific National, Aurizon, BHP Billiton, Fortescue Metals Group, Genesee & Wyoming, Transport for NSW, Sydney Trains, Queensland Rail, Public Transport Authority (Western Australia) and Metro Trains Melbourne (Victoria).

Light rail and buses

The Keolis Downer joint venture is Australia's largest private provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne and the Gold Coast Light Rail in Queensland. In April 2015, Keolis Downer acquired Australian Transit Enterprises (ATE), one of Australia's largest route, school and charter bus businesses and now operates a fleet of over 900 buses in South Australia, Western Australia and Queensland.



Waratah train fleet – the backbone of Sydney’s rail network

In late May 2014, Downer delivered the 78th Waratah train (626 carriages) into passenger service on the Sydney rail network. The performance of the Waratah trains has exceeded all expectations due to the quality of the train design and the successful integration of the many complex systems that make up the trains. The Waratah trains represent approximately 40% of Sydney’s passenger train fleet and they will be the backbone of the Sydney rail network for many years to come.

Mining

Downer is Australia's leading diversified mining contractor with around 3,500 employees working across more than 50 sites, mainly in Australia and New Zealand but also in Papua New Guinea, South America and Southern Africa.

We support our coal and metalliferous mining customers at all stages of the mining lifecycle with a wide range of services, including:

- asset management;
- blasting services, explosives manufacturing and supply;
- civil projects (mine site infrastructure);
- crushing;
- exploration drilling;
- mine closure and mine site rehabilitation;
- mine planning and design;
- mobile plant maintenance;
- open cut mining;
- training and development of ATSI employees;
- tyre management (through our subsidiary Otraco International); and
- underground mining.

Our customers include Anglo American, AngloGold Ashanti, BHP Billiton, BMA Coal, CrocGold, Fortescue Metals Group, Idemitsu Australia Resources, Jellinbah Group, Newcrest, Ok Tedi Mining, Rio Tinto, Stanwell Corporation and Yancoal Australia.

While Downer's Mining division prides itself on the excellence of its work, we recognise that it is also our industry-leading approach to sustainable development that gives us a competitive edge. Sustainable development includes an unwavering focus on Zero Harm and a commitment to environmental sustainability as well as being a valued member of the minerals industry and the communities in which we operate.

Technology and Communications Services

Downer offers end-to-end critical infrastructure management solutions to customers in the technology and communications industry in both Australia and New Zealand.

Technology and Communications Services provides an end-to-end infrastructure service offering comprising prefeasibility, design, civil construction, remedial works, maintenance, disruption risk reduction and asset performance improvement, deployed across fibre, copper and radio networks throughout Australia and New Zealand.

Downer brings automation technology expertise to reduce costs and enhance system functionality through comprehensive, innovative and practical technical communication solutions. Downer has delivered Australia's first fully integrated and multi-modal electronic fare payment system (Opal card in Sydney, smart ticketing in Western Australia) and today continues to develop and deliver leading intelligent transport technology solutions.

Comprehensive project and program management capability is supported by superior mechanical, electrical and technical capabilities. This allows Downer to deliver projects safely, cost effectively and on time.

Downer manages and delivers remedial works and proactive maintenance and focuses on reducing the risk associated with disruption to asset operations and working towards improving asset performance in order to ensure equipment meets its life cycle expectations.

Customers include nbn™, Telstra, Foxtel, Chorus, Spark and Vodafone.

Technology and Communication Services

- Downer supplied and installed the multi-modal 'smartcard' system in Perth;
- Downer designs, installs and maintains intelligent transport systems on high capacity road networks in Perth, Sydney and Wellington;
- Downer has been commissioned to lead the team developing Auckland Transport's first connected bus shelter prototype, a smart city foundation project; and
- Downer maintains ANZ data centres in Australia and New Zealand.



Downer is Australia's leading diversified mining contractor with around 3,500 employees working across more than 50 sites.

Utilities Services

Utilities Services has three lines of business:

Power and Gas

Downer offers customers a wide range of services including planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets.

Over the past three years, Downer has erected over 1,000 steel lattice transmission towers. It has designed and built over 100 substations and every year it connects 35,000 new power and gas customers. It also maintains over 62,000 kilometres of electricity and gas networks across more than 115,000 square kilometres.

Customers include United Energy, AusNet Services, Ergon Energy and Powerlink.

Renewable energy

Downer is one of Australia's largest and most experienced providers in the renewable energy market, offering design, build and maintenance services for:

- wind farms and wind turbine sites;
- solar farms;
- landfill methane generation plants;
- sugar cane waste (Bagasse) fired cogeneration plants; and
- other biomass fired cogeneration plants.

Downer offers the services required for the entire asset life-cycle including procurement, assembly, construction and commissioning. Downer's experience in wind farms includes Collgar (Western Australia), Boco Rock and Taralga (NSW), Lake Bonney (South Australia), Mt Mercer (Victoria). In addition, Downer is currently working on the Ararat Wind Farm Project (Victoria).

Water

Downer provides complete water lifecycle solutions for municipal and industrial water users, with expertise including waste and waste water treatment, pumping and water transfer, desalination and water re-use, and abstraction and dewatering.

Downer supports its customers across the full asset lifecycle from the conceptual development of a project through design, construction, commissioning and optimisation. It also operates and maintains treatment, storage, pump station and network assets.

Customers include Logan City Council, Mackay Regional Council, Melbourne Water, Yarra Valley Water, Sydney Water and Wagga Wagga City Council.

Boco Rock Wind Farm Environmental management in numbers

\$361,000,000

project value

1,969,000

litres of water reused from the sediment basins for dust suppression

3,927

hours of ecologist surveying before ground clearing

2,830

tonnes of CO₂-e produced through fuel and electricity consumption

857

project environmental inductions constructed

700

metres of sediment fencing installed

363

weed hygiene inspections conducted

90

environmental audits and inspections conducted

63

hectares of land revegetated

44

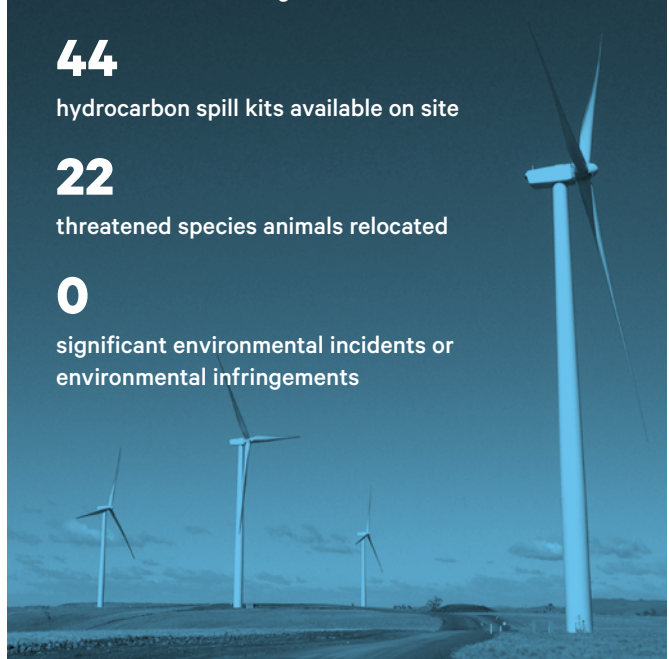
hydrocarbon spill kits available on site

22

threatened species animals relocated

0

significant environmental incidents or environmental infringements



Engineering, Construction and Maintenance (EC&M)

We support our customers through the life of their project, from initial feasibility and design through to construction, commissioning, operation, ongoing asset management and decommissioning.

Our multi-disciplinary teams self-execute structural, mechanical and electrical and instrumentation services for greenfield and brownfield projects. Many of our customers operate critical infrastructure which has challenging commissioning targets. Our expertise and experience ensures we deliver and manage assets to achieve performance targets across the whole lifecycle.

Our EC&M services include:

- detailed engineering;
- constructability;
- fabrication and modularisation;
- structural, mechanical and electrical;
- high voltage;
- electrical and instrumentation;
- switchboard manufacture;
- testing and commissioning;
- shutdowns and turnarounds; and
- maintenance.

Customers include Alcoa, Bechtel, Chevron, Orica, Origin Energy, Powerlink Queensland, Rio Tinto, Santos, Wesfarmers and Xstrata.

Minerals and metal processing

Downer offers mineral processing solutions through its subsidiary business Mineral Technologies and QCC Resources.

Mineral Technologies is recognised as a leader in mineral separation and processing solutions worldwide. It delivers a comprehensive range of separation equipment, processing plants and services that extract maximum value from customers' mineral assets, delivers end-to-end capabilities across all stages of the project life cycle for mineral processing operations.

For further information visit www.mineraltechnologies.com

QCC Resources is a leading minerals process engineering and project delivery business that delivers solutions for customers in numerous countries. QCC's solutions incorporate all stages of the project lifecycle from initial concept, prefeasibility and feasibility studies to innovative Coal Handling and Preparation Plant design and EPC/M delivery.

For further information visit www.qccresources.com

A Southern Hemisphere first

In August 2015, Downer was awarded Australia's first Accredited ISO 55001 Certification for Asset Management for our Yarra Park Recycled Water Treatment Facility (RWTF), a Melbourne Cricket Club owned facility that was designed and built by Downer and has been operated by Downer since 2012.

This places Downer amongst the first in the Southern Hemisphere and one of the first 10 organisations globally to achieve an Accredited ISO 55001 Certification, which independently validates our application of asset management practice, quality management, technical skill and continuous improvements to maximise the value of the Yarra Park Recycled Water Treatment Facility.

Sustainability at Downer

Our promise to our customers is to work closely with them to help them succeed by using world leading insights and solutions.



Sustainability at Downer

Downer's ability to understand and manage the sustainability of our activities is fundamental to our long-term success as a business, improving our safety and environmental performance and delivering value to Downer's stakeholders. Downer balances the need for short-term results against the long-term sustainability of the company by optimising costs, improving efficiencies and maintaining systems without compromising the Company's performance. Downer's sustainability strategy and goal of Zero Harm requires continuous improvement focusing on the health and safety of our people, environmental sustainability and the advancement of the communities in which Downer operates.

This Sustainability Report focuses on issues that are material and important for our company and stakeholders and is a supplement to the detailed financial reporting provided in the 2015 Downer Annual Report. It discloses our non-financial sustainability-related performance for the year ended 30 June 2015 for the activities of the businesses that are members of Downer EDI Limited (or Downer Group).

Where there have been any significant changes to boundary or measurement methods or reporting period applied in this report compared with the prior reporting period (2014 Sustainability Report) then an explanation has been provided in the relevant report sections. Information for incorporated joint ventures has not been included, which is consistent with previous reports. Details of the joint ventures in which Downer participates are provided in the [2015 Downer Annual Report](#).

The Group acquired Tenix Holdings Australia Pty Ltd and its subsidiaries (Tenix) and VEC Civil Engineering Pty Ltd and VEC Plant & Equipment Pty Ltd (VEC) from November 2014 and the environmental data has been incorporated into the Group performance report. In line with our previous reporting practice we have quarantined the safety incident data for the acquisitions as we use a 12-month rolling average to report our safety performance data. Incorporating data from the acquisitions at this stage would take into consideration safety incidents from the period outside of Downer's operational control. Segregating the data from the acquired businesses allows Downer to align this data collection and the associated management systems and processes and then incorporate this into future Downer reporting statistics.

Greenhouse gas emissions and energy data from our acquisitions have been incorporated for the full year Downer profile. KPMG has provided an independent limited assurance for the selected sustainability indicators of Total Recordable Injury Frequency Rate (TRIFR), our total direct (Scope 1) and indirect (Scope 2) GHG emissions, significant environmental spills and any safety or environmentally related fines or prosecutions for the Group-wide operations.

We have reported key sustainability metrics in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines and the content of the Sustainability and Annual Reports has been indexed. The [GRI content index](#) for this report is located on our website. We have reported at GRI Application Level B+ which has been reviewed and assured by KPMG as part of its third-party limited assurance. Downer will move to reporting against GRI G4 Guidelines for the 2016 Report.

Downer continues to voluntarily disclose its carbon performance by responding to the independent and international CDP (formerly Carbon Disclosure Project) climate change response request by reporting greenhouse gas emissions and qualitative information about Downer's risks and opportunities relating to climate change.

The sustainability performance of Downer is overseen by the Board which has established a sustainability charter and strategy and allocates internal responsibilities for reducing the impact of our operations on the environment. See our website for the [Zero Harm Committee Charter](#).

Our sustainability strategy is aligned with our business objectives and is undertaken as part of our broader commitment to safety, environment, society and governance. Sustainability provides the framework to deliver value to our shareholders and the community and our commitment focuses on:

- **Sustaining a Zero Harm environment** – supporting the health and safety of our people, minimising the impact of our operations on the environment, building strong relationships with the Government, community and our supply chain and reducing our ecological footprint.
- **Empowering our people** – having in place effective employee engagement and retention strategies and employing ethical labour practices.
- **Engaging our customers** – identifying opportunities to assist our customers to improve their business and to reduce their environmental impacts, for example low carbon mining solutions and asphalt production.
- **Optimising our portfolio and performance** – implementing strong risk management and governance frameworks to address current and emerging financial and non-financial risks.

Whilst our people are committed to our sustainability goals, we also define accountabilities in performance agreements and set targets that are linked to remuneration through incentive schemes. Downer's short term incentive scheme (see Downer 2015 Annual Report for more detail) has 40% of the total allocated to non-financial performance. Zero Harm reflects Downer's commitment to safety, environmental, social and governance matters. The Zero Harm element includes safety (20%) and environmental/sustainability measures (10%), underscoring Downer's commitment to customers, employees, regulators and the communities in which we operate. In addition, 10% of the short term incentive is allocated to people measures.

Downer has a robust company level Risk Management Framework that ensures a consistent approach to the identification, evaluation, monitoring and management of risk and opportunity (including sustainability risks). Our approach continues to provide an appropriate balance between economic and environmental sustainability.

Materiality


Downer focuses on the risks and opportunities relevant to our business activities that are important for the Company and our stakeholders. Reviewing performance in the context of emerging global risks and opportunities enables Downer to adapt the way the Company delivers products and services and interacts with our supply chain. Sustainability performance is tracked and disclosed through the annual Sustainability Report.

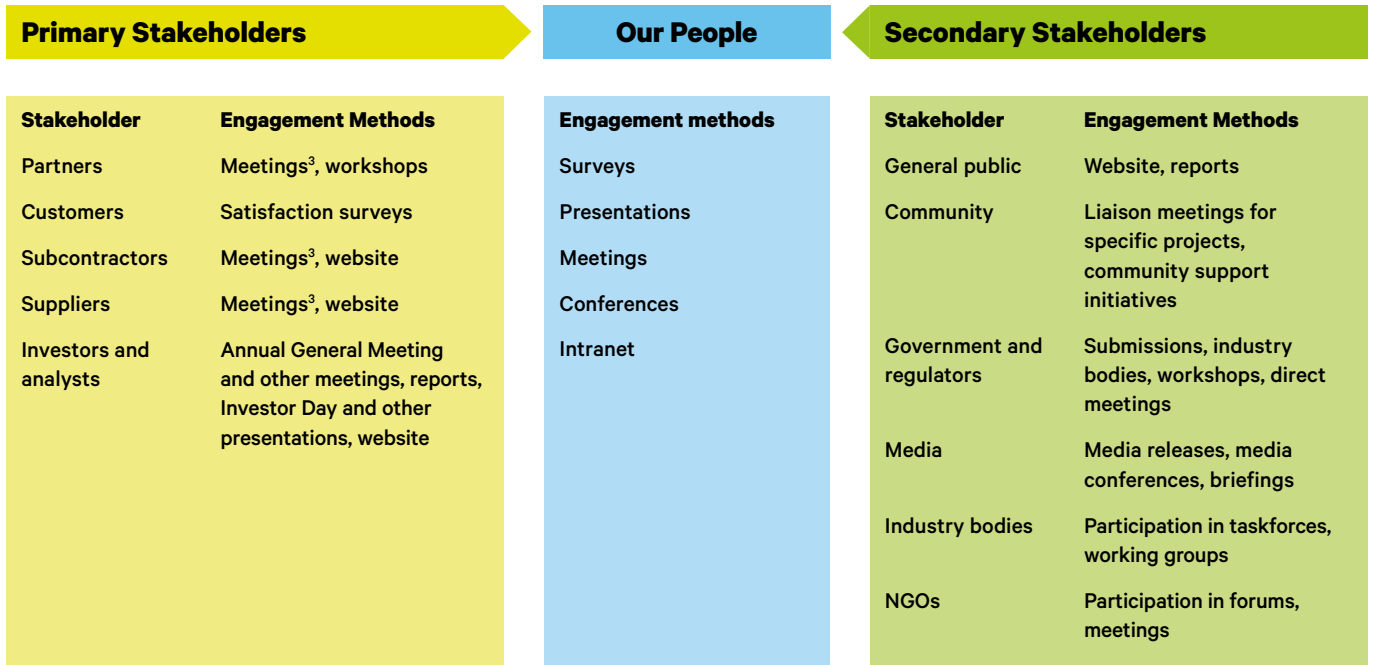
Our annual corporate reports (Annual Report and Sustainability Report) cover topics and indicators that reflect our economic, environmental and social impacts and particularly those that are considered material. In defining these material topics, we take into account various internal and external factors and draw upon feedback received directly from our stakeholder engagement processes.

Internal assessments of the relevance of sustainability performance metrics for internal and external reporting is undertaken as part of the annual review of the Annual and Sustainability Reports. We also report our carbon disclosure and performance reporting through CDP¹ and the Australian Government annual National Greenhouse and Energy Reporting (NGER) Scheme.

The Australian Securities Exchange (ASX) Corporate Governance Council has introduced Recommendation 7.4 to its *Corporate Governance Principles and Recommendations*² (ASX Principles) requiring listed entities to report any material exposure to economic, environmental and social sustainability risks.

The materiality of sustainability risks at Downer is addressed through control measures. Downer has a robust company level Risk Management Framework that ensures a consistent approach to the identification, evaluation, monitoring and management of risk and opportunity (including sustainability risks). Our approach is enhanced by applying formal evaluation and continuous improvement metrics to our Risk Management Framework so that our approach aligns with the requirements of ISO-31000: Risk Management Principles and Practice. Our approach continues to provide an appropriate balance between economic and environmental sustainability.

 **Figure 1 Stakeholder Groups**



The Board Audit and Risk Committee regularly reviews the Risk Management Framework and material risk is reviewed regularly at project, division, corporate and Board level and issues are identified for reporting as part of this process. Financial risks are discussed in our 2015 Annual Report and are monitored and managed through our internal audit program.

This Sustainability Report predominantly covers environmental and social sustainability risks. While material risks are discussed in this report, Downer has developed and implemented mitigation and improvement plans for critical environmental risk such that we do not foresee that these risks would have a significant impact on our financial performance.

Stakeholders

We identify our stakeholders as those individuals or groups who have a financial or other interest in the business activities of Downer. We have classified our stakeholder groups as primary and secondary as shown in figure 1. Our primary stakeholders are those groups which have a direct stake in our Group and its success. They are also likely to be the main audience for our sustainability reports.

Downer has identified the key aspects of sustainability performance that are important to its stakeholders by using a range of engagement and feedback methods, including:

- communication through information provided in reports, market and other announcements, newsletters and Downer’s website;
- consultation through surveys and questionnaires, focus groups, one-on-one interviews and project-specific community consultation exercises;
- dialogue with stakeholder forums and meetings; and
- partnerships developed with joint ventures and alliances.

1 CDP – formerly known as Carbon Disclosure Project
 2 Corporate Governance Principles and Recommendations, 3rd Edition, published by ASX Corporate Governance Council, 2014 [CGC Principles and Recommendations](#).
 3 Includes facilitated/one-on-one/group/two-way dialogue meetings covering issues including health and safety, environmental and sustainability impacts, community concerns and project performance.

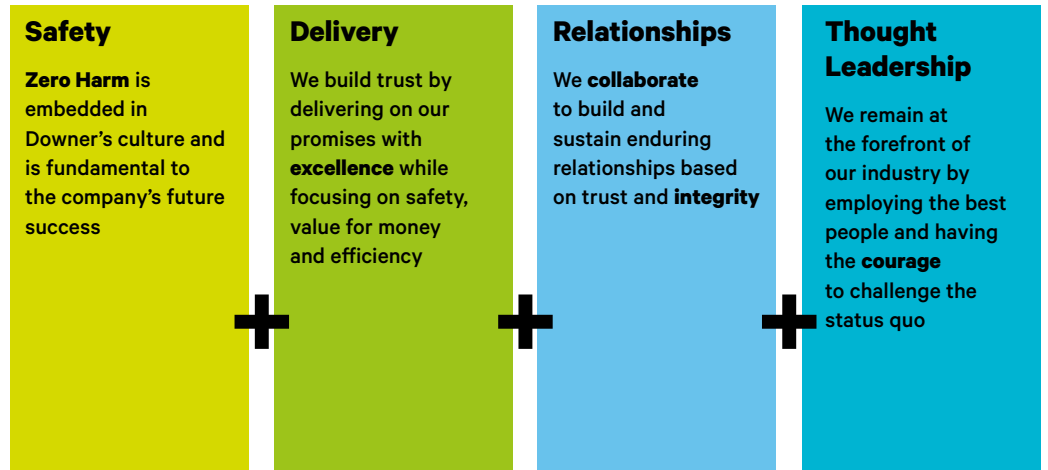
Governance

Our continued success depends on our ability to deliver results for our customers.



Figure 2
Our brand pillars

Our brand is founded on four pillars – which have evolved from our core values



Governance

Our continued success depends on our ability to deliver results for our customers. Downer has a rigorous corporate governance framework that provides a platform for making decisions that are based on our organisational values, particularly the four pillars which have evolved from our core values.

Our corporate reputation depends on our people and how we perform for our customers and shareholders. Downer operates primarily in Australia and New Zealand but also in other parts of the world and our Standards of Business Conduct apply to all our people, including directors, employees, contractors and agents of Downer and its subsidiary companies throughout the world. The majority of Downer's business activities and revenue generation are derived from activities in Australia and New Zealand (see page 2 of 2015 Downer Annual Report) which are low-risk countries in terms of corporate governance.

Our suppliers are also encouraged to adopt similar policies and practices and our standards can be found online at: [Downer Board Policies](#).

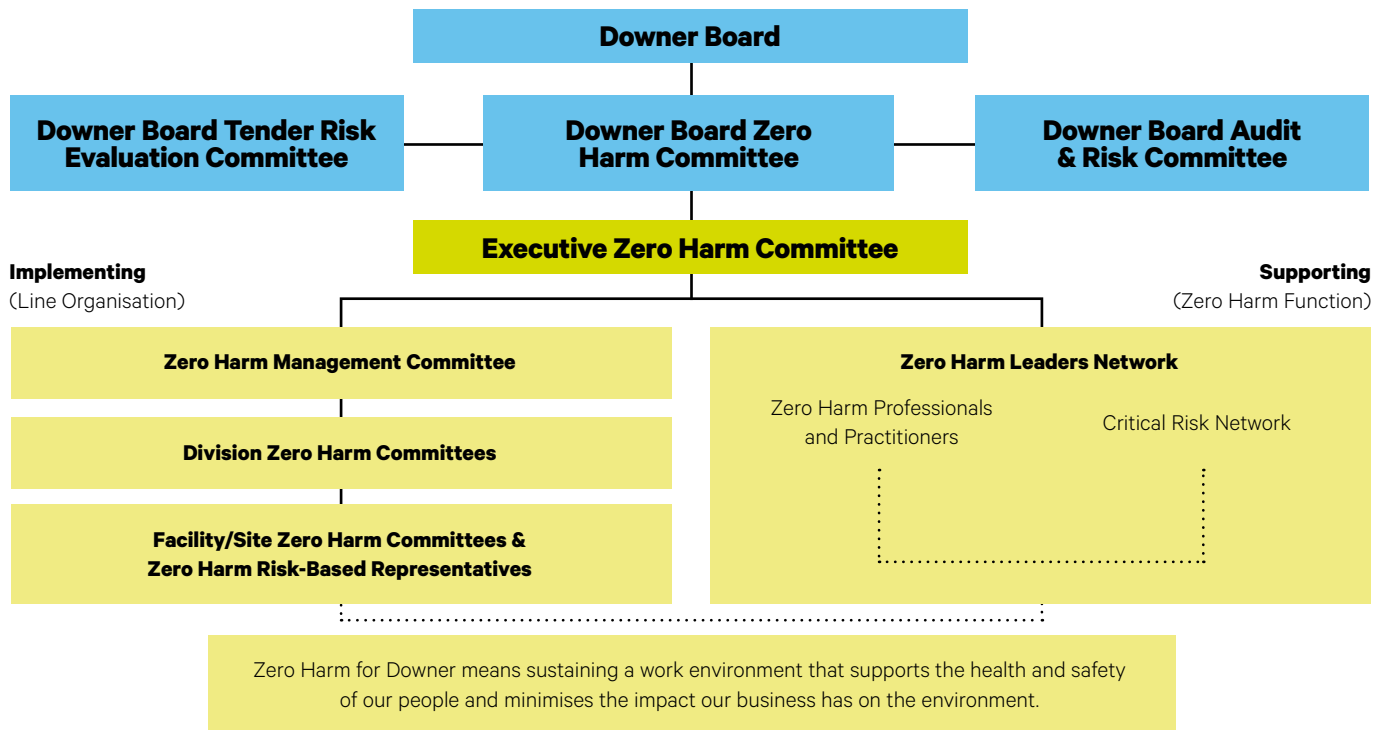
As part of Downer's ongoing focus on governance, the Standards of Business Conduct were reviewed and updated during 2014-15 to ensure they are relevant for Downer's operational and business requirements. We are committed to ensuring that the decisions our people make each day are based on Zero Harm, excellence, collaboration, integrity and courage and the Standards of Business Conduct clearly set out the expectations of how we conduct our business.

As part of the re-launch of the Standards of Business Conduct, a series of e-learning modules and toolbox talks have been conducted across the Group to ensure that all of Downer's people are aware of and understand the policies that underpin the Standards of Business Conduct. The key policy areas covered by the talks and training on workplace behaviour include:

- Inclusiveness and discrimination;
- Ethical behaviour and appropriate use of resources;
- Workplace bullying;
- Standards of business conduct;
 - Anti-bribery and corruption;
 - Business Integrity Policy;
 - Disclosure;
 - Diversity and Inclusiveness;
 - Contract Review Process;
 - Gifts and Benefits;
 - Securities Trading; and
 - Social Media Use.



Figure 3
Sustainability Governance Structure



The Downer corporate governance framework ensures that:

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

The Downer Board recognises the need for the highest standards of corporate behaviour and accountability and endorses the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles). The key aspects of our Group corporate governance approach are detailed in the Corporate Governance Statement in our 2015 Annual Report (pages 112-120).

The governance framework is supported by the financial and business management systems in addition to the management systems for quality, health and safety and environment. We have an extensive internal audit program which allows us to monitor the effectiveness of these systems and this is reinforced by the third-party audits with oversight by the Board Audit and Risk Committee.

The Board reviews the Group risk profile twice each year, undertakes a facilitated risk workshop annually and regularly considers other risk matters, such as business resilience, tender review processes, risk appetite and specific risk areas. Downer undertook a major review of its Risk Management Framework in 2013 and the next comprehensive review is in progress and expected to be completed by December 2015.

The Downer Board Zero Harm Committee governs and monitors the Company's strategy and performance in relation to its health, safety, environment and sustainability. The committee oversees the development and implementation of policies and practices to ensure the Company complies with its workplace health, safety, environment and sustainability obligations and commitments.

The Downer Board Tender Risk Evaluation Committee's primary purpose is to oversee high value tenders. This Committee is chaired by an independent non-executive Director and comprises five members, being four independent non-executive Directors and the CEO. The Committee considers the zero harm aspects of proposed tenders, as well as the capability and capacity of the company to undertake the work, the complexity of projects, the suitability of joint venture partners and key contractors, financial returns and commercial, operational and legal risks.

Meeting Downer's governance obligations also includes ensuring that our suppliers adhere to a standard set of principles, which are detailed in the Downer Supplier Code of Practice.

A key aspect of monitoring the effectiveness of the corporate governance framework is the bi-annual assessment of our Executives, Senior Managers and Directors who complete the Financial and Corporate Governance Self-Assessment (also called the Directors' and Officers' Questionnaire). The assessment covers financial and non-financial material risks and provides assurance to the Board that internal compliance and risk management processes are being effectively implemented. The assessment ensures that complete and accurate information is provided as part of the reporting processes and confirms we meet our legal, regulatory, ethical and other obligations.

Meeting Downer's governance obligations also includes ensuring that our suppliers adhere to a standard set of principles, which are detailed in the Downer Supplier Code of Practice, including:

- governance and general compliance;
- workplace relations;
- occupational health and safety;
- ethical business practices; and
- environmental management.

We use a supplier rating system which allows an assessment of quality and service performance. Cost performance is reviewed against implementation of best practice and where necessary we work with our suppliers to develop improvement action plans. As part of our efforts to assist our suppliers, Downer uses the resources of the Supply Chain Sustainability School, an online self-assessment tool designed to increase the sustainability knowledge and competency in the construction and infrastructure sector supply chains. Downer has invited its key sub-contractors and suppliers to take advantage of the resources that are made available to them freely as part of Downer's membership of the School.

Influencing sustainability policy development

We contribute to sustainability-related policy development in Australia and New Zealand through direct submissions and dialogue with government departments and industry groups. Our employees maintain links and participate in a range of professional associations and our ability to inform and influence policy and decision-makers is facilitated by our membership of a diversity of peak industry bodies, including:

Association of Consulting Surveyors of Victoria; Australasian Railway Association Incorporated; Australian Asphalt Pavement Association; Australian Constructors Association; Australian Industry Group; Australian Mines and Metals Association; Australian Supply Chain Sustainability School; Business Council of Australia; Chamber of Commerce and Industry (Australia); Chamber of Minerals and Energy of Western Australia; Employers and Manufacturers Association (New Zealand); Engineering Employers Association South Australia; Institute of Professional Engineers New Zealand; Infrastructure Partnerships Australia – Transport, Water and Sustainability Taskforces; Infrastructure Sustainability Council of Australia; International Erosion Control Association; Minerals Council of Australia; National Electrical Communications Association of New Zealand; Queensland Resources Council; Rail Industry Safety and Standards Board (Australia); Responsible Construction Leadership Group; Sustainable Business Council of New Zealand; and Urban Development Institute of Australia.

Health and Safety



Health and Safety is principally overseen by the Board Zero Harm sub-committee which governs our strategy and performance.

The health and safety of our people, including our contractors, is our first priority as it is central to the success of our business. We believe that any injury is unacceptable and preventable. This requires strong leadership and relentless commitment.

Health and Safety

We are committed to achieving our goal of Zero Harm.

The health and safety of our people, including our contractors, is our first priority as it is central to the success of our business. We believe that any injury is unacceptable and preventable. This requires strong leadership and relentless commitment.

We aim to achieve this by continuing to improve our management systems, continuously focusing on managing risks that have the potential to cause serious harm, learning from our experiences, and positioning our culture where frontline teams have an enhanced commitment and capability to manage Zero Harm.

- Leadership: We listen, set clear expectations, develop and involve our people, and act with integrity;
- Culture: We have an aligned set of values throughout our organisation;
- Systems: Our approach is simple, robust and consistent across our businesses;
- Hazards: Our hazards are identified, assessed, controlled and monitored; and
- Actions: We learn from our experiences, and do what we say we will do, translating Zero Harm theory into good work practices.

Health and Safety is principally overseen by the Board Zero Harm sub-committee which governs our strategy and performance. Downer's Executive Management Team is delegated to manage the business to deliver the strategy and performance. The Executive Team ensures that we have systems and processes that will assist our people to deliver a Zero Harm environment, and that these are supported by a strong culture of continuous improvement. For example, in 2015 we consolidated the Divisional Health and Safety Policies across Downer into a single Health and Safety Policy, co-signed by our Managing Director and all Divisional CEOs. This formalised the commitment of our Executives to a united approach to Health and Safety.

Through the Executive Zero Harm Committee and the functional Zero Harm leadership group we continue to link the respective roles at Group and Divisional levels, identify common projects, monitor trends, and ensure we capture and share best practice and learnings across the Group. We celebrate our successes and share learning experiences to enable us to perform better. Our Zero Harm culture involves leading and inspiring, re-thinking processes, learning lessons from what has worked well and tracking the progress of programs and initiatives to improve.



In addition to meeting our legal requirements, our systems provide standards and accountabilities to ensure our hazards are identified and risks are managed. Whilst our people are committed to our goals, we also define accountabilities in performance agreements and set targets that are linked to remuneration via incentive schemes. Senior management participate by invitation in an annual Short Term Incentive Program, of which 20% is allocated to Health and Safety. In 2014-15 the key performance indicators were a balance of leading and lagging indicators:

- LTIFR¹ (Lost Time Injury Frequency Rate) and TRIFR² (Total Recordable Injury Frequency Rate); and
- Critical Risk Management.

Additional leading and lagging indicators are monitored monthly at the Group and Divisional levels to monitor behaviours, culture, performance and the progress of initiatives.

All Downer divisions conduct regular safety audits by independent third parties. In relation to safety, we use relevant Australian and International standards such as AS4801 and BS OHSAS 18001 as a benchmark in assessing, improving and maintaining the integrity of our management systems. Our Divisions also adhere to the Zero Harm requirements established by our customers in addition to all applicable licences and regulatory requirements.

Our managers lead by example and are held accountable for safety performance. They are expected to:

- engage with our workforce around a message of personal commitment, active caring, critical risk management, control effectiveness, lead indicators, and data analysis;
- enhance the capability of our frontline teams to manage Zero Harm;
- consolidate, enhance and focus work practices around critical risk controls and day-to-day activities; and
- strengthen our resilience towards critical risks.

Employees and contractors are expected to take personal responsibility and be involved in setting and complying with safety standards and improvement initiatives. Communication and consultation takes many forms and includes:

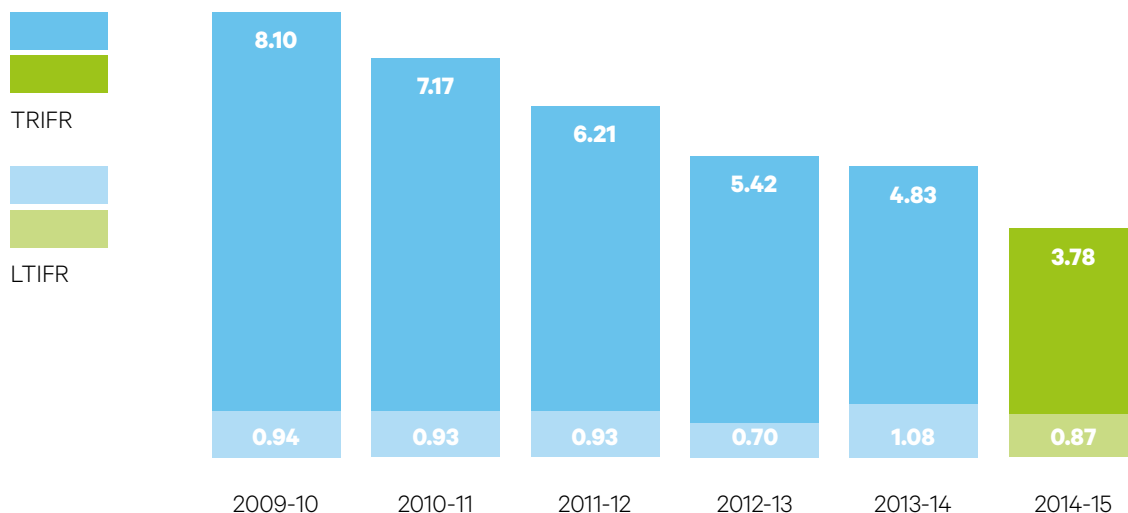
- safety as a standard agenda item for all management meetings;
- crew pre-start and toolbox meetings;
- elected Health and Safety Representatives (HSRs)/ OHS Committees;
- Senior Management site visits and safety observations;
- Zero Harm noticeboards; and
- Downer Intranet.

Safety risks that may cause serious harm to our people or operations include those arising from working at height, electrical work, plant operation, plant maintenance, and underground services. Our businesses have identified and evaluated the controls which are critical in the prevention and management of these and continue to strengthen these through our certified management systems. The assurance and maintenance of these critical controls is a key focus across the Downer Group.

¹ Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and injury that results, directly or indirectly, in the death of the person. The LTIFR is the number of LTIs per million hours worked.

² TRIFR is the number of lost-time injuries + medically treated injuries (employees and contractors) per million hours worked.

Figure 4
Lost time and total recordable injury frequency rates (per million hours worked)



Performance

We monitor our health and safety performance across a number of indicators, and benchmark publicly through the measurement of the lagging indicators, LTIFR and TRIFR. Both indicators improved in 2014-15. LTIFR decreased from 1.08 to 0.87 per million hours worked (see Figure 4). Note that this result has been adjusted from the LTIFR result of 0.86 which was published in the 2015 Annual Report. The minor variance was due to some updates to incident classifications and amendments to hours worked. The TRIFR reduced from 4.83 to 3.78 per million hours worked at 30 June 2015 and this rate remains unchanged with the revision of hours and classifications. Our safety performance this year represents a 20% improvement in injuries that result in time lost and a 22% improvement in the number of recordable injuries. There were no fatalities and there were no fines or prosecutions in 2014-15 as a result of breaches of Occupational Health and Safety legislation.

The reduction in TRIFR continues the annual trend and the TRIFR has decreased by 53% in the last 5 years and by 75% in the last 9 years.

During 2014-15, Downer acquired Tenix Holdings Australia Pty Ltd and its subsidiaries (Tenix) and VEC Civil Engineering Pty Ltd and VEC Plant & Equipment Pty Ltd (VEC). In accordance with our previous reporting practice, we have continued to monitor the performance of the acquisitions, however the safety incident data is quarantined from the Group data for a period of

12 months from time of acquisition. This is done because the data is calculated on a 12 month rolling average basis, and data recorded in our performance report relates to incidents incurred under our control as a part of our operations. Once 12 months have passed, all data relating to these acquisitions will have been incurred post acquisition. These 12 months also allow us to complete the alignment of systems, standards, and processes.

As our performance levels continue to improve, it is agreed that a key focus needs to remain on mitigation strategies for the critical risks and high potential incidents that may arise. We attribute our ongoing improvement to a number of factors including sustained focus on managing critical risks, strengthening our systems, providing appropriate skills, leadership and training to employees and contractors, and learning from audit and incident investigation findings. In FY16 we will continue this approach, with an additional focus on greater contractor engagement, continuing to target areas of high potential incident frequency with improvement projects, strengthening our lessons learned processes, and driving further consistency in the way the business manages Zero Harm. We will continue to review, measure and benchmark our performance across a range of lead and lag indicators to provide assurance that the business has the necessary processes in place to manage Zero Harm risks to minimise the number of incidents, and that these processes are being actively used.

Health and wellbeing

We have been active in implementing a multifaceted approach to wellbeing over many years. Our employee resilience approach is available for all employees regardless of their work and accommodation arrangements. This includes:

- a robust Employee Assistance Program (EAP) which can be accessed by employees and their families. Support includes a confidential solution focused counselling service at no cost to the individual for issues such as:
Counselling, Relationships, Work/life balance, Career, Change, Family, child & eldercare, Anxiety, stress & depression, Difficult customers, Suicide, Team performance, Communication, Work crisis & trauma, Violence & anger, Bereavement, grief & loss, Alcohol & addictions, Work performance difficulties, Legal & financial, Conflict, Managing life stages, Bullying & Harassment, Redundancy/career transition, Gambling;
- access to a home doctor service via the EAP;
- access to accredited practising dieticians via the EAP. The service is accessible via telephone and covers the full range of nutrition issues including weight management, digestive health, using nutrition to assist with medical conditions, and children's health;
- Manager Assistance via the EAP advisory service that assists managers and team leaders in managing situations such as:
 - an employee with problems impacting on work performance or behaviour;
 - interpersonal conflict;
 - a distressed or troubled employee;
 - assisting an employee to cope with change; and
 - difficulties with team functioning;
- health assessments including pre-employment screening, industry defined medical assessments, executive medicals, and injury management;
- a zero tolerance to impairment due to alcohol or other drugs in the workplace, including education programs, support via the EAP, and testing;

- access to the Downer Corporate Family Program (in conjunction with SeventeenHundred). This is a free support service specifically designed to assist parents with children aged 0-18 years, those transitioning into retirement and those with ageing family members to achieve a healthy work-family balance. Support focus areas include:
 - Finance
 - Travel
 - Health mind
 - Mental illness
 - Healthy body
 - Chronic illnesses
 - Relationships
 - Parenting
 - Carers/Disability support
 - FIFO/DIDO support and advice;
- injury management service to assist returning employees with both work related and non-work related injuries and illnesses back to work;
- business participation in national health promotion events, such as Movember, RU OK? Day and Stress Down Day; and
- a suite of benefits accessible to employees and their families such as discounts on gym memberships, health insurance, holidays, and other providers.

Enhancing Workforce Health Program

Downer's Mining division won the People Category in the Chamber of Minerals and Energy of Western Australia's 2015 Safety and Health Innovation Awards for its Enhancing Workforce Health Program. The program previously won the 2014 Queensland Mining Industry Health Program Award.

Enhancing Workforce Health is a structured, holistic occupational health program based on the risks that poor health poses to employee safety. Through a commercial research partnership with Queensland University of Technology's Institute of Health and Biomedical Innovation, the Mining team has been able to work with internationally recognised experts to develop a diversified, continuous-improvement approach to managing its priority health risk areas: obesity and nutrition, musculoskeletal disorder and mental health.

The success of the program can be largely attributed to the willingness of its people to get on board. Nowhere is this more evident than in its digital-story health campaigns, in which employees bravely share their experiences of life-threatening illnesses. Click [here](#) to watch the video about the award winning program.

Safety focus for all

Setting up our employees to work safely requires a comprehensive commencement induction and annual re-induction program. To support this goal we have built a series of interactive e-learning modules that can be delivered consistently to all workers and contractors on entry to our business. In addition to introducing the individual to our business and priorities, modules cover our commitment to Zero Harm, the importance of each individual's contribution to Zero Harm, our Zero Harm system and awareness around a number of common risks. Site or project specific inductions are also undertaken which cover specific risks and their control, and matters that are unique to that site or project.

Communicating clear and consistent messages about our objectives, processes and practices to all our people has been critical in raising the awareness and effectiveness of our safety initiatives. In 2015, an updated corporate induction e-learning module was introduced to our Group office and the Infrastructure Services, EC&M and Rail divisions to introduce all to our Zero Harm commitment. We refocus our employees and contractors on key messages through the annual re-induction program and during January 2015, 17,796 employees in our Infrastructure Services and EC&M divisions completed this important module.

Specific work groups across the business have been identified for targeted inductions such as:

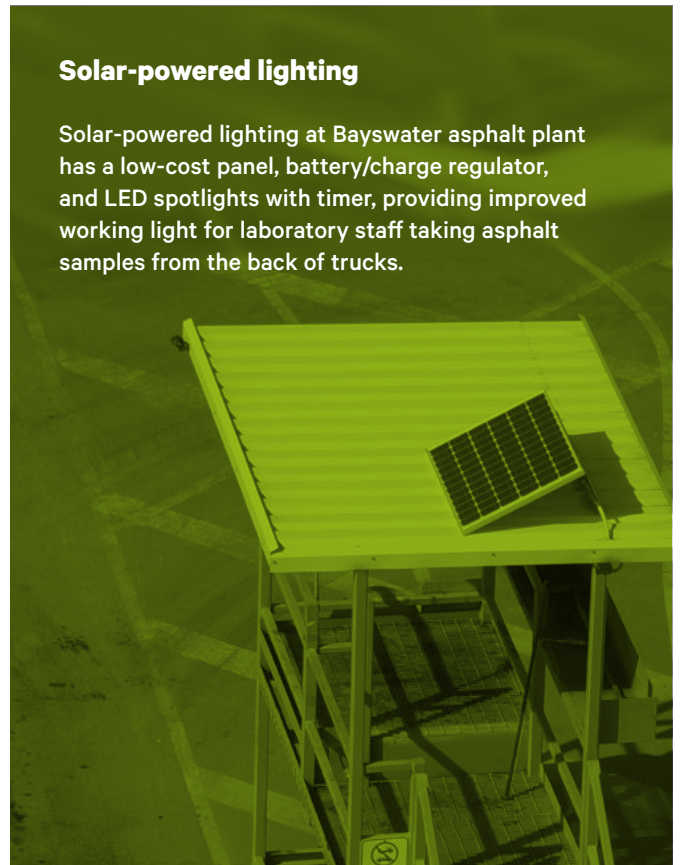
- Standards of Business Conduct and Workplace Behaviour (all employees);
- e-learning modules for all employees from supervisor and above in the policies and procedures of the Zero Harm system. (1,482 completions to date across our Infrastructure Services and EC&M divisions);
- project management induction for all new project management personnel (2,474 completions to date); and
- executive induction modules are in development to cover corporate responsibility in areas including continuous disclosure, insider trading and privacy.

Safety programs recognised

- Downer has been awarded a national LearnX Gold learning design award for the bespoke training modules supporting INX InControl (our incident reporting system). This program was developed specifically with the aim of improving the quality of content and the completion of our internal incident reports. Since launch, 1,482 modules have been completed by Downer employees;
- Our Safety Focus 2014 was a finalist for the LearnX awards;
- Daniel Chaplin, a Key Account Executive for Rail, received the Young Rail Professional Award from the Australasian Rail Industry (ARI). This award recognises outstanding achievements by a Rail professional under the age of 30; and
- Downer won the ARI Safety Award for the implementation of the Rail division's Safety, Health, Risk, Environment and Quality (SHREQ) safety system.

Solar-powered lighting

Solar-powered lighting at Bayswater asphalt plant has a low-cost panel, battery/charge regulator, and LED spotlights with timer, providing improved working light for laboratory staff taking asphalt samples from the back of trucks.



People and Community



At Downer we recognise that to be a successful and sustainable business we need to create a workplace in which people feel safe, valued, rewarded and empowered. Downer’s promise to its customers is to help them succeed and we support that promise through our people who are central to building relationships within our organisation, with our customers and the community.

People and community

None of our sustainability achievements would have been possible without the engagement and innovative thinking of our people.

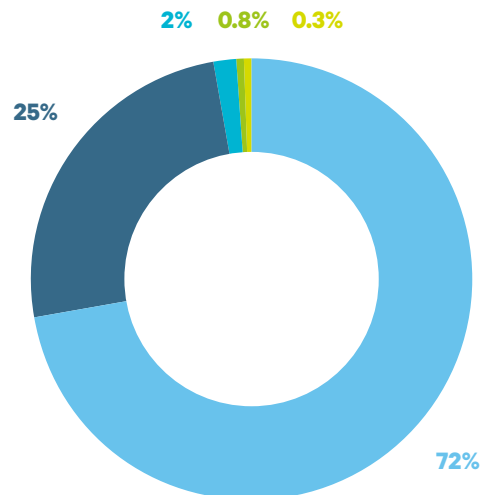
Our workforce of over 19,000 people is predominantly based in Australia (72%) and New Zealand (25%) but also in the Asia-Pacific region, South America and Southern Africa (see Figure 5). Whilst the total size of the workforce has remained relative static there have been changes in different sectors and geographical areas of the business which has resulted in a 3% increase in our Australian based workforce, 5% decrease in New Zealand and 7.5% decrease in other regions.

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Diversity and inclusiveness

At Downer, we believe that both “Diversity” and “Inclusiveness” are important in providing us with the right platform to grow a sustainable business which meets all of our stakeholders’ needs. Downer’s commitment is formalised in the Diversity and Inclusiveness Policy which establishes the framework for our Diversity and Inclusiveness Plan which identifies our diversity initiatives for 2015-2020. The implementation of the policy and initiatives are reviewed regularly by the Diversity and Inclusiveness Committee which is made up of senior executives and managers from across the Group.

Figure 5
Employees by region



- Australia
- New Zealand
- Chile & Brasil
- South Africa, Botswana & Namibia
- Others (Vanuatu, Papua New Guinea, India, Singapore, USA, United Kingdom)

Our current diversity focus is on gender, age and cultural diversity, with a focus on Aboriginal and Maori cultures. Our policy is available on our website at: www.downergroup.com. Downer's recruitment policies and the Diversity and Inclusiveness Policy set the framework for ensuring that we provide equal opportunities for all our people.

We set objectives for 2014-15 to increase female participation by having at least one woman candidate shortlisted for 25% of manager roles in order to reach our target of 6.5% female managers. Whilst we were just short of this target (24% of management roles included at least one woman for the interviews), we were able to increase the number of female executives (as defined by the WGEA Reference Guide¹) to 7.4% (from 7%) and increased female managers to 7.1% (from 6%).

The number of female employees remained unchanged at 12% of our Group-wide workforce, with a slightly higher proportional representation in New Zealand (14%).

The implementation of a consistent job grading scheme across Downer will enable a comprehensive gender pay review to be completed. This project is expected to be completed during 2016.

In support of this policy and initiatives, a Group-wide Gender Equality Policy has been drafted to align with WGEA and the goal is to ensure that all employees have the same rights, resources and opportunities, regardless of gender. The new policy will embrace gender equality at all stages of the employment cycle and specifically address recruitment, talent identification, staff retention and performance management.

During late 2014, we conducted our second diversity and inclusiveness survey which was extended to all staff by targeting a broader audience. All Downer employees were invited to participate in the web-based survey and the results show a general improvement compared to the 2012 results.

The survey highlighted a number of areas for continued focus for 2016, including:

- flexible work arrangements;
- creating an awareness of diversity for leaders;
- pay equity; and
- the number of female leaders within Downer.

Looking ahead, Downer has established measurable diversity objectives for 2016, including:

- undertaking a structural diversity review to ensure there is a complete and accurate understanding of Downer's diversity footprint;
- continuing to increase the number of female employees and female managers within Downer by ensuring that a female is shortlisted for every management role. The target for 2015-16 is 14% of employees to be female (currently 12%) and 9% female managers (currently 7.1%);

- ensuring every salaried female within Downer receives a performance and development review to enable the organisation to identify female talent and offer appropriate leadership development programs and/or input into succession planning;
- completion of the job grading structure across Downer to enable a comprehensive gender pay review in the future;
- increasing the number of Indigenous employees across the Group by participation in the government's Employment Parity Initiative;
- continuing the association with Jawun in Australia and marae-based leadership programs in New Zealand; and
- continuing to focus on the ageing workforce by optimising and retaining the aged workforce by providing flexibility and retirement planning options.

Training and development is the future of Downer

Investing in the future of Downer by developing and supporting the capability of our people is fundamental to delivering a quality service.

Developing leadership skills

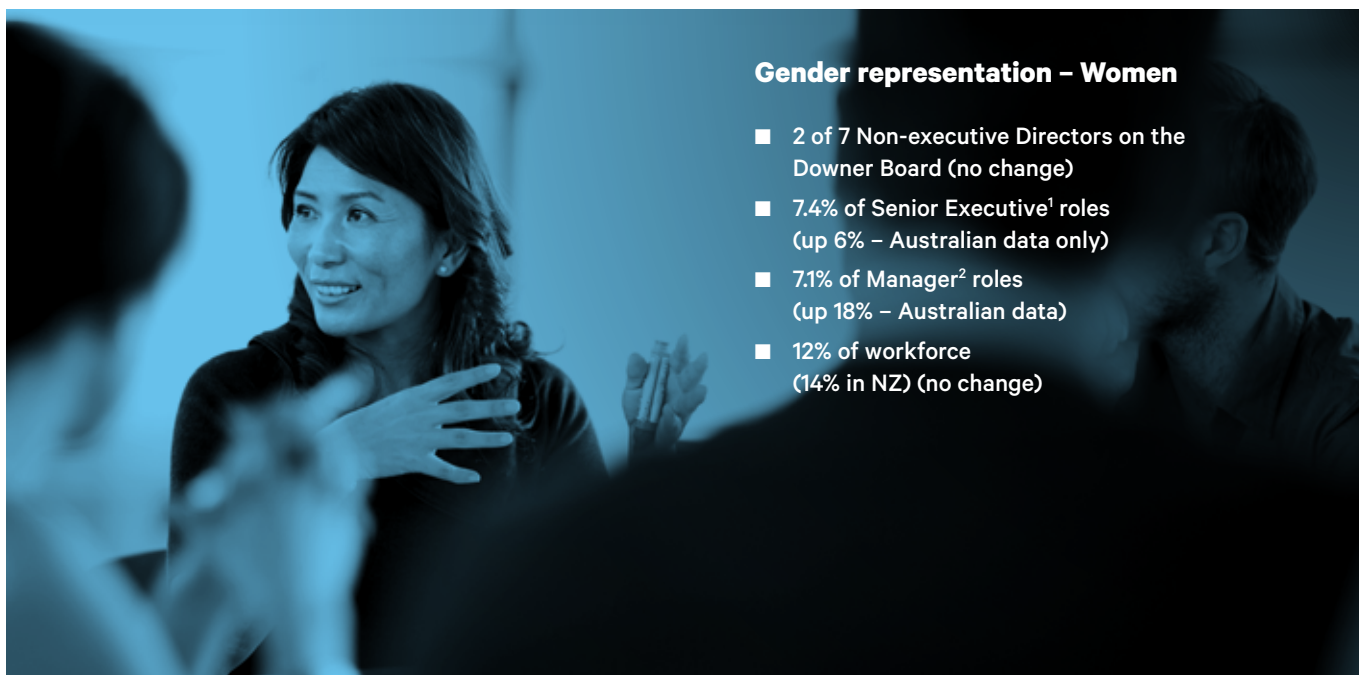
At Downer, we believe that effective leadership supports our people to perform in a safe, productive and engaging environment. In July 2014, the Leadership Excellence at Downer (LEaD) capability framework was launched encompassing six critical capabilities:

- Lead Zero Harm across the organisation;
- Lead people and teams;
- Lead relationships with our customers;
- Lead the business; and
- Lead to achieve results.

Subsequently, leadership programs have been launched targeting frontline supervisors and middle leaders, with 290 individuals attending LEAD1 and LEAD2 over the past 12 months. An emphasis on the Downer Pillars, encompassing Safety, Thought Leadership, Delivery and Relationships ensures our leaders are aligning with the Downer core values. Similarly our New Zealand business has been developing leaders through the Inspiring Leaders Program, with over 400 having completed one of the three levels of the program in the Infrastructure Services and EC&M divisions.

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

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



Gender representation – Women

- 2 of 7 Non-executive Directors on the Downer Board (no change)
- 7.4% of Senior Executive¹ roles (up 6% – Australian data only)
- 7.1% of Manager² roles (up 18% – Australian data)
- 12% of workforce (14% in NZ) (no change)

We recognise the critical role our supervisors play in achieving our Zero Harm goals. Supervisor behaviour and skills are further developed through a number of targeted initiatives:

- Achieving Zero Harm – a workshop involving Downer senior leaders working with their supervisory teams on how we work to achieve Zero Harm and examining the supervisor’s role in leading a “safety culture”. 400 supervisors across Infrastructure Services and EC&M divisions have attended during 2014-15;
- Supervising Traffic Plant and People – a skill development program to enhance understanding, awareness and skills required to work in the traffic, plant, pedestrian interface. In excess of 700 Downer supervisors have completed this program since commencement;
- Supervisor Essentials Program – a new initiative which equips the supervisor with the essential skills to manage people and plan for the job;
- Frontline Leadership Program – 65 participants from our Rail division will have attended by December 2015;
- Senior Leadership Program – 43 participants from our Rail division completed the program;
- Our Mining division has undertaken a significant review of its Supervisor development program so that previous learning is recognised and targets any gaps in the critical competencies of productivity, performance, people, equipment and systems. The Health, Safety and Environment Leadership training has been the cornerstone of Supervisor development with over 150 completing the program in the last 12 months.

During 2014-15, we piloted a Senior Leadership Development Program which we are now forming into an Executive Development Framework which will encompass strategic leadership, business acumen and thought leadership. Through coursework, strategic projects, coaching and mentoring we will build the future executive pipeline in Downer, creating a culture where excellence in leadership is practised. This program will link with talent and succession planning and provide a vehicle for career pathways across the organisation.

Developing technical skills

Downer is committed to supporting the technical expertise of the workforce and in 2014 a comprehensive approach to verifying competence and identifying skills gaps was developed for our Road Services business. This has allowed us to develop a comprehensive and consistent approach to verifying competence and identifying skills gaps. Since commencement a number of supervisors have undertaken accredited training in training and assessment practices and over 800 verifications of competencies have been conducted internally against validated assessment tools. This program has provided a model that can be used across the Downer Group.

Specialised programs have also been launched in specific skills to reduce operator risk. This year, our new specialised programs have been aimed at reducing risk for our operators through:

- load/unload training, targeting all workers involved with relevant plant and equipment; and
- spotter training for all operators.

We also have on-going training for our workers in undertaking specialist technical operational activities in relation to inspections, identification of faults, repair and maintenance.

We track all licences and required certifications through our learning management system and manage renewals to ensure the skills of our workforce are maintained and are current. This covers the range of licences for vehicles, plant and equipment operators, rail shunters and access licences for specific locations such as confined spaces, mine sites and rail corridors.

Mentoring at Downer

Recently Downer has developed a customised mentoring program which includes a comprehensive information pack and tools to support mentoring relationships. This year we will commence workshops to help mentors and mentees make the most from the relationship, building deep pools of talent through the business and enhancing resilience.

Downer has developed a program in conjunction with Kurri Kurri TAFE for electrical and mechanical apprentices to undertake in-house training as part of their apprenticeship program. On top of the technical aspects of training, the apprentices will also receive guidance from Toastmasters, medical specialists and police on a range of life-skill issues such as drugs, alcohol, violence.

We also have recruitment strategies that are targeting different workforce demographics. The National Veterans Employment Initiative was launched by the Federal Minister for Veterans Affairs, Michael Ronaldson, in September 2014, at Downer's Archerfield asphalt plant near Brisbane. The initiative helps wounded Australian Defence Force members gain long-term fulfilling employment with the aim of getting veterans to move into careers where they gain skills, not just short-term jobs. Terry Thompson joined Downer in May 2013 as part of a three month trial and is one of the first people to be involved in the pilot program. Terry was a heavy diesel mechanic in the army for 17 years and is now in a permanent role as a maintenance planner at our Strathpine asphalt plant.

Employee relations and benefits

Downer has a wide variety of employee relations arrangements across the Group which reflects the diverse employment sectors in which we operate. These include individual contracts of employment and collective agreements that cover hundreds of employees. Approximately 65% of our employees are covered by collective and industry based awards which include requirements for communication of intended operational changes prior to implementation. Downer has an Industrial and Employee Relations Management Policy and has obligations under the Australian Fair Work Act that recognises the right to freedom of association.

Our management team deals directly with employees and their unions to achieve labour agreements that have benefits for both employees and the Company. During 2014-15, Downer is not aware of any situations in our operations where the right to exercise freedom of association and collective bargaining was at significant risk.

Downer continues to provide employees with all the legally-required benefits, including superannuation where Downer contributes to retirement plans in most countries in which we operate and in accordance with local regulatory requirements. Paid parental leave benefits are available to our employees in Australia and New Zealand, covering 97% of our employee base.

A number of benefit programs are extended to families of employees including the Employee Assistance Program which is an independent professional and confidential counselling service for employees and their eligible family members. Downer continues to offer a group-wide Downer Corporate Family Program to its employees and has expanded this program into the New Zealand business during the year. The Downer Work & Life hub is designed to provide a unique and practical support service, which includes content, information, support services and tools that assist employees to balance their work and life interests more effectively. It is web-based and accessible to all our employees. It includes search mechanisms for finding schools and care facilities in local areas, important information on maintaining a healthy work-life balance and for those transitioning into retirement.

Our employees are encouraged to develop their careers and assistance in the form of cost subsidies and study leave is available for pursuing relevant tertiary studies.

Connecting with communities

Downer is a large and diverse business and we understand the importance of building strong relationships with the various communities beside which, and sometimes in which, we operate.

We often work in regional and remote locations and also short term locations (for example, when we deliver road services). Downer has established Indigenous employment strategies and training as well as development and leadership programs within Australia and New Zealand. We work towards creating successful relationships with these communities and we implement a range of strategies focusing on social responsibility, local and Indigenous employment, cultural heritage management and stakeholder engagement.

Connecting with Maori and Australian Indigenous communities

Downer continues to engage in cultural community programs, including the successful piloting of an in-house marae based leadership program in New Zealand. The majority of the pilot cohort have stepped up into leadership positions and some have started formal qualifications. The program operated for six days over the year with 15 participants and the second cohort of this program is now underway with a further 15 participants. The business has received \$150,000 of funding from Te Puni Kokiri with 20 aspiring leaders participating in external marae based fully funded leadership programs.

In Australia, our Indigenous community programs also include our relationships with Wall of Hands and Jawun. Downer has been a proud supporter of the Australian Literacy & Numeracy Foundation's Wall of Hands Appeal since 2013 which works with Indigenous communities and schools around Australia with the aim that five out of five kids will learn to read. Closing the Indigenous literacy gap is a serious, long-term issue and Downer is proud to be a supporter of the program.

Participants in the pilot of the Maori Leadership shown at the Whangara Marae, New Zealand.



Downer has formed a partnership with Jawun, a not-for-profit organisation which works with corporate, government and philanthropic partners to offer skills and resources to Indigenous communities.

Jawun's mission is to build the capacity of Indigenous people so they can choose a life they have reason to value. Jawun places skilled people from companies like Downer and also government agencies, into Indigenous organisations. These secondees transfer skills and support Indigenous leaders to achieve their goals.

The Jawun experience is a wonderful opportunity for Downer employees to make a contribution to Indigenous communities and also develop their personal and work skills in a unique and challenging way.

In 2015, Downer sent four secondees to the West Kimberley, two to Cape York and two to Redfern in Sydney.

Our Mining division has a well-established program for communicating work opportunities to Indigenous communities in Australia through its partnerships with local Indigenous employment organisations and corporations in key regional hubs. We have a targeted Indigenous recruitment strategy that is centred on community consultation and information sessions, where our people travel to communities to speak directly with potential candidates.



We often work in regional and remote locations which provides us with opportunities to develop enduring relationships with local communities and to enhance their economic performance through employment and skills development.

ReGen, Downer's mine rehabilitation service, has partnered with Karlayura Enterprise, which is a business 100% owned and managed by the Niyiyaparli and Banyjima people. The Karlayura ReGen joint venture was formed in 2014, combining proven experience in mining, civil and landform construction, progressive rehabilitation and mine closure with a commitment to enabling economic, social and community development solutions for the Traditional Owners of the Niyiyaparli lands in the Pilbara.

Karlayura ReGen is committed to:

- delivering landform construction and rehabilitation safely with a focus on sustainable environmental outcomes;
- optimising synergies for low-cost, high-quality work programs;
- providing traditional owners with employment and commercial opportunities;
- building rehabilitation capability for Aboriginal businesses in the Pilbara; and
- facilitating the input of traditional owners to land rehabilitation outcomes.

Community relationships

Engaging with our employees

World Environment Day

At Downer we recognise that our people are instrumental in the success of the business and bringing new ideas into operational reality. In the lead up to international World Environment Day (WED), we threw out the challenge to our people to make suggestions on how Downer could make improvements in the choices we make for procuring goods and services and align with the WED theme of *Seven Billion Dreams. One Planet. Consume with Care.*

There were some very practical and innovative sustainable procurement suggestions made as part of the Group-wide WED competition and implementing these will help us deliver more environmentally sustainable options. Some of the suggestions focused on our business, some were new and some have already been implemented throughout 2014-15:

- using a "solar battery charger" to replace the diesel auto-start function on the locomotives that could reduce diesel fuel consumption when the locomotives are sitting idle for long periods;
- establishing a "Car Pooling SharePoint Site" for each office/site which could provide a mechanism for employees who are interested in car-pooling to share this information or identify opportunities for one-off journeys and deliveries, thus helping to reduce taxi fares and reducing fuel costs; and
- using "Recyclable road cones" made from recycled plastic and to ensure that old or damaged road cones are recycled. Our NZ team is currently investigating the feasibility of this suggestion and it has led to considering options for recycling other waste material.



Community support

Downer supports many community and not-for-profit organisations and activities, including:

- Great Barrier Reef Foundation – raising funds for support for vital research to protect and preserve Australia’s United Nations world heritage listed Great Barrier Reef;
- a three-year \$150,000 partnership between Downer’s Mining division and the Smith family in Australia was established in 2014 to support programs including Learning for Life, which aims to help disadvantaged children and young people gain an education by providing emotional, practical and financial support. During 2014, the program was delivered to over 36,000 people nationally;
- Downer’s support for Multiple Sclerosis Australia is focused on fundraising for the annual MS Sydney to Wollongong bike ride. Downer has been a platinum supporter of the Soft Cogs cycling team since it was established in 2006. Soft Cogs raised \$95,000 in 2014, taking the nine year total raised for Multiple Sclerosis Australia to \$890,000. Soft Cogs is the highest fundraising team in the history of the event and to mark its 10th anniversary, Soft Cogs aim to pass the \$1 million milestone at the November 2015 ride; and
- Our New Zealand cyclists took part in The Tour of New Zealand, riding from Bluff to Wellington and raising \$2,000 for their charity St John. Downer also provided the traffic management services for the event across the country.

Our Downer employees are enthusiastic about the places in which they live and work. Heidi Hohua from our National Service Management Centre in Ashmore, Queensland organised a group of people to take part in National Tree Day as a personal pledge to implement an initiative in support of Downer celebrating World Environment Day.

Heidi Hohua (3rd from right at back) with family and friends after a day of tree planting at Gold Coast Botanical Gardens.



A group of 11 adults and children participated in the community event at the Gold Coast Botanical Gardens where they planted approximately 20 trees and water plants while also learning the importance of flora and its role in the creation of habitat for wildlife. Heidi said she wants “to encourage everyone to take part, especially the young ones, so that they may continue to look after and appreciate the environment and pass that on, so that we continue to have a sustainable environment for generations to come”.

Royalties from safety innovation benefit mining charity

Downer has designed a system that eliminates the risk of injection injuries from high pressure releases of grease when undertaking maintenance on large scale mining equipment.

Research revealed that the usual protective equipment was not protecting maintainers from high-pressure injection injuries and the standard process of removing the hose from the nipple in the case of a blockage was intrinsically flawed and dangerous.

The solution is a remotely-operated wireless transmitter, similar to a garage door remote control mechanism, that can be activated up to 50 metres from the service truck to release the build-up of pressure. The Remote Grease Pressure Release System was developed in conjunction with Australian Diversified Engineering Pty Ltd (ADE) and is simple, cost-effective and can be quickly activated to release the pressure building in a blocked grease gun in both hydraulically and pneumatically operated grease systems. It can be retrofitted to existing systems and has already been installed at nine mine sites across Australia with great results.

Rather than profit from a system that will make working on site safer, Downer will donate all royalties from sales to A Miner’s Legacy, a not-for-profit foundation that provides support and assistance to families of mineworkers involved in fatal mine accidents. So far, the donations have exceeded \$7,000.

The impact of the Remote Grease Pressure Release System was recognised by the resources industry at last year’s Queensland Mining Industry Health and Safety Conference and was awarded Highly Commended in the conference Innovation Awards.

Our people recognised

Downer has won Excellence Awards from the National Electrical and Communications Association (NECA) in Western Australia in three separate categories:

- Large Industrial: Shiploader Replacement Project
- Commercial – Large: Perth City Link Rail Project – Electrical and Communications
- Workplace Health And Safety: Shiploader Replacement Project

Our electrical apprentices in Victoria have also been recognised by NECA in Victoria for their technical abilities and commitment to apprenticeship training. Michael Clements, 3rd place in the Industrial Award and Cameron Wilding, 3rd place in the Commercial/ Domestic Award shows how successful our Apprenticeship Program has been.

Anil Kumar from Downer’s Water team in the Australian Capital Territory has been awarded the 2015 Canberra Young Professional Engineer award.

Downer has been recognised for excellence in the New Zealand construction industry by winning two awards in the Hirepool Construction Awards:

- Excellence in the maintenance and management of assets for the Infrastructure Alliance for Hamilton City Council – Downer NZ Limited for managing the Hamilton road network.
- Excellence in routine maintenance for the partnership established between Downer and the Nelson City Council which has delivered cost savings and enhanced profile within in the community for the way the maintenance contract has been delivered.

Downer was amongst the six major industry alliances and joint venture partners that won the 2015 Australian Construction Achievement Award for the \$3.9 billion Victorian Regional Rail Link Project which showcased what could be achieved when the industry worked together cooperatively to plan effectively to achieve a common goal.

Downer was amongst the six major industry alliances and joint venture partners that won the 2015 Australian Construction Achievement Award.

Environment



Environment

The key elements of Downer's environmental sustainability strategy are aligned with our commitment to conduct our operations in a manner that is environmentally responsible and sustainable. Our environmental strategy is based on the fundamentals of meeting compliance, managing risk, minimising environmental impact and maximising resource efficiency.

Compliance and risk management

Downer continues to focus on its risk-based approach to environmental management and has undertaken a program of identification and evaluation of the top five critical environmental risks across the varying business activities of each of the divisions. Sustainability performance at Downer is linked to remuneration through Downer's short term incentive scheme which during 2014-15 included a component relating to management of environmental risk and delivery of a critical environmental risk mitigation program.

Critical Environmental Risk Mitigation Plans have been developed for each of the top five risks within each Division and at least one of these plans (in each division) has been implemented throughout the year, with the remaining plans scheduled for implementation in 2015-16.

Critical Environmental Risk Mitigation Improvement Plans have been developed for:

- Legislative changes resulting in risk and cost impost;
- Hazardous Chemicals – inadequate storage/uncontrolled release to land or water;
- Blasting events (fume/airblast over pressure);
- Operational dust emissions;
- Compliance breach due to an environmental incident;
- Inappropriate water management – including insufficient drainage and controls preventing contamination from site or inadequate treatment of wastewater;
- Inadequate storage/non-compliant disposal of waste;
- Unauthorised clearance of protected areas (vegetation and cultural heritage);
- Unauthorised discharge of contaminants to land and water;
- Uncontrolled release of a biological agent;
- Unauthorised import/export of contaminated fill material; and
- Uncontrolled fire.

This structured approach to managing environmental and sustainability risks is supported by our robust environmental management systems. Each of the divisional Integrated Management Systems is benchmarked against and certified to the international standard ISO14001 covering the activities of more than 98% of the Downer workforce. Regular internal review and audit of the system is undertaken to ensure effective control and continuous improvement.

Minimising environmental impact

Downer has a strong culture of incident reporting that is supported by regular environmental training and awareness sessions to encourage our employees and contractors to report all environmental incidents, regardless of perceptions of severity. This enables us to collate information on potential environmental risks and raise awareness of mitigation controls that can be implemented to prevent adverse impacts on the environment.

Downer uses a six-level severity rating for all incidents and during the year we achieved our Group-wide target of zero Level 5¹ and Level 6² environmental incidents. In addition, there were no environmental incidents that constituted significant or material harm (i.e. Level 4³) and Downer did not receive any fines in relation to environmental incidents. Downer records all environmental incidents and we continue to endeavour to minimise the impact of Downer's activities on the environment.

In previous Sustainability Reports Downer has defined and reported significant spills as those greater than 100 litres/kilograms which have not been contained within primary bunding or containment systems, irrespective of whether they have caused significant environmental harm, or have been classified ≥ Level 4 on the Downer environmental incident severity classification scale. This has effectively resulted in over-reporting of the number and volumes of environmental spills deemed as significant in previous years against the GRI 31 indicator EN23 "total number and volume of significant spills". EN23 defines "significant spills" as those that are included in the reporting organisation's financial statement or recorded as a spill by the reporting organisation⁴.

¹ A Level 5 environmental incident is defined as any incident that causes significant impact or serious harm on the environment, where "material harm" has occurred and if costs in aggregate exceed \$50,000.

² A Level 6 environmental incident is defined as an incident which results in catastrophic widespread impact on the environment resulting in irreversible damage.

³ Material Harm – for the purpose of classifying environmental incidents for Downer, harm to the environment is "material" if:

- it involves actual or potential harm to the health or safety of human beings or to ecosystems that is not trivial, or
- results in actual or potential loss or property damage of an amount, or amounts in aggregate, exceed \$10,000 (up to \$50,000), and
- loss includes the reasonable costs and expenses that would be incurred in taking all reasonable and practicable measures to prevent, mitigate or make good harm to the environment.

⁴ Global Reporting Initiative Sustainability Reporting Guidelines version 3.1, published by the Global Reporting Initiative

This year, Downer has adopted a more rigorous application of the definition of significant environmental spills⁵ to ensure better alignment with the Downer incident severity rating and the GRI 3.1 approach to reporting the indicator EN23. This results in a material change to the application of the Downer definition for the public performance reporting of significant environmental spills. In order to be transparent about the process and for comparative purposes, Downer has reviewed the 2013-14 environmental incident data and applied the revised definition. This identifies that, in line with the GRI 3.1, no significant environmental spills would have been reported for 2013-14 and the 2014-15 reporting periods.

Table 1 shows information on the number of environmental spills that occurred during 2014-15 that would have been reported if we had continued to apply the previous Downer reporting practice. The table also includes 2013-14 data for comparison.

Responding to climate change

Downer operates within carbon-intensive industries and therefore key challenges for us are the effective management of our own carbon-related activities and the emission of GHG. Our response to carbon-related risks is an integrated approach to our emission-related activities, focusing on compliance, business improvement, business development opportunities and innovation, whether that means clean technology or looking for smarter ways to do things.

As Downer is largely a contract service provider, this strategy has been influenced by the issues which also have an impact on our customers. Our ability to develop processes and technology to reduce our emissions and overall energy consumption across a wide range of business activities such as mining and manufacturing asphalt allows us to assist our customers in managing the environmental sustainability challenges with which they are confronted in their own businesses.

Leadership in weed spread prevention

Downer implemented an extensive biosecurity program during the construction of the Wandoan APLNG transmission line in Queensland. Project staff undertook training in appropriate biosecurity control and we managed this project to protect the integrity of local farmers' properties and to prevent the transfer of weeds and pests between properties along the transmission line easement. On-site biosecurity measures included:

- dedicated wash-bays equipped with a water recycling and filtration system to conserve water onsite (2,746,428 litres recycled to date);
- 4,017 wash-downs completed (approx 15-20 vehicles each day) over the 11 months of the project to date;
- support from third-party vehicle hygiene officers to supervise and certify the wash-down process;
- vehicle logbooks to provide property owners with trackable vehicle movement history upon entry to each site; and
- communication of information through weed management notices, toolbox talks for work crews and ongoing dialogue detailing specific weeds that are known to site and encouraging best practice at all times.



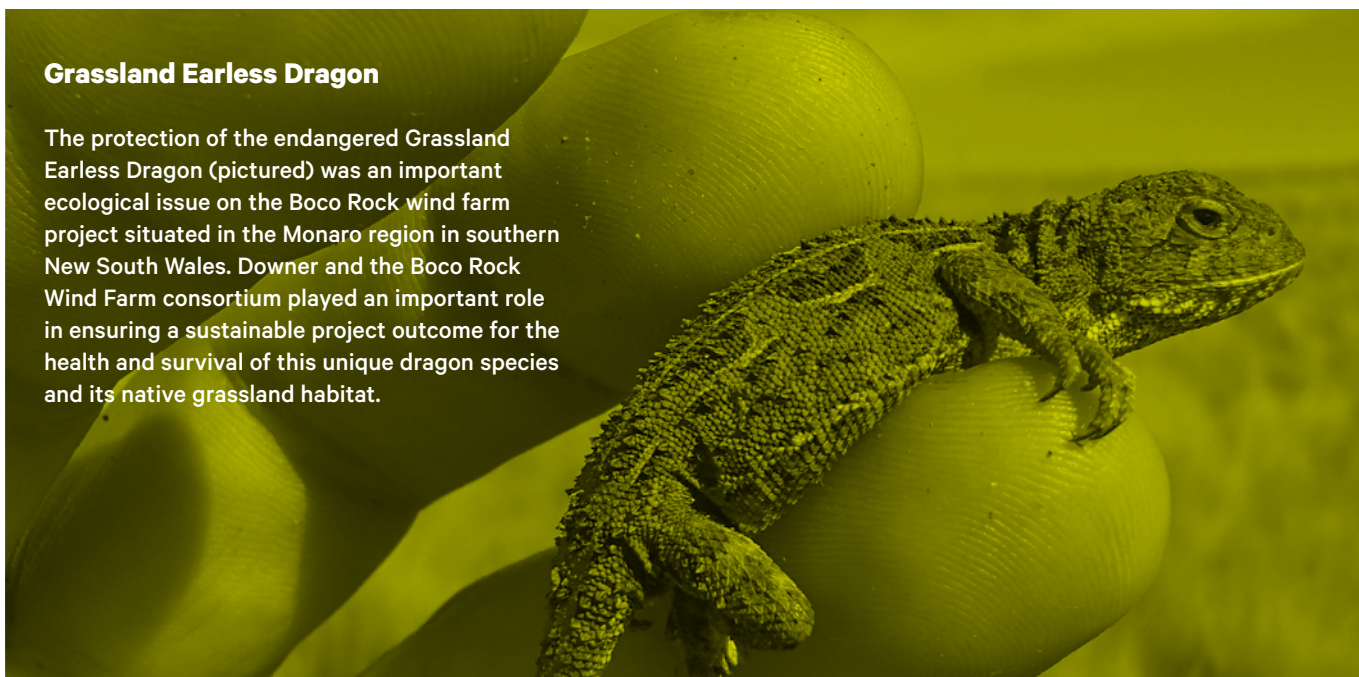
Table 1
Significant environmental spills

Reporting year	Environmental incidents ≥ Level 4	Significant environmental spills to report (GRI-EN23) – based on Downer severity matrix definition	Significant Environmental spills to report (GRI-EN23) – based on previous Downer reporting practice
2014-15	0	0	29
2013-14	0	0	34

⁵ Downer definition of significant environmental spill: "Any environmental incident resulting in a spill where there is significant impact or material harm on the environment; or a notifiable incident where there is a spill that results in significant impact or material harm; or there is long term community irritation leading to disruptive actions and requiring continual Management attention."

Grassland Earless Dragon

The protection of the endangered Grassland Earless Dragon (pictured) was an important ecological issue on the Boco Rock wind farm project situated in the Monaro region in southern New South Wales. Downer and the Boco Rock Wind Farm consortium played an important role in ensuring a sustainable project outcome for the health and survival of this unique dragon species and its native grassland habitat.



Risks relating to climate change are incorporated into the risk management processes that are undertaken at Group, divisional and project level within Downer and cover operations across all geographical locations where Downer operates. Climate change related challenges for our Group that directly affect our response strategies and decision making include the availability of key resources, such as energy, fuel and water and potential business interruptions due to the predicted increase in extreme weather events.

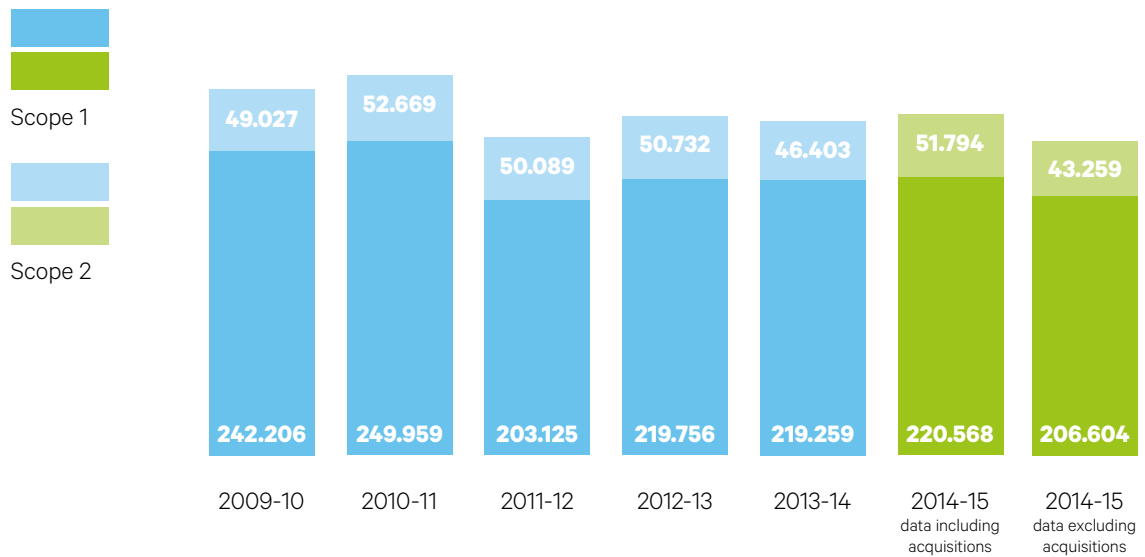
Our response to these challenges has been to identify opportunities for GHG emission reductions, energy efficiency improvements, sourcing alternative energy or fuels (e.g. biodiesel) and developing business resilience plans to cope with the changes in business activity due to climate/weather-related delays such as flooding or water shortages due to drought. Downer uses forecasting technology for managing workflow and site-based activities; for example, our New Zealand Road Sciences team and the New Zealand MetService have developed an on-line forecasting tool called Should I Seal (SIS) to determine weather conditions prior to applying bitumen emulsion to roads. We also have well-established operational strategies to cover days where it is unsuitable to conduct project activity due to local climatic conditions such as rainfall or extreme heat or cold. These days are usually dedicated to programmed training and maintenance.

As part of our resource efficiency and business improvement measures, each of the Downer divisions developed business-specific five year energy management plans and set targets for reducing GHG emissions and improving energy efficiency. In the short term, our strategy has required operational changes particularly in relation to the management and reporting of carbon related data. Short term (annual) targets have been set as part of the five year plans for achieving energy savings and consequential reductions in GHG emissions (Scope 1, 2 and 3).

Downer's longer term strategy will require additional investment in new technologies to improve the energy and emissions efficiencies at our major facilities, for example asphalt plant research and the development of new products and services. Downer has commenced a program of replacing old technology asphalt plants with energy efficient, lower GHG emitting plants that have the capability to use up to 75% recycled asphalt product in the production of asphalt.

As climate change policy evolves in our countries of operation, particularly Australia, we believe our sustainability strategy and climate change risk controls and management processes will deliver strategic advantage over our competitors. We will continue to provide effective solutions to assist our customers with managing their climate change related impacts (e.g. low carbon contract mining and low carbon asphalt products).

Figure 6
Scope 1 and Scope 2 GHG Emissions (ktCO₂-e)



Carbon management and greenhouse gas emissions

Downer’s operations are predominantly in Australia and New Zealand and the GHG emission profile reflects this. More than 99% of the total Scope 1 and Scope 2 GHG emissions for Downer are generated by our activities in these two countries, 77.9% in Australia and 21.9% in New Zealand. Greenhouse gas emissions for all sites have been calculated in accordance with the *Greenhouse Gas Protocol*⁶ and the Australian *NGER (Measurement) Determination 2008*.

Scope 1 and 2 emissions

Our total Scope 1 and 2 GHG emissions for the past six years are shown in Figure 6.

We continue to report the quantity of fugitive methane emissions from our operations at the Commodore open cut coal mine in Queensland by using Method 2, as we have done for the previous Sustainability Reports. This is in accordance with the *NGER (Measurement) Determination 2008* and in alignment with the principles outlined in the GHG Protocol. Accordingly, fugitive methane emissions from previous years have been recalculated to provide meaningful year-on-year comparisons of our carbon performance.

The fugitive methane emissions from the Commodore coal mine were estimated to be 1,655 tonnes CO₂-e by applying the life-of-mine GHG emissions model previously developed by a specialist gas consultant contracted by the owner of the mine.

This approach was developed in accordance with guidelines prepared by the Australian Coal Association Research Program⁷ and complies with the requirements of the *NGER Determination*⁸. Fugitive emissions from the coal mine are 27% higher this year and reflect a greater area of coal exposed as part of the open cut process.

During the year, Downer acquired a number of businesses that have augmented the diversity of our service offering and have also increased our total Scope 1 and Scope 2 emissions profile by approximately 2.5% or 6,700 tonnes CO₂-e. In comparison to last year, and excluding the emissions from the acquisitions, our total Scope 1 and Scope 2 emissions have decreased by 6% (see Figure 6).

Scope 1 GHG emissions have reduced by 6% compared to 2013-14 (see Figure 6) when excluding the acquisitions. The expanded business Scope 1 emissions profile is now approximately 1% higher than the previous year.

There was a 6.8% decrease in Scope 2 GHG emissions (excluding acquisitions) during the same period, reflecting our increased efforts in identifying and implementing energy efficiency improvements in electricity consumption. Incorporating the emissions from the acquisitions increases our Scope 2 profile by approximately 11.6%. The broad range of energy efficiency initiatives implemented throughout the year have been driven by internal energy and GHG emissions reduction targets within each of the divisions.

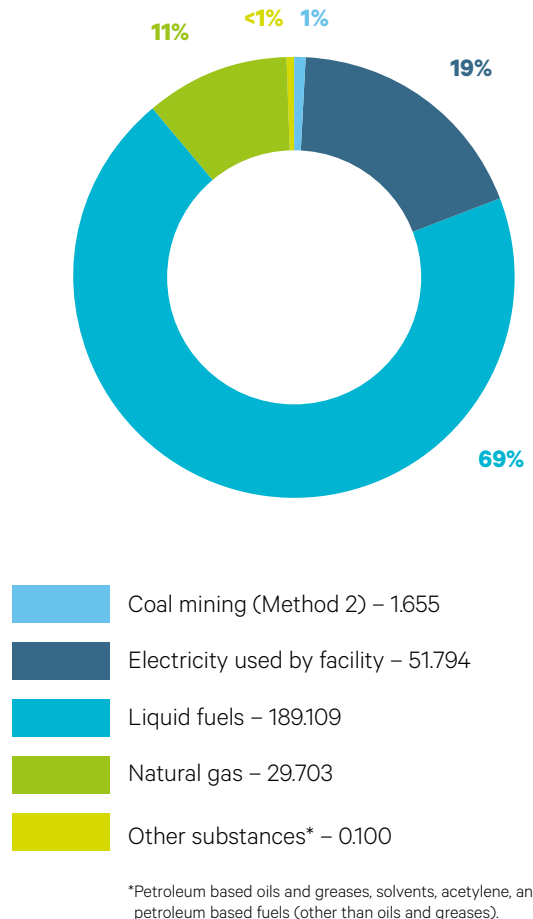
The major source (69%) of Scope 1 and Scope 2 GHG emissions is the consumption of liquid fuels. This is consistent with previous years with the emissions generated from fuel consumption in our transport fleet and from the production of stationary energy in our asphalt plants. Diesel oil is the major fuel consumed. Natural gas consumption accounts for 11% and electricity use for 19% of emissions (see Figure 7).

Downer uses the carbon intensity metric of annual Scope 1 and Scope 2 GHG emissions relative to total revenue (i.e. tCO₂e/AUD\$M) to provide a comparative measure of carbon performance. Downer is a diverse business and operates across a range of industry sectors which makes it difficult to identify one performance metric that truly reflects performance for the business. However, normalising annual GHG emissions in this manner allows us to track our carbon performance over time and make year-on-year comparisons.

Our carbon intensity has increased by approximately 3% compared to the previous year and by 7% when emissions from acquisitions are included. Whilst our total Scope 1 and 2 GHG emissions have reduced, total revenue for the Group has reduced by approximately 4% over the same period, reflecting the difficult economic climate over the last 12 months.

The variation in carbon intensity across years reflects fluctuations in revenue streams and changes in project opportunities. We have been implementing initiatives to reduce our carbon intensity and this has resulted in a 24% reduction since 2009-10 (including acquisitions), with total Scope 1 and 2 GHG emissions reducing by 7% over the same period. This long-term improvement in our carbon performance reflects Downer's efforts to identify energy efficient and low-carbon options. This trend is reflected in our continuous improvement in carbon disclosure reporting for CDP⁹.

Figure 7
Scope 1 and Scope 2 GHG emissions by sources
 includes acquisitions (ktCO₂-e, %)



6 The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, Revised Edition. Published by the World Resources Institute 2004.

7 Guidelines for the Implementation of NGER Method 2 or 3 for Open Cut Mine Fugitive GHG Emissions Reporting, 2011. Published by Australian Coal Association Research Program.

8 National Greenhouse and Energy Reporting (Measurement) Determination 2008 – subdivision 3.21.

9 CDP – formerly known as Carbon Disclosure Project.

There has been a 21% reduction in our Scope 3 emissions for 2014-15 compared to the previous reporting year. The reduction can be attributed mainly to the 29% reduction in Scope 3 emissions associated with contract mining activities.

Scope 3 emissions

Downer continues to identify the GHG emissions associated with our value chain, including capturing and reporting upstream and downstream emissions data associated with the provision of our products and services. We have identified and reported on the most significant sources of Scope 3 emissions and where we have access to reliable data. Our Scope 3 GHG emissions inventory includes emissions from activities Downer undertakes on behalf of our customers, at sites where we do not have operational control and from business related air travel. Figure 8 shows the Scope 3 emissions in comparison to the total Scope 1 and 2 GHG emissions and includes data for acquisitions.

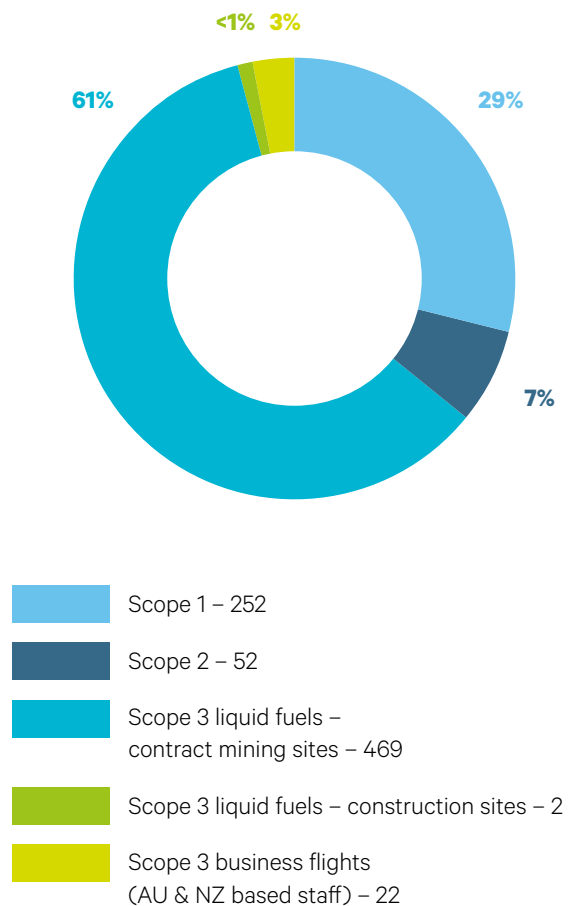
Consistent with previous reporting years, the most significant source of Scope 3 GHG emissions originates from the consumption of liquid fuels (mostly diesel oil) in on-site plant and equipment at our contract mining facilities. These GHG emissions account for approximately 95% (469 ktCO₂e) of the total 494 ktCO₂e Scope 3 GHG emissions and represent approximately 61% of the total Scope 1, 2, and 3 GHG emissions inventory.

There has been a 21% reduction in our Scope 3 emissions for 2014-15 compared to the previous reporting year. The reduction can be attributed mainly to the 29% reduction in Scope 3 emissions associated with contract mining activities.

The GHG emissions from construction projects where Downer does not have operational control has reduced from the previous year by approximately 20 ktCO₂-e to 2 ktCO₂-e (90%) due to the changing workflows in projects where we do not have operational control. These GHG emissions are from electricity use, fuel consumption and the use of oils and greases through our activities, but are considered to be under the operational control of our customers.

The total Scope 3 GHG emissions also includes emissions associated with air travel for business purposes for Australian and New Zealand based staff, which covers approximately 97% of our employee base. The air travel GHG emissions were estimated to be approximately 22 ktCO₂-e representing approximately 4.5% of Scope 3 GHG emissions. This is consistent with the previous year. There was a 4% increase in

Figure 8
Scope 1, Scope 2 and Scope 3 GHG emissions
(ktCO₂-e, %) – includes acquisitions



*Includes business flights (Australian and New Zealand based staff) + emissions from liquid fuels consumption at mine sites (not under Downer's operational control) + emissions from construction projects (not under Downer's operational control)

10 2008 Guidelines to DEFRA's GHG Conversion Factors: Methodology Paper for Transport Emission Factors. Department for Environment, Food and Rural Affairs, London, UK.

11 Study into domestic and international fate of end-of-life tyres – Final Report (2012), COAG Standing Council on Environment and Water.

our air travel emissions, partly brought about by an improved level of estimation for the various categories of flights in our New Zealand sector, despite reducing the number of flights by 15%.

During the year in Australia, we reduced the emissions from our air travel by 1%. Whilst the distance travelled was greater than last year we reduced the total number of flights by 22%, reflecting the reduction in business activity and a concerted effort to avoid air travel where possible.

Our Travel Policy emphasises that employees should explore, where possible, all opportunities to reduce carbon intensive modes of travel. We encourage our staff to use video conferencing and teleconferencing facilities where possible to assist in reducing air travel across the Group, with consequent cost savings and reduced environmental impact.

The estimation of Scope 3 GHG emissions from air travel accounts for the different flight profiles for air travel. The approach is based on the methodology developed by the United Kingdom Department of Environment, Food and Rural Affairs¹⁰, which employs three flight distance groupings – short, medium and long haul (with associated emission factors) for estimating GHG emissions. The methodology for estimating the emissions for the New Zealand origin flights has been independently verified by Enviro-Mark Solutions Limited and is considered suitable for use in an inventory compliant to ISO14064-1:2006.

Other emissions

Downer reports publicly and annually to the Australian National Pollutant Inventory (NPI) where emissions from facilities trigger the NPI reporting thresholds. Data are publicly available at: www.npi.gov.au.

Environmental compliance data are reported for facilities against State, Territory or Jurisdiction depending on the environmental protection licences or approval requirements for regions where Downer operates. In most cases, these reports are available on the website of the relevant regulatory authority and the reporting time-frames are determined by the licence or approval conditions, generally on an annual basis.

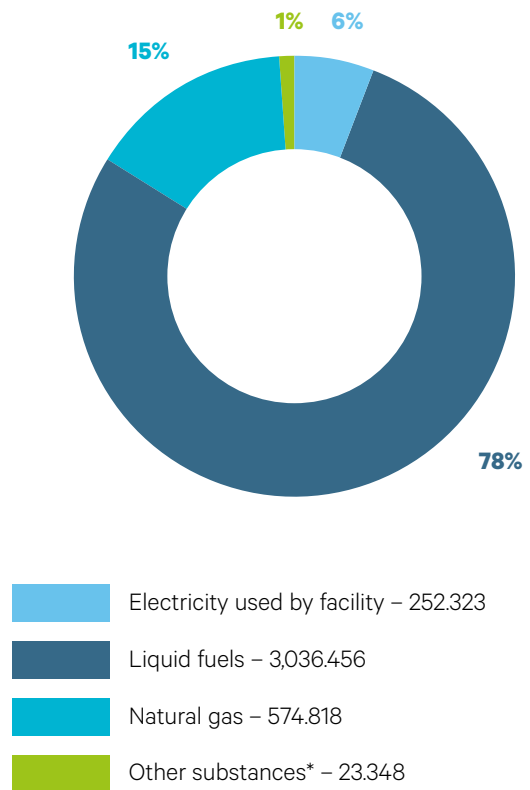
Energy consumption and production

Total energy consumption decreased by 8.6% this year when compared to the previous year. This excludes the energy consumption from our major acquisitions to provide a realistic comparison of our energy performance. Including the energy consumption from our acquisitions our total energy consumption profile for 2014-15 was 3,887 Terajoules which is 2.3% lower than the previous year. Figure 9 shows the Downer energy profile by primary energy source, including data for the acquisitions.

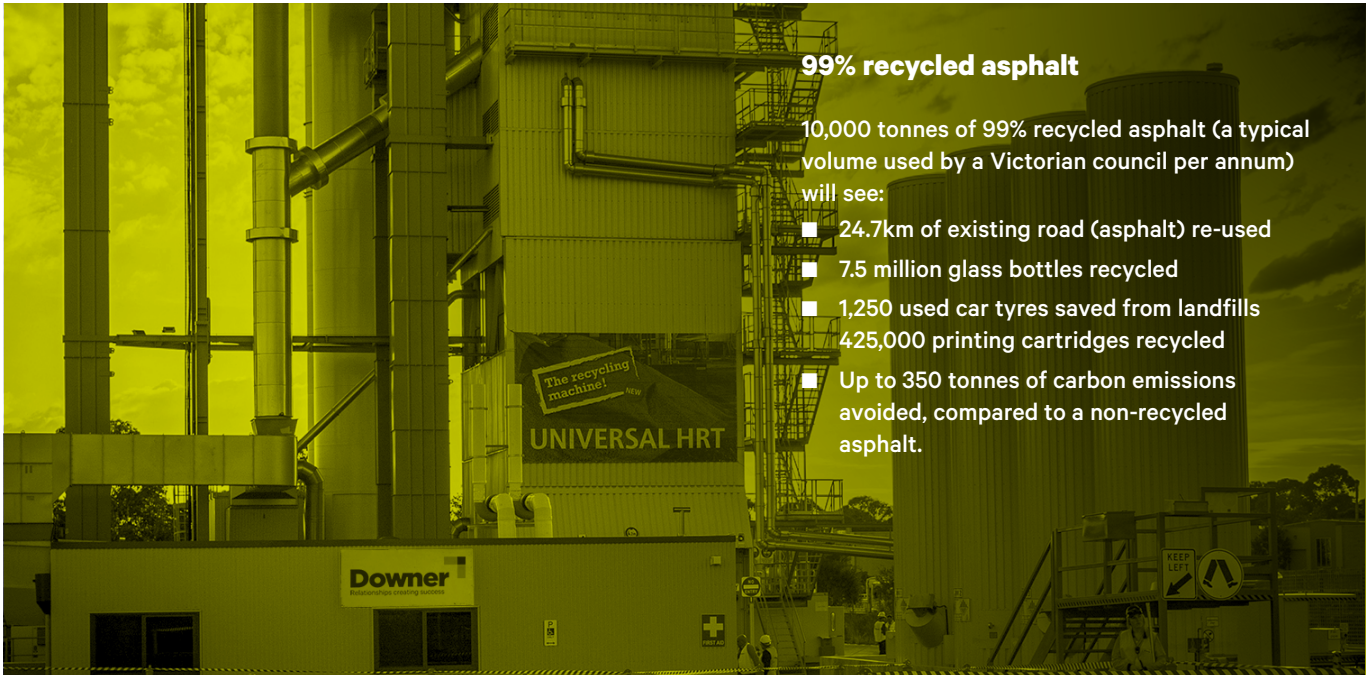
Consistent with previous years, liquid fuels account for the majority of energy consumption (78%), with natural gas accounting for 15% and electricity 6%. Each year we are improving accuracy and level of reporting of energy consumption. A key driver in our improved energy performance this year has been a 6% reduction in electricity consumption and approximately 8% reduction in consumption of liquid fuels and 7% reduction in natural gas across our facilities when we consider these without the inclusion of the acquisitions. The increase in work activity from the expanded business has increased our total electricity consumption.

We have calculated the energy produced from our open cut coal mine activities using a more accurate energy factor for bituminous coal. In order to provide meaningful year-on-year comparisons of energy produced, we have recalculated the energy produced at the mine site in previous years. Total energy produced during 2014-15 was 93,924 Terajoules, 3% lower than the previous year due to less coal extracted.

Figure 9
Direct and indirect energy consumption by source
(TJ, %) – includes acquisitions



*Petroleum based oils and greases, solvents, acetylene, and petroleum based fuels (other than oils and greases).



99% recycled asphalt

10,000 tonnes of 99% recycled asphalt (a typical volume used by a Victorian council per annum) will see:

- 24.7km of existing road (asphalt) re-used
- 7.5 million glass bottles recycled
- 1,250 used car tyres saved from landfills
- 425,000 printing cartridges recycled
- Up to 350 tonnes of carbon emissions avoided, compared to a non-recycled asphalt.

Resource efficiency

Waste tyre problem solution

Most heavy earthmoving and Off-The-Road (OTR) tyres are disposed to landfill, at mines or quarries, or stockpiled, with less than 3% recorded as being recycled¹¹. There are considerable challenges to disposing of OTR tyres as they have been designed to support the world’s largest mining trucks and loaders, they are heavy, bulky and hard to transport and in order to work in the harshest of conditions, they have been manufactured to be almost indestructible. Downer, through its business Otreecycle, has developed a unique modular pyrolysis solution, whereby tyres and other industrial rubber products such as conveyor belts can be decomposed from exposure to intense heat in the absence of oxygen. This process breaks down the tyres and other industrial rubber products into their base elements (e.g. hydrocarbon oils, pyrolysis gas, steel and carbon-black) for use in a vast range of applications domestically and overseas, removing the need for expensive landfill and in-pit disposal.

The Otreecycle facilities have low GHG emissions profiles and the capability to process thousands of tonnes of OTRs each year. Our facilities provide an opportunity to increase the level of recycling of tyres and other rubber products and allow recovery of by-products for a range of beneficial uses.

99% recycled asphalt

Downer recently partnered with the City of Boroondara in Victoria to produce the world’s first 99% recycled asphalt product. The asphalt was produced at Downer’s Bayswater High Recycling Technology (HRT) asphalt mixing plant, which is one of the most advanced facilities of its kind in the world. The recycled product incorporates waste items such as toner from printer cartridges, used tyres and glass, each of which would usually be stockpiled or sent to landfill.

By showcasing this initiative on World Environment Day, it gave the Council and Downer an opportunity to raise global awareness of a project that is having an important and positive environmental impact.

Current best practice in Australia is for asphalt to include 30 to 40% recycled materials with some limited facilities achieving higher production levels. This demonstration proves that with the right technology and capability we can produce 99% high quality recycled asphalt. Improved recycled material availability and process improvements for large scale production means that we can work with progressive and environmentally conscious suppliers and customers to achieve world’s best practice.

 **Table 2**
Annualised GHG emissions and energy savings

Savings initiatives	Annualised energy savings (TJ)	% of total savings
Vehicle and mobile plant fuel and oil efficiency	172	58%
Use of alternative materials as primary resources and supply chain efficiency	60	21%
Facility/Plant efficiency improvements	37	12%
Electricity savings from upgrades to lighting, building, small plant (pumps compressors etc.) and switch to solar at a major site	16	5%
Increased use of recycled asphalt product in manufacture	10	4%
Total	295	

The higher content of recycled materials reduces carbon emission by up to 52% compared to conventional asphalt. Based on the production of 10,000 tonnes (a typical volume used by a Victorian council per annum), up to 350 tonnes of CO₂-e emissions can be avoided by using of 99% recycled asphalt compared to non-recycled asphalt. There is also a cost advantage due to approximately 23% lower energy consumption to produce the recycled asphalt as well as reduced costs from using recycled materials and locally sourced materials.

The performance of the asphalt is also critical and our testing has shown that the recycled materials along with innovative product mix and design provides improvements in durability and resistance to fatigue cracking and deformation of the asphalt, particularly from heavy vehicles. The improved stiffness of the asphalt allows us to lay a thinner surface which further reduces carbon emissions.

Read more about our asphalt demonstration at: [Downer ASX Announcements](#).

Energy and greenhouse gas emissions reduction plans

Business-specific five year energy management and GHG emissions reduction plans have been the key framework for our energy efficiency and emissions reduction activities throughout the year. Each division has set targets for energy and GHG emissions reduction and these formed part of the environmental component of the Downer Short Term Incentive scheme which links sustainability performance to remuneration of senior managers.

This year we undertook 25 key projects as part of the implementation of the five year GHG reduction and energy efficiency plans. The energy savings initiatives implemented during 2014-15 will deliver 295 Terajoules of annualised energy savings (exceeding our target of 134 Terajoules), equivalent to 29,000 tonnes of CO₂-e abatement across our Scope 1, 2 and 3 emissions profile. The majority of the energy savings and emissions abatement projects has focused on our Scope 1 and Scope 2 activities (approximately 74% of the predicted savings) with the remainder targeting our Scope 3 emissions (26%) either for work we have undertaken for our customers or within our supply chain

Table 2 provides a summary of the savings initiatives.

Some of the key projects where we have realised efficiency improvements include:

Energy efficiency projects In New Zealand

Downer New Zealand has forged a partnership with the New Zealand Energy Efficiency & Conservation Authority (EECA) to help Downer deliver its comprehensive program for energy management across the following key focus areas:

Light vehicle fuel efficiency

A number of initiatives have been implemented to improve fuel efficiency across the light vehicle fleet, with the objective of achieving a 2.5% reduction in fuel consumption. We have focused on selecting the most efficient vehicles fit-for-purpose, encouraging better driver behaviour through training and support, reducing idling times and over-speed events, travelling fewer kilometres by more effective scheduling of trips, reducing the engine capacity of the light vehicle fleet, ongoing conversion from petrol to diesel and enhanced fuel reporting.

In response to workloads, we have increased the size of the fleet and thus there has been an increase in total fuel consumption, however the initiatives we have introduced have delivered a fuel efficiency improvement of approximately 52% in litres of fuel consumed per 100 kilometres travelled, with an average fuel consumption rate for the light vehicle fleet being 8.94 litres/100 km.

We have also introduced electric vehicles (EVs) with a range of 120 kilometres on a single charge as pool cars to our Auckland and Hamilton offices and one plug-in electric vehicle for staff travelling greater distances. Downer and Hamilton City Council will be operating two EVs from the Hamilton Infrastructure Alliance which will replace the combustion engine cars currently used for network inspections. In addition to this, the Hamilton City Council is also evaluating how EVs can be brought in to Council services for their own use, in order to reduce fuel costs, optimise renewable resources and support smart city development.

New Zealand is in a unique position to optimise the use of EVs as almost 80% of the electricity is generated from renewable sources, there is a relatively high level of off-street parking and there is still a reliance on cars for urban transport.

Heavy vehicle fuel efficiency

We have set a target of improving fuel efficiency across the New Zealand heavy vehicle fleet, with the objective of achieving a 2.5% reduction in fuel consumption. Whilst we have been optimising the size of the fleet and taking on more work we have not been able to meet the reduction target. However, the volume of total fuels use has not changed from our baseline year.

Our focus is to continue with the implementation of this initiative and we still have a number of key focus areas that we expect will help us meet our efficiency targets, including:

- driver training through Safe and Fuel Efficient Driving (SAFED) New Zealand at regional centres with on-going monitoring of fuel efficiency which are continuing realise speed reduction and fuel;
- trialling of a number of hybrid (electric-diesel) excavators on projects and tracking efficiency using GPS;
- progressive replacement of heavy vehicle plant by introducing cleaner burning and more efficient Euro V vehicles; and
- working with Z Energy to secure biodiesel supply to enable trial of B5 once it becomes available in late 2015.

Electric vehicles now included in our New Zealand fleet.



Business specific five year energy management and GHG emissions reduction plans have been the key framework for our energy efficiency and emissions reduction activities throughout the year.

Asphalt and bitumen plant efficiency

A range of initiatives has been planned or implemented across our asphalt and bitumen plants to improve energy efficiency. We have introduced a robust asphalt plant tracking system, extended the use of warm asphalt mix and recycled asphalt product and a number of plant particularly around heating and storage. This has resulted in a 1% reduction of energy used per tonne of asphalt produced (4.3 Megajoules/tonne).

Overall energy consumption across our bitumen plants indicates a decrease in energy consumption of 22%, achieved through plant optimisation and better controls on heating. This translates as a decrease of 21% in energy per tonne produced (Megajoules/tonne) and has exceeded our target of 2.5% reduction.

Solar

More than 90% of the energy consumption in our Rail division is from electricity. As an emissions reduction initiative, we recently installed industrial solar photovoltaic panel systems at our rail maintenance facility in Newport, Victoria. The 99.7kW, 60 panels system was installed on the roof of the main workshop and will reduce consumption of grid electricity at the site by 482 gigajoules per year, reducing GHG emission by 158 tonnes CO₂-e per year. We are planning on installing a similar system at our Cardiff facility in New South Wales.

At the Commodore Coal Mine we have been able to reduce diesel consumption and carbon emissions by 65% to 80% by installing an off-grid power system, including storage batteries, at the field crib hut which has previously been fully powered by a diesel generator. The diesel powered generator is now only used as a back up to solar energy and generally runs for a few hours each night.

Haul truck efficiency

Diesel fuel is a major source of GHG emissions in our Mining division. Where possible we have reduced fuel consumption by phasing out smaller haul trucks with larger payload trucks because they have a lower relative fuel use (per tonne of material transported) with no impact on production. For example, at one mine site we replaced eight smaller vehicles with five larger payload vehicles and reduced energy consumption by approximately 6.5 Terajoules/annum, equivalent to GHG emissions reduction of 450 tonnes of CO₂-e.

Reducing engine revolutions per minute (rpm) in the haul trucks during retard and coast modes from 1500 rpm to 1200 rpm results in a reduction of fuel burn of approximately 2%. Introducing this initiative across just seven haul trucks at one of our mine sites has delivered 3.9 Terajoules of energy savings and a reduction in GHG emissions of 220 tonnes of CO₂-e per year.

Supply chain and sustainability ratings

Downer is a founding partner of the Supply Chain Sustainability School. The School is a collaborative, not-for-profit, industry led approach to building competitiveness and competency in the construction supply chain. The School is an online self-assessment tool designed to increase the sustainability knowledge and competency in the construction and infrastructure sector supply chains. The School has e-learning modules and a resource library on a range of topics including waste, water, carbon and energy, environmental management and climate adaptation. Downer has invited its key sub-contractors and suppliers to take advantage of the resources that are made available to them freely as part of Downer's membership of the School. The School provides an opportunity for Downer to enhance its ability to deliver sustainable projects that are managed cost-effectively and assist our sub-contractors in improving their own sustainability performance. See www.supplychainschool.org.au.

99.7 kilowatt Photovoltaic system on the main rail workshop at the Newport, Victoria, comprising of 60 solar panels.



Solar panels at Commodore Mine crib hut.



We are now looking for opportunities to incorporate infrastructure sustainability ratings into key projects which will assist our customers in improving the sustainability performance of their assets.

Downer has become a member of ISCA (Infrastructure Sustainability Council of Australia) the peak industry body for advancing sustainability outcomes in infrastructure. Downer, through its acquisition of Tenix, was the first organisation to achieve an “Excellent” rating for both “design” and “as built” for the Whitsunday Sewage Treatment Plant Upgrade Project. Through understanding the value proposition, we are now looking for opportunities to incorporate infrastructure sustainability ratings into key projects which will assist our customers in improving the sustainability performance of their assets.

In addition to the ISCA Rating Tool, Downer has achieved Platinum rating in accordance with the Transport for New South Wales Sustainability Design Guideline (SDG) for the sustainability assessments and initiatives on the Gosford Passing Loops project. The project was undertaken within sensitive environmental and urban landscape and involved the design and construction of two new passing rail loops, six new bridges, retaining walls and associated signalling and electrification works between Gosford and Narara stations.

The Platinum rating is the highest rating level under the SDG system and most importantly, no other Transport for NSW construction project has achieved higher than gold at this stage. We are proud of the result and recognise the role played by our project partners Robson Civil Projects and SMEC in achieving this rating through a range of sustainability initiatives implemented throughout the project that benefit the environment and the broader community, including:

- recovering used and discarded ballast which was no longer suitable as material for track structure and stability. More than 7,500 tonnes of recovered ballast was crushed on site and re-used as structural fill throughout the project. This delivered an energy saving of 139 gigajoules (GJ) by reducing the amount of new materials that would have been transported to site;
- the use of biodiesel (B20) in all earth moving machines, delivering a 20% reduction in carbon emissions compared to using mineral diesel, saving approximately 240 gigajoules of energy; and
- blending approximately 30% fly ash into the structural concrete used for the project, including six new bridge abutments to reduce the required quantity of Portland cement. The fly ash does not affect the integrity of the concrete mix but has reduced energy consumption by 80 gigajoules.

Assurance Statement



Independent limited assurance report to the Directors of Downer EDI limited

Our conclusion

Based on the procedures performed, as described below, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information identified below is not, in all material respects, prepared in accordance with the GRI G3.1 Guidelines and management's calculation methodologies.

We have been engaged by Downer EDI Limited (Downer) and are responsible for providing a limited assurance conclusion in respect of the selected sustainability information for the year ended 30 June 2015 to be included in the Sustainability Report (the Report) as identified below (the Selected Sustainability Information)

Our assurance engagement is conducted in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ASAE 3410 *Assurance on Greenhouse Gas Statements*. These standards require the assurance team to possess the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

We have not been engaged to provide an assurance conclusion on any other information disclosed within the Report.

Director's and management's responsibilities

The directors and management of Downer are responsible for the preparation and presentation of the Selected Sustainability Information, specifically ensuring that in all material respects the Selected Sustainability Information is prepared and presented in accordance with the GRI G3.1 Guidelines and management's calculation methodologies. This responsibility also includes the internal controls relevant to the preparation of the Report that is free from material misstatement whether due to fraud or error.

Limited assurance over Selected Sustainability Information

In forming our limited assurance conclusion over the Selected Sustainability Information and Content Index, our procedures consisted of making enquiries and applying analytical and other evidence gathering procedures including:

- Conducting interviews across the business to understand the process to identify and respond to materials issues;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Performing sample testing over the Selected Sustainability Information to relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with the GRI G3.1 Guidelines and management's calculation methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been

obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Selected Sustainability Information

Direct emissions of greenhouse gases (scope 1) – kilo tonnes of CO ₂ -e on page 38 of the report	220.6 kt CO ₂ -e
Indirect emissions of greenhouse gases (scope 2) – kilo tonnes of CO ₂ -e on page 38 of the report	51.8 kt CO ₂ -e
Energy consumed – Terajoules on page 41 of the Report	3,887 TJ
Energy produced – Terajoules on page 41 of the Report	93,924 TJ
Number of significant environmental incidents on page 3 of the Report	0
Number of significant environmental fines and prosecutions on page 3 of the Report	0
Number of safety fines and prosecutions on page 3 of the Report	0
Total Recordable Injury Frequency Rate (TRIFR) – per million hours worked on page 3 of the Report	3.8
Lost Time Injury Frequency Rate (LTIFR) – per million hours worked on page 3 of the Report	0.87
Content Index at http://www.downergroup.com/About-us/Zero-Harm/Sustainability/	Met application level B+

Basis of preparation and restriction on distribution and use

The Selected Sustainability Information has been prepared by the directors and management of Downer to meet their and the intended users' needs. As a result the Selected Sustainability Information may not be suitable for another purpose. Our report has been prepared for Downer. We disclaim any assumption of responsibility for any reliance on this report, or on the Selected Sustainability Information to which it relates, to any person other than the directors of Downer or for any other purpose than that for which it was prepared.

KPMG

Sydney, 30 November 2015



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Feedback

Please send your feedback on our sustainability performance and this report to sustainability@downergroup.com

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