

## What are material issues?

Downer seeks to identify the issues where we have the most significant impacts\* ('Importance for Downer' in the materiality matrix, page 19) and which matter most to our stakeholders and can therefore most influence their assessments and decisions ('Importance for stakeholders' in the materiality matrix). These issues have the most influence over the value that Downer creates for shareholders, and other key stakeholders, now and into the future.

We refer to these as our material issues. In FY21, Downer revisited our materiality assessment in accordance with the Global Reporting Initiative (GRI) Standards. Materiality Counts, an independent expert, led a process to engage selected internal and external stakeholders to identify and understand our material economic, social, environmental and governance risks and opportunities.

## Why we do this

Reporting on the issues that Downer has the most significant impact on, and which matter most to our stakeholders, ensures this report is directly relevant to our target audiences. Material issues are also a valuable input to our strategic planning. Downer recognises these issues may change over time, reflecting changes in our business and external operating environment and the expectations of stakeholders. We use the results of the materiality assessment to inform our business strategy and our sustainability framework and targets.

## Our materiality process

The independent process consisted of the following steps.

### Step 1 – Develop the universe of potential material issues

A list of potential material issues, alongside short explanations, was compiled using a comprehensive range of inputs including material risks, media scanning, stakeholder feedback, employee surveys, peer review, industry trends and the United Nations' Sustainable Development Goals (SDGs). Downer's 2019 material issues list was reviewed considering changes to our business structure and investor base, as well as COVID-19 impacts, and taking into account risk and peer reports. This resulted in a consolidated list of 19 potential issues for review and discussion by stakeholders.

### Step 2 – Materiality survey

A representative sample of stakeholders was identified for consultation. This included internal stakeholders – namely Board members, Executives and key employees – as well as external stakeholders including investors, customers, suppliers, industry associations and Non-Governmental Organisations (NGOs), ensuring geographic spread across Australia and New Zealand. All stakeholders completed a survey, providing quantitative data on the relative priority of the issues.

### Step 3 – Stakeholder interviews

One-on-one telephone interviews were conducted with selected internal and external stakeholders, which provided qualitative information to increase our understanding of the current and future context of each issue, including the potential for it to impact our value creation over time.

### Step 4 – Validation of the results

The validation of results by Downer's Executives and Board is an important part of the process. The qualitative and quantitative results and stakeholder feedback were presented to Downer's Executive Strategic Committee, where it was decided to elevate the priority ranking of Economic Performance from ninth to third, due to the business impact and importance placed on Economic Performance by both internal stakeholders and investors.

The 13 material issues and revised rankings were endorsed by the Zero Harm Board Committee.

The material issues listed on page 19 framed the structure and content of this Sustainability Report.

## Materiality results

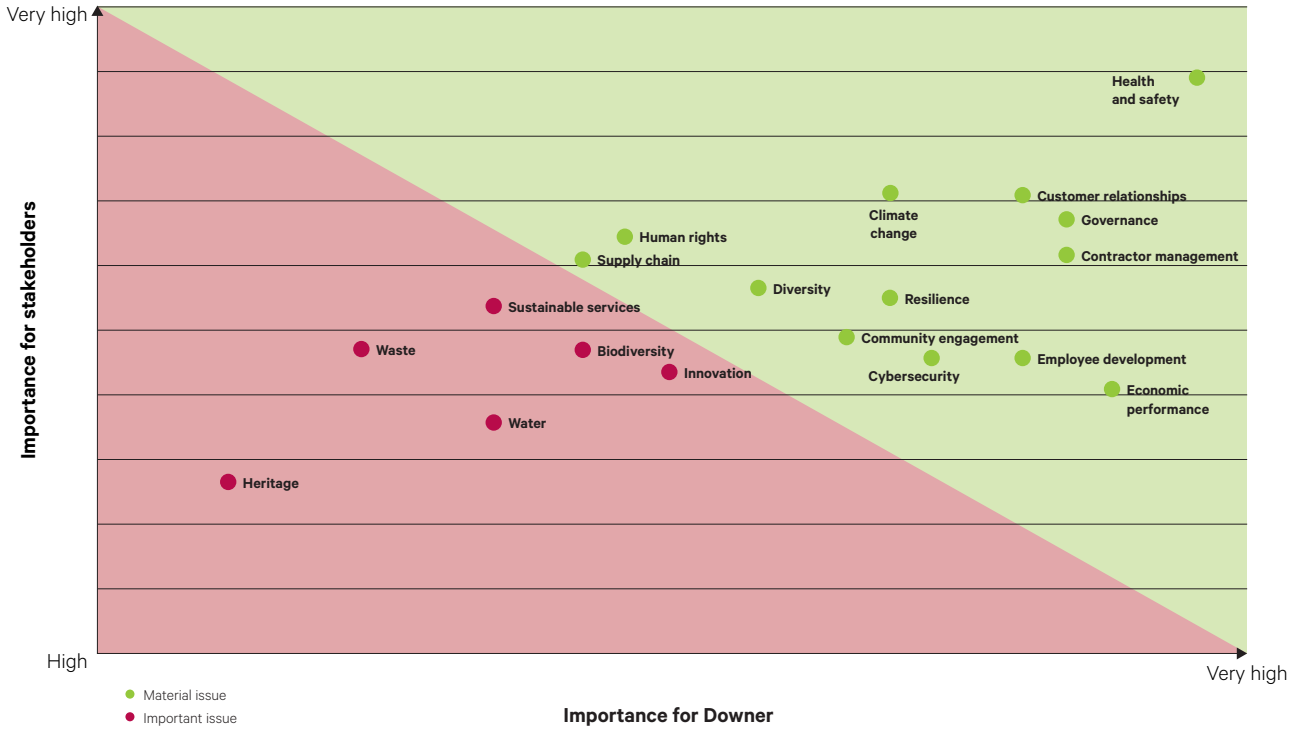
Stakeholders prioritised the issues based on their importance and significance of Downer's impacts. This provided a list of the top 13 issues which Downer deems to be its *material* issues. The remaining six issues, which remain important to Downer and will continue to be addressed, are referred to as *important* issues.

The materiality results are shown in the matrix on page 19 and further explained in order of priority on pages 20-22.

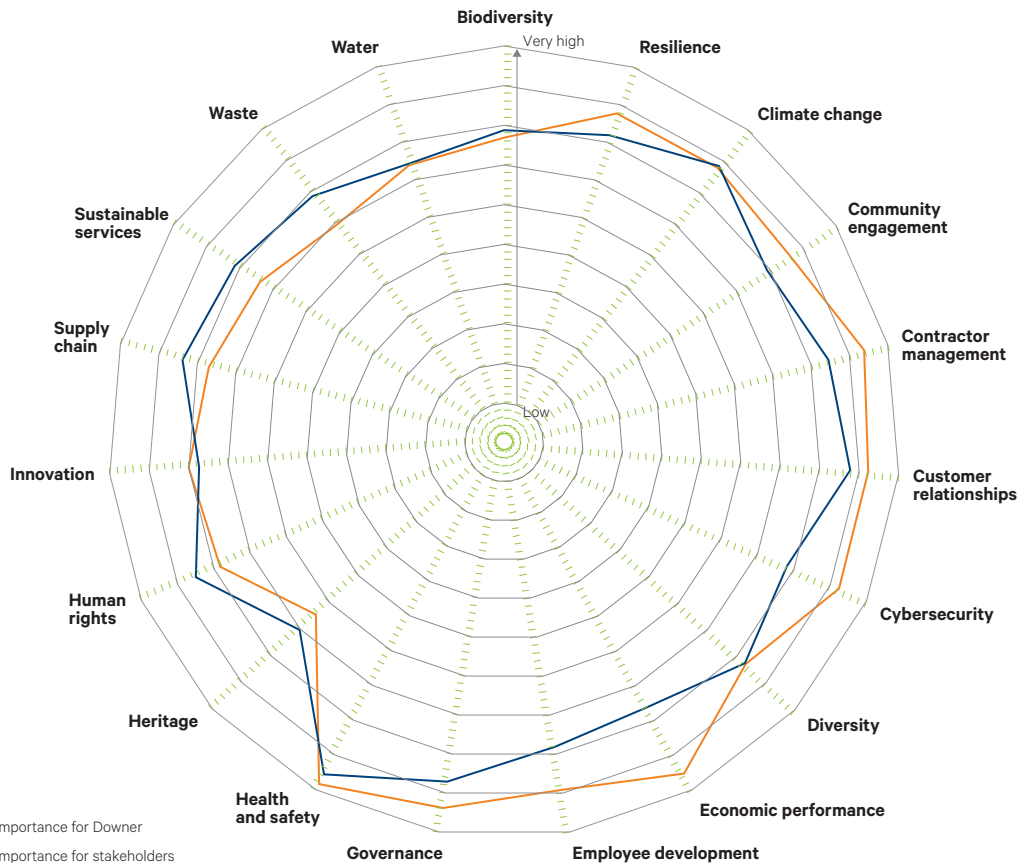
The results were positive, with strong alignment between internal and external stakeholder views, as demonstrated in the spider diagram.

\* 'Impacts' can refer to environmental, social and economic impacts, which can be positive, negative, actual, potential, direct, indirect, short-term, long-term, intended or unintended.

### Materiality matrix







### Material issues prioritised by internal and external stakeholder view











## Material issues

The materiality assessment identified a prioritised list of 13 material issues, as well as the top eight Sustainable Development Goals (see pages 12–13) that Downer contributes to. The context behind each material issue is outlined over the following three pages.

The material issues are addressed within the relevant sections of this Sustainability Report, except for economic performance. These are referenced within the context of the Sustainability Report but addressed in more detail in Downer's Annual Report.

Material issues by ranking	Definition	Issue relevance to broader value chain	Relevant Sustainable Development Goal	Section/Page number
<b>1. Health, safety and wellbeing</b>	Maintaining a strong and committed Zero Harm culture. This includes managing safety risks and supporting the mental and physical health of our people and our partners.	Subcontractors, suppliers, customers, communities, JVs and alliances, regulators.		<b>Health and safety</b> Pages 34-43
<b>2. Governance and ethical conduct</b>	Maintaining a robust governance framework that rewards high ethical standards and personal integrity. This includes committing to transparency for all our stakeholders.	Investors, regulators, customers, subcontractors, suppliers, JVs and alliances.		<b>Governance and ethical conduct</b> Pages 24-33
<b>3. Economic performance</b>	Demonstrating economic strength and resilience, and strong operational performance. This includes achieving low risk, predictable revenue and cash flow through a capital light, services-based business model.	Investors, subcontractors, suppliers, customers, JVs and alliances.		<b>Downer's Annual Report</b>
<b>4. Customer relationships</b>	Keeping pace with customer expectations via engagement and feedback to ensure we improve the value and services we provide to both our customers and their customers.	Investors, subcontractors, suppliers, customers, JVs and alliances.		<b>Our approach to sustainability</b> Page 6 <b>About Downer</b> Pages 8-13 <b>Relationships</b> Pages 82-93
<b>5. Contractor management</b>	Ensuring that contractors know their obligations, and are engaged and aligned to Downer's values in managing risk. This includes adherence to Downer's Standards of Business Conduct and The Downer Standard including Downer's health, safety and environmental policies which govern how we perform work to meet our customers' expectations.	Subcontractors, JVs and alliances, customers.		<b>Governance and ethical conduct</b> Pages 24-33 <b>Health and safety</b> Pages 34-43 <b>Environment</b> Pages 44-65 <b>Relationships</b> Pages 82-93
<b>6. Climate change</b>	Minimising Downer's contribution to the harmful effects of climate change. This includes reducing Downer's greenhouse gas emissions, as well as those of our supply chain. Improving the resilience of our assets and portfolio and capitalising on climate-related opportunities.	Investors, regulators, subcontractors, suppliers, customers, communities, JVs and alliances.		<b>Environment</b> Pages 44-65
<b>7. Cybersecurity</b>	Protecting the information of our operations and our partnerships. This includes implementing policies and infrastructure to safeguard data while minimising disruptions.	Investors, subcontractors, suppliers, customers, JVs and alliances.		<b>Governance and ethical conduct</b> Pages 24-33

Material issues by ranking	Definition	Issue relevance to broader value chain	Relevant Sustainable Development Goal	Section/Page number
8. Business resilience	Managing and withstanding extraordinary events such as natural disasters, abrupt shifts in consumer demand or pandemics. This relies on the organisation's strategy to minimise impact and disruption as a result of these extraordinary events.	Investors, subcontractors, suppliers, customers, communities, JVs and alliances, regulators.	  	<b>Our approach to sustainability</b> Page 6  <b>Governance and ethical conduct</b> Pages 24-33  <b>Downer's Annual Report</b>
9. Employee development and engagement	Attracting and retaining a skilled and engaged workforce to be an employer of choice. This includes providing career development opportunities, market competitive employee benefits and avenues for engagement and feedback.	Subcontractors, JVs and alliances, communities.		<b>People</b> Pages 66-81
10. Diversity and inclusion	Fostering a diverse and inclusive workplace that facilitates opportunity and respect. This includes focusing on gender, cultural and generational inclusiveness to reduce inequalities.	Subcontractors, JVs and alliances, customers, communities.		<b>People</b> Pages 66-81
11. Community engagement, impact and development	Supporting the success of communities in which we operate. This includes fostering partnerships to aid in developing local communities, minimising negative impacts and leaving a positive legacy.	Investors, subcontractors, suppliers, customers, communities, JVs and alliances.		<b>Relationships</b> Pages 82-93
12. Human rights (including modern slavery)	Protecting the fundamental human rights of our people, and people working across our value chain, inclusive of modern slavery. Human rights are the basic standards of treatment to which everyone is entitled, regardless of gender, race, nationality, economic status or religion.	Investors, customers, subcontractors, suppliers, communities, partners.		<b>Governance and ethical conduct</b> Pages 24-33
13. Supply chain management	Engaging with our supply chain to maintain responsible sourcing. This involves having environmental, social and governance frameworks and criteria built into prequalification and supplier agreements, to ensure accountability across the supply chain. This also includes increasing spend with social enterprises where feasible.	Investors, customers, partners, subcontractors, suppliers.		<b>Governance and ethical conduct</b> Pages 24-33  <b>Relationships</b> Pages 82-93



## Important issues

Downer's six important issues, as identified in our materiality assessment, in order of priority, are:

Important issues by ranking	Definition
<b>14. Innovation and technology</b>	Driving innovation through the application of technology. This includes adapting and utilising existing technology while identifying opportunities for new technology to increase efficiency and market competitiveness.
<b>15. Biodiversity and land management</b>	Protecting the land and ecosystem in which we operate. This includes minimising contamination impacts and reducing negative impacts to flora and fauna.
<b>16. Sustainable products and services</b>	Ensuring that the products Downer develops and the services Downer provides are contributing to positive sustainability outcomes. This includes the principles of the circular economy, a system aimed at eliminating waste through the continual reuse of materials.
<b>17. Water management</b>	Managing the use and discharge of water. This includes minimising our consumption of potable water through efficiencies and recycling. This also includes the services Downer provides to the water sector, such as providing complete water lifecycle solutions (design, development and maintenance) in areas such as water/wastewater treatment, desalination and biosolids treatment.
<b>18. Waste management</b>	Reducing the generation of waste and ensuring proper management of hazardous waste. This includes efficient use of materials, reuse and recycling, as well as providing waste repurposing solutions.
<b>19. Heritage management</b>	Ensuring that spirit and ingenuity is preserved. This is achieved through careful consideration of historic buildings and sites, and unique living landscapes during development and maintenance activities.

These six issues remain important to Downer, with many forming part of our business strategy and contributing to Downer's performance.





### Changes in material issues from previous years

Downer continues to refine its material issues list as a result of changes in the organisation, and the market in which it operates.

Compared with Downer's comprehensive materiality assessment in 2019, there have been three new material or important issues added. These are:

- Cybersecurity
- Heritage management
- Human rights.

These issues have been reported on in previous years, as subsets of other material issues; but are now considered as standalone, potentially reportable issues in their own right.

Operational Performance and Financial Performance were combined to create a new material issue, Economic Performance.

Partnerships and Stakeholder Engagement was removed as a material issue. Relevant partnerships and stakeholder engagement are considered within each material issue, therefore listing this as a standalone issue was deemed redundant.

