

Climate change and TCFD Update

Downer is committed to reducing its direct emissions profile and is well positioned to contribute to Australia and New Zealand's energy transition that is essential for the broader economy to decarbonise.

The Taskforce on Climate-related Financial Disclosures (TCFD) scenario analysis tested the resilience of Downer's strategy in relation to plausible climate futures that considered possible physical, socioeconomic and political changes. In each scenario Downer's strategy was found to be resilient and well positioned. It affirmed that Downer was well placed to provide products and services to its customers that will contribute to a low carbon future. It highlighted there are considerable opportunities for Downer which outweigh identified risks. These will assist in lower cost capital and increased margins.

Downer's Urban Services strategy delivers many environmental and social benefits including a move to lower capital intensive and lower carbon activities, which supports Downer's Climate Change Resilience and decarbonisation pathway.

Downer set an ambitious science-based target (aligned to a 1.5°C pathway) and committed to the decarbonisation of its absolute Scope 1 and 2 GHG emissions by 45-50% by 2035 from a FY18 base year and being Net Zero by 2050. In FY21, Downer became a signatory to the Science-Based Target Initiative (SBTi) in line with the 1.5°C business ambition pathway. In addition, Downer linked its Science-Based GHG emissions reductions targets with financial incentives as part of the SLL facility.

Downer has expanded its commitment to decarbonisation to incorporate Scope 3 emissions, as Downer recognises that it has a key role to play in minimising emissions that occur throughout its value chain. As such Downer has signed up to the Carbon Disclosure Project (CDP) supply chain program.

Downer is focused on initiatives to ensure it meets its SBT commitment. Downer has a clear pathway to Net Zero by 2050 which aligns to its Urban Services Strategy. The six key focus areas include:

- Divesting from high capital, carbon intense industries to lower carbon activities (2020>)
- Continue to focus on energy efficiency and GHG emission reductions (2010>)
- Decarbonise our fixed assets with new technology and fuel switching (2025>)
- Decarbonise Downer's fleet through electric vehicles (EVs) and alternate fuel vehicles (2025>)
- Increase uptake of renewables both on and off-grid (2010>)
- Reduce Scope 3 emissions i.e. low carbon materials e.g. asphalt and work with suppliers to lower their emissions (2018>).

In FY22 and beyond Downer will:

- Revisit the TCFD risks and opportunities, in line with its Urban Services Strategy;
- Undertake climate related financial impact assessment of:
 - Downer's fleet, (light and heavy)
 - Fixed assets, e.g. asphalt plants
 - Physical climate impacts
- Develop a framework to integrate into Downer's capital allocation decision making process to consider carbon implications of investment over the short and longer terms.

Downer will track its progress towards its emissions reduction target and review its emission reduction approach in line with the Intergovernmental Panel on Climate Change (IPCC) updated scientific reports, whilst considering other developments in low-emissions technology, to ensure a practical and affordable transition towards this commitment.

Downer recognises the uncertainties, challenges and opportunities that climate change presents and despite the recent impacts of COVID-19, Downer remains committed to partnering with its customers and supply chain to achieve its long-term GHG emission reduction target.

Refer to Downer's Sustainability Report located at www.downergroup.com/sustainability for further disclosures on Downer's response to climate change and how it has specifically addressed the TCFD recommendations.