

# NOTICE OF ANNUAL GENERAL MEETING 2012

**NOTICE IS GIVEN THAT  
THE ANNUAL GENERAL MEETING  
OF THE SHAREHOLDERS OF  
DOWNER EDI LIMITED (DOWNER)  
WILL BE HELD AT:**

The Lyceum  
Ground Floor  
Wesley Conference Centre  
220 Pitt Street  
Sydney, New South Wales,  
Australia

on Wednesday 7 November 2012,  
commencing at 11:00am Sydney time (meeting).

Registration will commence at 10:30am.

## BUSINESS

### FINANCIAL REPORT, DIRECTORS' REPORT AND INDEPENDENT AUDITOR'S REPORT

1. To consider and receive the Financial Report, the Directors' Report and the Independent Auditor's Report of Downer for the year ended 30 June 2012.

Note:

- There is no requirement for shareholders to approve these reports.

### ELECTION OF DIRECTORS

2. To consider and, if thought fit, pass the following ordinary resolutions:

- a. "That Mr P S Garling, who was appointed as a Non-executive Director of the Company on 24 November 2011 and in accordance with Rule 3.3 of the Company's Constitution and being eligible, offers himself for election, is elected as a Non-executive Director of Downer."
- b. "That Ms E A Howell, who was appointed as a Non-executive Director of the Company on 16 January 2012 and in accordance with Rule 3.3 of the Company's Constitution and being eligible, offers herself for election, is elected as a Non-executive Director of Downer."
- c. "That Ms K G Sanderson AO, who was appointed as a Non-executive Director of the Company on 16 January 2012 and in accordance with Rule 3.3 of the Company's Constitution and being eligible, offers herself for election, is elected as a Non-executive Director of Downer."

Mr L Di Bartolomeo, who retires by rotation in accordance with Rule 3.6(a) of the Company's Constitution, will not offer himself for re-election, and will therefore retire at the conclusion of the Annual General Meeting.

### ADOPTION OF REMUNERATION REPORT

3. To consider, and if thought fit, pass the following ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2012 be adopted".

Notes:

- This resolution is advisory only and does not bind Downer or the Directors.
- The Directors will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing Downer's remuneration policies.
- If 25% or more of votes that are cast are voted against this resolution and at the 2013 Annual General Meeting 25% or more of the votes cast are also against the adoption of the Remuneration Report, shareholders will be required to vote at the 2013 Annual General Meeting on a resolution that another meeting be held within 90 days at which all of Downer's directors (other than the Managing Director and Chief Executive Officer) must stand for re-election.

A vote on this resolution must not be cast by or on behalf of a member of the key management personnel (KMP), details of whose remuneration are included in the Remuneration Report, or by any of their closely related parties (such as certain of their family members, dependents and companies they control). However, this does not prevent those KMPs or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or a closely related party if:

- the person specifies the way the proxy is to vote on this resolution in the proxy form; or
- the person voting as a proxy is the Chairman and the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is directly or indirectly connected with the remuneration of a member of the KMP for the Downer Group.

### APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE FOR 2013

4. To consider and, if thought fit, pass the following ordinary resolution:

"That approval is given to the grant of restricted shares as the Managing Director's long-term incentive for 2013 on the basis described in the Explanatory Memorandum to this Notice of Meeting."

A member of the KMP for the Downer Group and their closely related parties must not vote as proxy on this resolution unless the proxy appointment specifies the way the proxy is to vote on the resolution. However, the Chairman of the meeting may vote an undirected proxy if the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP for the Downer Group.

### INVITATION

Shareholders are invited to join the Directors for light refreshments after the meeting.

### HOW TO VOTE

Shareholders can vote on the items of business by:

- attending the meeting; or
- appointing a proxy, representative or attorney to attend the meeting and vote on their behalf.

### ELIGIBILITY TO ATTEND AND VOTE

You will be eligible to attend and vote at the meeting if you are registered as a holder of Downer shares at 7:00pm (Sydney time) on Monday, 5 November 2012.

### APPOINTING A PROXY

1. A proxy form is attached.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies.
3. Where more than one proxy is appointed, each proxy should be appointed to represent a specified proportion of the member's voting rights. In the absence of such a specification, each proxy will be entitled to exercise half the votes.
4. You may appoint either an individual or a body corporate as your proxy. A proxy need not be a member of Downer.
5. A proxy form must be signed by the member or the member's attorney. Proxies given by corporations must be signed either under section 127 of the *Corporations Act 2001* (Cth) (Corporations Act) or in accordance with the Constitution of the company. In the case of joint holdings, at least one of the joint holders must sign the proxy form.
6. **If you appoint the Chairman of the meeting as your proxy and do not direct the Chairman of the meeting how to vote on Item 3 (Adoption of Remuneration Report) or Item 4 (Approval of Managing Director's long term incentive plan for 2013) (which you may do by marking any one of "For", "Against" or "Abstain" on the proxy form for those items of business), you will be expressly authorising the Chairman of the meeting to exercise your proxy even if those items are directly or indirectly connected with the remuneration of a member of the KMP for the Downer Group.**
7. The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of the power of attorney or authority) must be received, not later than 48 hours before the time for holding the meeting, at the office of Downer's share registry:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 8060  
AUSTRALIA  
Fax: 1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

Shareholders can also cast their votes online at [www.investorvote.com.au](http://www.investorvote.com.au) and follow the prompts. To use this facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode as shown on the proxy form. You will have taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

**Custodian voting** - For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

### ANNUAL REPORT

Downer's 2012 Annual Report is available on our website at [www.downergroup.com](http://www.downergroup.com).

## EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

The explanatory notes that follow provide important information regarding the items of business proposed for the Downer 2012 Annual General Meeting.

### ITEM 1

#### FINANCIAL REPORT, DIRECTORS' REPORT AND INDEPENDENT AUDITOR'S REPORT

The 2012 Annual Report (which includes the Financial Report, the Directors' Report and the Independent Auditor's Report) will be presented to the meeting. Shareholders can access a copy of the report at the Downer website [downergroup.com](http://downergroup.com).

The Chairman will give shareholders an opportunity to ask questions about, and make comments on, the financial statements and reports and Downer's performance.

Shareholders will also be given an opportunity to ask a representative of Downer's auditor, Deloitte Touche Tohmatsu, questions relevant to audit matters, including the Auditor's Report.

The Chairman will also allow a reasonable opportunity for a representative of the auditor to answer written questions to the auditor submitted by shareholders to Downer no later than Wednesday, 31 October 2012. A question list setting out any written questions to the auditor received from shareholders will be available to shareholders attending the meeting.

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### ITEM 2

#### ELECTION OF DIRECTORS

##### ITEM 2(A) ELECTION OF MR P S GARLING

Phil Garling is a Non-executive Director who was appointed by the Board and is retiring in accordance with Downer's Constitution. He is eligible to be elected as a Director of Downer and intends to offer himself for election with the unanimous support of the other Directors.

##### Board recommendation

The Directors, in the absence of Mr Garling, unanimously recommend that shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Mr Garling's profile is set out below.



**Phil Garling (58)**  
*Independent Non-Executive Director since November 2011*

Mr Garling has over 30 years' experience in the infrastructure, construction, development and investment sectors. He was most recently the Global Head of Infrastructure at AMP Capital Investors, a role he held for nine years. Prior to this, Mr Garling was Chief Executive Officer (CEO) of Tenix Infrastructure and a long-term senior executive at the Lend Lease Group, including five years as CEO of Lend Lease Capital Services.

Mr Garling is currently the Chairman of Australian Renewable Fuels Limited and a Director of The DUET Group, of which he was inaugural Chairman for seven years. Mr Garling is also a Director of the unlisted Infrastructure Fund of India and Chairman of the Asian Giants Infrastructure Fund.

Mr Garling holds a Bachelor of Building from the University of New South Wales and the Advanced Diploma from the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Building, Australian Institute of Company Directors and Institution of Engineers Australia.

Mr Garling lives in Sydney.

##### ITEM 2(B) ELECTION OF MS E A HOWELL

Eve Howell is a Non-executive Director who was appointed by the Board and is retiring in accordance with Downer's Constitution. She is eligible to be elected as a Director of Downer and intends to offer herself for election with the unanimous support of the other Directors.

##### Board recommendation

The Directors, in the absence of Ms Howell, unanimously recommend that shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Ms Howell's profile is set out below.



**Eve Howell (67)**  
*Independent Non-executive Director since January 2012*

Ms Howell has over 40 years' experience in the oil and gas industry in a number of technical and managerial roles. She was most recently Executive Vice President for Health, Safety & Security at Woodside Energy Ltd and served as Executive Vice President of North West Shelf at Woodside.

Ms Howell is currently Executive Chairman at Tangiers Petroleum Ltd, a Director of the West Australian Ballet, the Ngarluma & Yindjibarndi Foundation and Mermaid Marine Australia Limited and is the Chair and Chief Executive Officer of EMR Resources Pty Ltd. She has previously served on a number of boards, including the Fremantle Port Authority, the Australian Petroleum Production & Exploration Association where she chaired the Environmental Affairs Committee and as a board member and President of the Australian Mines and Metals Association. She is also a past President of the Australian Society of Exploration Geophysicists, a life member of the Petroleum Club of WA and a distinguished member of the Petroleum Exploration Society of Australia.

Ms Howell holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London, an MBA from Edinburgh Business School, and she attended an Advanced Management Program at Thunderbird Campus in the United States.

Ms Howell lives in Perth.

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### ITEM 2(C) ELECTION OF MS K G SANDERSON AO

Kerry Sanderson is a Non-executive Director who was appointed by the Board and is retiring in accordance with Downer's Constitution. She is eligible to be elected as a Director of Downer and intends to offer herself for election with the unanimous support of the other Directors.

#### Board recommendation

The Directors, in the absence of Ms Sanderson, unanimously recommend that shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.

Ms Sanderson's profile is set out below.



**Kerry Sanderson AO (61)**  
*Independent Non-executive Director since January 2012*

Ms Sanderson is an experienced executive and was most recently Agent General for the Government of Western Australia, based in London. In this role, Ms Sanderson represented the Government of Western Australia in Europe and Russia and promoted investment in Western Australia and Western Australian exports to Europe. She was previously Chief Executive Officer of Fremantle Ports for 17 years, and prior to that was Deputy Director General of Transport and worked for the Western Australian Department of Treasury for 17 years.

Ms Sanderson holds directorships with a number of companies, including Atlas Iron Limited, St John of God Health Care, Paraplegic Benefit Fund and Senses Foundation (Inc). Ms Sanderson is currently Chairman of Gold Corporation, a member of the Advisory Council of the Curtin University Business School and has previously served as a Director of Austrade, the Australian Wheat Board, the Rio Tinto WA Future Fund and the Western Australian Lands Authority (LandCorp), as well as having served as President of Ports Australia.

Ms Sanderson holds a Bachelor of Science and a Bachelor of Economics from the University of Western Australia. She received an Honorary Doctorate of Letters from the University of Western Australia in 2005 and was named an Officer of the Order of Australia in 2004 for services to the development and management of the port and maritime industries in Australia, and to public sector governance in the areas of finance and transport.

Ms Sanderson lives in Perth.

### ITEM 3

#### ADOPTION OF REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report in the 2012 Annual Report. Shareholders can access a copy of the report at the Downer website [www.downergroup.com](http://www.downergroup.com).

The Remuneration Report provides information about the remuneration arrangements for KMP, which includes Non-executive Directors and the most senior executives, for the year to 30 June 2012.

The Remuneration Report covers the following matters:

- Remuneration policy, principles and practices;
- Relationship between remuneration policy and company performance;
- The Board's role in remuneration;
- Description of Non-executive Director remuneration;
- Description of executive remuneration;
- Details of Director and executive remuneration;
- Key terms of employment contracts; and
- Prior equity-based remuneration plans.

Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. Shareholders will be asked to vote on the Remuneration Report.

The resolution is advisory only and does not bind Downer or its Directors. The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing Downer's remuneration policies.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at this meeting and at the 2013 Annual General Meeting 25% or more of the votes cast are also voted against the adoption of the Remuneration Report, shareholders will be required to vote at the 2013 Annual General Meeting on a resolution that another meeting be held within 90 days at which all of Downer's Directors (other than the Managing Director and Chief Executive Officer) must stand for re-election.

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### Board recommendation

The Directors unanimously recommend that shareholders vote in favour of Item 3 (Remuneration Report).

A vote on Item 3 (Remuneration Report) must not be cast by or on behalf of a member of the KMP or by any of their closely related parties (such as certain of their family members, dependants and companies they control).

However, this does not prevent a member of the KMP, details of whose remuneration are included in the Remuneration Report, or any of their closely related parties from voting as a proxy for a person who is not a member of those KMP or any of their closely related parties if:

- the person specifies the way the proxy is to vote on Item 3 (Remuneration Report) in the proxy form; or
- the person voting as a proxy is the Chairman and the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is directly or indirectly connected with the remuneration of a member of the KMP for the Downer Group.

**If you choose to appoint a proxy, you are strongly encouraged to direct your proxy how to vote on Item 3 (Remuneration Report) by marking any one of “For”, “Against” or “Abstain” on the proxy form for that item of business. As set out in the section on Appointing a proxy, if you have appointed the Chairman of the meeting as your proxy and you do not mark any of “For”, “Against” or “Abstain” on the proxy form, you will be expressly authorising the Chairman to vote any proxies held by him in favour of Item 3 (Remuneration Report), even if that item is connected directly or indirectly with the remuneration of a member of the KMP for the Downer Group.**

The Chairman of the meeting intends to vote any undirected proxies held by him in favour of Item 3 (Remuneration Report).

### ITEM 4

#### APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE FOR 2013

It is proposed to grant the Managing Director shares in Downer as the Managing Director's 2013 long term incentive plan (2013 LTIP) on the terms set out below. It is the Board's intention that shares granted to the Managing Director under the 2013 LTIP will be acquired on-market. Although there is no requirement under the ASX Listing Rules that shareholders approve the grant of shares purchased on-market to the Managing Director, in the interests of transparency and good governance, Downer believes it is appropriate to seek shareholder approval of the Managing Director's 2013 LTIP share grant for 2013 (2013 Grant).

#### PROPOSED LONG-TERM INCENTIVE FOR THE MANAGING DIRECTOR FOR 2013

As a senior executive, Mr Grant Fenn has participated in Downer's long term incentive plans (LTIPs) since 2009 and, in his capacity as Managing Director, since July 2010.

Under his employment agreement with Downer, the Managing Director is entitled to be granted performance contingent shares (restricted shares) each calendar year with a maximum value equal to 100% of his annual fixed remuneration. The shares are subject to long term performance requirements, and may not vest to Mr Fenn. In the event that the resolution is not passed by shareholders, the Board intends to provide an LTIP equivalent through an alternative mechanism in order to meet Mr Fenn's contractual entitlements.

In accordance with Downer's contractual commitments, it is proposed to grant the Managing Director restricted shares with a maximum value of 100% per cent of his annual fixed remuneration at the time of grant as his 2013 Grant. The Managing Director's current fixed remuneration is \$2,000,000. The grant will be in the form of fully paid Downer ordinary shares which will be purchased on-market and held in a trust. Accumulated dividends (if any) will be distributed once all vesting conditions of the 2013 Grant have been met.

#### ENTITLEMENT UNDER THE 2013 GRANT

Mr Fenn will receive a grant at the same time as other eligible employees. This will be after publication of Downer's 2013 half year results in February 2013 and before the next Annual General Meeting. The number of restricted shares to be granted to the Managing Director in the 2013 Grant is not currently known as it depends on Downer's share price at the time of grant.

The quantity of restricted shares granted to Mr Fenn will be calculated as his annual fixed remuneration divided by the daily average of the volume weighted average price of Downer shares for the ten trading days following the release of Downer's results for the six months ending 31 December 2012.

Details of the quantity of restricted shares granted in the 2013 Grant will be announced to the Australian Securities Exchange at the time of grant and in the 2013 Annual Report in a similar manner to the details set out in section 6.5.1 of the Remuneration Report on page 26 of the 2012 Annual Report. Shareholders can access a copy of the 2012 Annual Report at the Downer website, [www.downergroup.com](http://www.downergroup.com).

If shareholders approve the proposed resolution in Item 4 (Approval of Managing Director's long term incentive for 2013), the 2013 Grant will be made after publication of Downer's 2013 half year results in February 2013 and before the next Annual General Meeting.

#### PRICE ON GRANT OR VESTING

No amount is payable by the Managing Director on grant or vesting of the restricted shares.

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## VESTING CONDITIONS

Vesting of restricted shares granted under the 2013 LTIP will be subject to:

- Meeting certain performance hurdles over a specified period; and
- Continued employment with Downer over a period determined by the Board (service period).

Mr Fenn's proposed 2013 Grant will be divided into two equal tranches subject to the following performance hurdles:

- Relative total shareholder return (TSR); and
- Compound annual earnings per share growth (EPS).

TSR is calculated as the difference in share price over the performance period, plus the value of shares earned from reinvesting dividends received over this period, expressed as a percentage of the share price at the beginning of the performance period. If the TSR for each company in the comparator group (see below) is ranked from highest to lowest, the median TSR is the percentage return to shareholders that exceeds the TSR for half of the comparison companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75 per cent of the comparison companies.

Shares in the tranche to which the relative TSR performance requirement applies vest pro rata between the median and 75th percentile. That is, 0 per cent of the tranche vest at the 50th percentile, 4 per cent at the 51st percentile, 8 per cent at the 52nd percentile and so on until 100 per cent vest at the 75th percentile. Starting at 0 per cent means that there is no "cliff" on achievement of the 50th percentile and the level of reward is low until performance clearly exceeds the 50th percentile.

The comparator group for the 2013 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 January 2013.

Earnings per Share (EPS) growth is measured over the three year performance period to 31 December 2015. The EPS measure conforms to AASB 133 Earnings per Share and is externally audited.

The tranche of shares dependent on the EPS performance condition vests pro rata between six per cent compound annual EPS growth and 12 per cent compound annual EPS growth.

Once some or all of the restricted shares have met the vesting conditions, the restricted shares will not vest unless the Board is satisfied there has been no conduct on the part of Mr Fenn that the Board considers inappropriate and that the financial results against which the performance vesting condition were tested were not incorrect in a material respect and were not reversed or restated.

## PERFORMANCE PERIOD

The performance period for the 2013 Grant will be the three-years from 1 January 2013 to 31 December 2015 and the service period will end on 31 December 2016.

## CHANGE OF CONTROL

Under the LTIPs, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2013 Grant's performance period have elapsed, unvested shares pro-rated with the elapsed performance period are tested for vesting with performance against the relevant performance hurdles for that period. Shares that have already been tested and have met performance requirements but remain subject to the completion of the service period condition will fully vest. Neither unvested pro-rated shares nor shares that have already been tested and met performance requirements will vest unless the Board is satisfied that there has been no conduct on the part of Mr Fenn that the Board considers inappropriate and that the financial results against which the performance hurdles were tested were not incorrect in a material respect and were not reversed or restated.

## CESSATION OF EMPLOYMENT

Upon cessation of employment of the Managing Director for any reason, all restricted shares that have not vested by the cessation of employment will be forfeited unless, subject to the termination benefit provisions of the Corporations Act, the Board exercises its discretion to permit the Managing Director to retain restricted shares. No shares will vest unless the Board is satisfied that there has been no conduct on the part of Mr Fenn that the Board considers inappropriate and that the financial results against which the performance hurdles were tested were not incorrect in a material respect and were not reversed or restated.

## Board recommendation

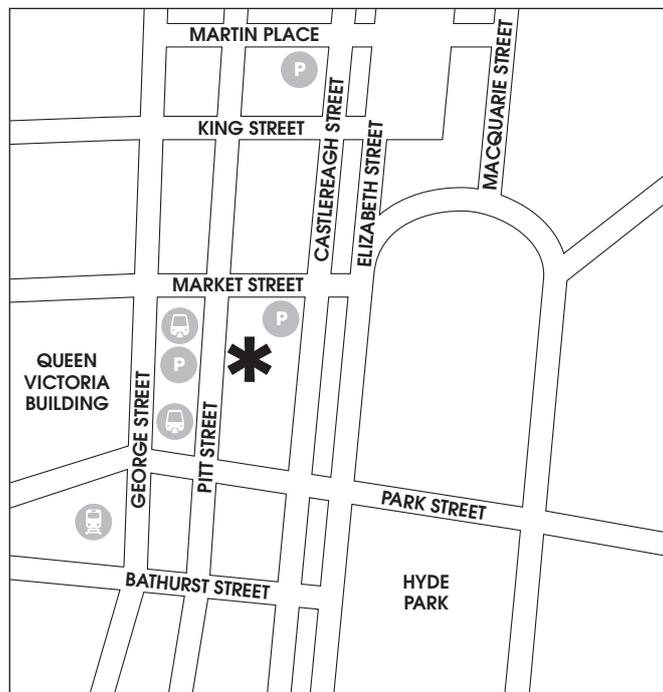
In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the share-based 2013 long-term incentive grant to the Managing Director because it appropriately aligns the Managing Director's remuneration with shareholder returns. Your Directors (in the absence of the Managing Director) therefore recommend shareholders approve the 2013 Grant and the Managing Director's participation in the 2013 LTIP. As the Managing Director has a personal interest in the resolution proposed in Item 4 (Approval of Managing Director's long term incentive plan for 2013), he has elected that he and his closely related parties will not vote on Item 4 (Approval of Managing Director's long term incentive for 2013) at the meeting.

**If you choose to appoint a proxy, you are strongly encouraged to direct your proxy how to vote on Item 4 (Approval of Managing Director's long term incentive plan for 2013) by marking any one of "For", "Against" or "Abstain" on the proxy form for that item of business. As set out in the section on Appointing a proxy, if you have appointed the Chairman of the meeting as your proxy and you do not mark any of "For", "Against" or "Abstain" on the proxy form, you will be expressly authorising the Chairman to vote any proxies held by him in favour of Item 4 (Approval of Managing Director's long term incentive plan for 2013) even if that Item is connected directly or indirectly with the remuneration of a member of KMP for the Downer Group.**

The Chairman of the meeting intends to vote any undirected proxies held by him in favour of Item 4 (Approval of Managing Director's long term incentive plan for 2013).

**By Order of the Board**  
Peter Tompkins, Secretary  
Sydney, 3 October 2012

## GETTING THERE



### TRAIN

The closest train station is Town Hall. For information about train times, please call 131 500.

### BUS

State Transit buses stop along George St and close to Town Hall station. For information about bus times, please call 131 500.

### PARKING

Parking stations are located close by at:

- Secure Parking, 488 George St;
- Secure Parking, 137 Castlereagh St; and
- Wilson Parking, 455 George St.

### GO PAPERLESS

We encourage you to change your report preferences to electronic delivery. To change your preferences or update your details please contact Computershare on the details provided below or online at: <http://www.computershare.com.au/easyupdate/dow>

### FURTHER INFORMATION

If you would like any further information regarding Downer's AGM, please contact the company's share registry, Computershare on **1300 556 161** if calling within Australia or **+61 3 9415 4000** if calling from outside Australia.

### WEBCAST

If you are unable to attend the AGM, a live audio webcast will be streamed on the Downer website: [www.downergroup.com](http://www.downergroup.com).

### INFORMATION ABOUT DOWNER

Information about Downer's FY12 performance can be read in the Annual Report, Annual Review and sustainability reports available at [www.downergroup.com](http://www.downergroup.com).