

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

Sydney Room  
Level 3, Sofitel Sydney Wentworth  
61-101 Philip Street, Sydney, New South Wales, Australia

on Thursday 3 November 2016, commencing  
at 11.00am Sydney time (meeting).

Registration will commence at 10.30am.

# Notice of Annual General Meeting 2016

**Downer**  
Relationships creating success

**DOWNER EDI LIMITED** ABN 97 003 872 848  
Triniti Business Campus, 39 Delhi Road, North Ryde NSW 2113  
PO Box 1823, North Ryde NSW 2113  
T +61 2 9468 9700 F +61 2 9813 8915 W [downergroup.com](http://downergroup.com)



**DEAR SHAREHOLDER,**

I am pleased to invite you to Downer's 2016 Annual General Meeting (**AGM**) to be held at 11.00am on 3 November 2016 at the Sofitel Sydney Wentworth. The meeting will also be webcast live on the Downer website.

Downer's AGM is the occasion where Shareholders vote on a number of important resolutions, which are outlined in this Notice of Meeting. It also provides Shareholders with the opportunity to meet the Board, hear from the Managing Director & CEO and ask questions.

**ELECTION AND RE-ELECTION OF DIRECTORS**

The first item of business seeks approval for the election of our new Director, Ms Teresa Handicott, to the Board as well as for the re-election of Ms Annabelle Chaplain and Dr Grant Thorne.

Ms Handicott joined the Board in September. With a commercial background and previous leadership role as Chairman of a large national law firm Ms Handicott will be a valuable addition to the Board.

Ms Chaplain joined the Board in 2008 and is currently Chair of the Audit & Risk Committee. Dr Thorne joined the Board in 2010 and is currently Chair of the Tender Risk Evaluation Committee, having previously served as Chair of the Zero Harm Committee. Both Directors have been strong contributors to the Board.

**REMUNERATION REPORT AND PERFORMANCE RIGHTS**

These resolutions seek approval of the Remuneration Report and the grant of performance rights to the Managing Director as part of his 2017 financial year remuneration. The Board has been working hard over many years to ensure that executive pay is appropriate and aligned with the outcomes of the business.

**RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS**

Downer's constitution was amended in 2010 to include a proportional takeover approval provision. The purpose of this provision is to give Shareholders the opportunity to decide whether any proportional takeover bid for the company should succeed. As outlined in the Notice of Meeting, this item was last voted on by Shareholders and approved in 2013.

**RETIREMENT OF LONG STANDING DIRECTOR**

Following many years of service, John Humphrey will retire at the AGM. Mr Humphrey has been a Non-executive Director of Downer since April 2001 and has made an enormous contribution over the past 15 years.

I thank him sincerely for his long and dedicated service.

Yours sincerely,

A handwritten signature in dark ink that reads "R. M. Harding". The signature is written in a cursive style with a long horizontal stroke at the end.

**Mike Harding**  
Chairman

## ORDINARY BUSINESS

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

To consider and receive the Financial Report, the Directors' Report and the Independent Auditor's Report of Downer for the year ended 30 June 2016.

Note:

- No resolution is required for this item of business.

### 2. ELECTION OF DIRECTORS

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

- "That Ms T G Handicott, who was appointed as a Non-executive Independent Director of the Company effective 21 September 2016 in accordance with Rule 3.3 of the Company's Constitution and being eligible, is elected as a Non-executive Director of Downer."
- "That Ms S A Chaplain, who was appointed as a Non-executive Director of the Company on 1 July 2008 and in accordance with Rule 3.6 of the Company's Constitution and being eligible, offers herself for re-election, is elected as a Non-executive Director of Downer."
- "That Dr C G Thorne, who was appointed as a Non-executive Director of the Company on 1 July 2010 and in accordance with Rule 3.6 of the Company's Constitution and being eligible, offers himself for re-election, is elected as a Non-executive Director of Downer."

### 3. ADOPTION OF REMUNERATION REPORT

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

"That the Remuneration Report for the year ended 30 June 2016 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, shareholders will be required to vote at this meeting on a further resolution outlined at Item 6 (Spill Resolution) that another meeting be held within 90 days at which all of Downer's Directors (other than the Managing Director) 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, dependants and companies they control).

However, this does not prevent those KMP 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.

### 4. APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE ('LTI')

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

"That approval is given to the grant of performance rights pursuant to the Company's LTI Plan and the acquisition of shares on vesting by issue or by transfer as the Managing Director's long term incentive for 2017 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 the KMP for the Downer Group.

### 5. RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the Company modify its Constitution by renewing clause 37 which contains proportional takeover approval provisions for the purposes of section 648D of the *Corporations Act 2001* (Cth), with effect from the close of the meeting."

## CONTINGENT BUSINESS

### 6. SPILL RESOLUTION (CONTINGENT ITEM)

Item 6 – (the Spill resolution) – is to be put to this AGM only if at least 25% of the votes cast at this AGM on Item 3 (Adoption of Remuneration Report) above are against the adoption of the 2016 Remuneration Report.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That:

- Within 90 days of the date of this resolution another meeting of shareholders (Spill Meeting) be held;
- Those Directors of the Company prescribed by section 250V(1) (b) of the *Corporations Act 2001* (Cth) will cease to hold office immediately prior to the end of the Spill Meeting; and
- Resolutions to appoint persons to fill those vacancies be put at the Spill Meeting."

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, dependants and companies they control). However, this does not prevent those KMP 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.

### 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 Tuesday, 1 November 2016.

### 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) 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), Item 4 (Approval of Managing Director's long term incentive) or Item 6 (Spill Resolution) (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 be 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 2016 Annual Report is available on the Downer 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 2016 Annual General Meeting.**

### ITEM 1

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

The 2016 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, [www.downergroup.com](http://www.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, KPMG, 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 Thursday, 27 October 2016. A question list setting out any written questions to the auditor received from shareholders will be available to shareholders attending the meeting.

### ITEM 2

#### ELECTION OF DIRECTORS

##### ITEM 2(A) ELECTION OF – MS T G HANDICOTT

Teresa Handicott was appointed to the position of Non-executive Director, effective 21 September 2016. Ms Handicott joins Downer as an Independent Director.

#### Board recommendation

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

Ms Handicott's profile is set out below.



**Teresa Handicott (53)**

**Independent**

**Non-executive Director  
since September 2016**

Ms Handicott is a former Partner of a national law firm and has extensive experience in mergers and acquisitions, capital markets and corporate governance, including with local and state governments.

Ms Handicott retired from Corrs Chambers Westgarth in 2015, where she was a partner for 22 years, serving as a member of its National Board for seven years including four years as National Chairman.

Ms Handicott is a Director of PWR Holdings Limited, four subsidiaries of the Local Government Association of Queensland that are responsible for its commercial operations and Bangarra Dance Theatre. Ms Handicott is also a Divisional Councillor of the Queensland Division of the Australian Institute of Company Directors and a member of the Queensland University of Technology (QUT) Council and Sunshine Coast Council Economic Futures Advisory Board. She is a Senior Fellow of Finsia and a Member of the Australian Institute of Company Directors and Chief Executive Women.

Ms Handicott is a former Director of CS Energy Limited, former member of the Takeovers Panel and Corporations and Markets Advisory Committee and a former Associate Member of the Australian Competition and Consumer Commission.

Ms Handicott holds a Bachelor of Laws (Hons) degree from the Queensland University of Technology.

Ms Handicott lives in Brisbane.



**ITEM 2(B) RE-ELECTION OF – MS S A CHAPLAIN**

Annabelle Chaplain is a Non-executive Director who is retiring by rotation in accordance with Downer's Constitution. She is eligible to be re-elected as a Director of Downer and intends to offer herself for re-election with the unanimous support of the other Directors.

**Board recommendation**

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

Ms Chaplain's profile is set out below.



**S A Chaplain (58)**  
**Independent**  
**Non-executive Director**  
**since July 2008**

Ms Chaplain is a former investment banker with extensive experience in public and private sector debt financing. She also has considerable experience as a Director of local and state government-owned corporations involved in road, water and port infrastructure.

Ms Chaplain is Chairman of Queensland Airports Limited and a Director of Seven Group Holdings Limited and the Export Finance and Insurance Corporation. Ms Chaplain is also Chairman of Canstar Pty Ltd, a financial services research and ratings company. Ms Chaplain is a former Director of PanAust Limited, Coal & Allied Industries Limited and Keolis Downer Pty Ltd, a joint venture between Downer and Keolis SA, and a former member of the Board of Taxation.

A Fellow of the Australian Institute of Company Directors, Ms Chaplain holds a Bachelor of Arts degree majoring in Economics and Mandarin in addition to a Masters of Business Administration (MBA) from the University of Melbourne.

Ms Chaplain lives on the Gold Coast.

**ITEM 2(C) RE-ELECTION OF – DR C G THORNE**

Grant Thorne is a Non-executive Director who is retiring by rotation in accordance with Downer's Constitution. He is eligible to be re-elected as a Director of Downer and intends to offer himself for re-election with the unanimous support of the other Directors.

**Board recommendation**

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

Dr Thorne's profile is set out below.



**C G Thorne (66)**  
**Independent**  
**Non-executive Director**  
**since July 2010**

Dr Thorne has over 36 years' experience in the mining and extraction industry, specifically in senior operational and executive roles across a broad range of product groups and functional activities in Australia and overseas. Dr Thorne has previously held a number of senior roles at Rio Tinto, including as a group executive reporting to the Chief Executive Officer, as head of its coal businesses in Indonesia and Australia, and as global head of its technology, innovation and project engineering functions. From 2006 to 2009, he was Group Executive Technology and Innovation and a member of Rio Tinto's Executive and Investment Committees.

Dr Thorne is a former Director of JK Tech and Queensland Energy Resources Limited. He is a Fellow of both the Australasian Institute of Mining and Metallurgy and the Australian Academy of Technological Science and Engineering. Dr Thorne also holds directorships with a number of private companies.

Dr Thorne holds Bachelor and Doctoral degrees in Metallurgy from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Dr Thorne lives on the Sunshine Coast.

### ITEM 3

#### ADOPTION OF REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report in the 2016 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 2016.

The Remuneration Report covers the following matters:

- Year in review;
- Details of Key Management Personnel;
- Remuneration policy, principles and practices;
- Relationship between remuneration policy and company performance;
- The Board's role in remuneration;
- Description of executive remuneration;
- Details of executive remuneration;
- Executive equity ownership;
- Key terms of employment contracts;
- Prior equity-based remuneration plans;
- Related party information; and
- Description of Non-executive Director remuneration.

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 at least 25% of the votes cast on the resolution are against the adoption of the relevant Remuneration Report at two consecutive Annual General Meetings (each an "AGM", and any such potential 25% or more vote 'against' commonly referred to as a "first strike" or "second strike"), shareholders will be required to vote at the second of those AGMs on a resolution that another general meeting be held within 90 days, at which all of the Company's Directors in office at the time of the Directors' resolution to make the Directors' Report containing that second Remuneration Report (other than the Managing Director) must stand for re-election.

At last year's AGM the resolution to adopt the 2015 Remuneration Report was carried with 73.1% of votes cast for the Remuneration Report. As more than 25% of the votes cast on that resolution were against, the vote constituted a "first strike".

The 2016 Remuneration Report addresses the concerns of shareholders raised via the "first strike" at last year's AGM.

If at least 25% of the votes cast on the resolution in Item 3 (that the 2016 Remuneration Report be adopted) are against the adoption of the 2016 Remuneration Report, then this would constitute a "second strike" and, as then required by the Corporations Act, a Spill resolution, as set out in Item 6, will be put and voted on at this AGM.

#### Board recommendation

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

#### Voting exclusions

A vote on Item 3 (Adoption of 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 (Adoption of 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 (Adoption of 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 (Adoption of 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 (Adoption of Remuneration Report).

## ITEM 4

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

It is proposed to grant the Managing Director performance rights in Downer as the Managing Director's 2017 long term incentive plan (2017 LTIP) on the terms set out below (2017 Grant) and to seek approval for that grant under ASX Listing Rule 10.14. If approval is granted under ASX Listing Rule 10.14, the Company will be permitted to issue ordinary shares in the Company to Mr Fenn in satisfaction of its obligations under those performance rights if and when they vest.

### PROPOSED LONG TERM INCENTIVE FOR THE MANAGING DIRECTOR FOR 2016

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 as Managing Director, Mr Fenn is entitled to be granted performance rights each year with a maximum value equal to 100% of his annual fixed remuneration. The performance rights are subject to long term performance requirements, and therefore only vest to Mr Fenn if those performance requirements are met. 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 Mr Fenn performance rights with a maximum value of 100% of his annual fixed remuneration at the time of grant as his 2017 Grant. Mr Fenn's current fixed remuneration is \$2,000,000. The grant will be in the form of performance rights which are a right to receive fully paid Downer ordinary shares which may be purchased on-market or issued by the Company.

Dividends will be paid or accumulated only from the time the performance rights vest.

### ENTITLEMENT UNDER THE 2017 GRANT

Mr Fenn will receive a grant on the same terms and at the same time as other eligible employees.

Subject to shareholder approval being obtained, the maximum number of performance rights granted to Mr Fenn will be 475,026. This quantity was calculated as his annual fixed remuneration of \$2,000,000 divided by \$4,2103 being the daily average of the volume weighted average price of Downer shares for the 10 trading days following the release of Downer's results for the year ended 30 June 2016, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights. Each performance right will convert to one ordinary share once all vesting conditions are met.

If shareholders approve the proposed resolution in Item 4 (Approval of Managing Director's long term incentive), the 2017 Grant will be made prior to the 2017 Annual General Meeting.

Details of any securities issued under the Company's LTI Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14. Any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the Company's LTI Plan after the resolution is approved and who are not named in this Notice of Meeting and Explanatory Memorandum will not participate until approval is obtained under ASX Listing Rule 10.14.

### PRICE ON GRANT OR VESTING

No amount is payable by the Managing Director on grant or vesting of the performance rights.

### VESTING CONDITIONS

Vesting of performance rights granted under the 2017 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 2017 Grant will be divided into three equal tranches subject to the following performance hurdles:

- Relative total shareholder return (TSR);
- Compound annual earnings per share growth (EPS); and
- Net profit after tax (NPAT) and free cash flow (FFO) (Scorecard).

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.

Performance rights in the tranche to which the relative TSR performance requirement applies vest in accordance with the following table:

Downer's TSR ranking against the comparator group	% of performance rights subject to the relative TSR
< 50th percentile	Nil
50th percentile	30%
Above 50th and below 75th percentile	Straight line so that a further 2.8% of the performance rights in the tranche will vest for every 1% increase between the 50th percentile and 75th percentile
75th percentile and above	100%



The comparator group for the 2017 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 July 2016.

Earnings per Share (EPS) growth is measured over the three year performance period to 30 July 2019. The EPS measure is based on AASB 133 *Earnings per Share* and is externally audited.

The tranche of shares dependent on the EPS performance condition vests pro rata between five percent compound annual EPS growth and 10 percent compound annual EPS growth.

Performance rights in the tranche to which the EPS performance requirement applies vest in accordance with the following table:

<b>Downer's EPS compound annual growth</b>	<b>% of performance rights subject to EPS condition that qualify to vest</b>
< 5%	Nil
5%	30%
Above 5% and below 10%	Straight line so that a further 14% of the performance rights in the tranche will vest for every 1% increase in EPS growth between 5% and 10%
10% or more	100%

The Scorecard condition will be comprised of two independent absolute components of equal weighting. These components will be based on Group NPAT and Group FFO. FFO is defined as net cash flow from operating activities less investing cash flow.

The performance of each component will be measured over the three year period to 30 June 2019.

NPAT and FFO targets will be set at the beginning of each of the three financial years. The performance of each component will be assessed each year relative to the targets. Performance of each component will be determined as the average of the annual performance assessments for the three years.

Performance rights in the tranche to which the Scorecard performance requirement applies vest in accordance with the following table:

<b>Scorecard result</b>	<b>% of performance rights subject to Scorecard condition that qualify to vest</b>
< 90%	Nil
90%	30%
Above 90% and below 110%	Straight line so that a further 3.5% of the performance rights in the tranche will vest for every 1% increase between 90% and 110%
110% or more	100%

Once some or all of the performance rights have met the vesting conditions, the performance rights 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 2017 Grant will be the three years from 1 July 2016 to 30 June 2019 and the service period will end on 30 June 2020.

## CHANGE OF CONTROL

Under the 2017 LTIP, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2016 Grant's performance period have elapsed, unvested performance rights pro-rated with the elapsed performance period are tested for vesting with performance against the relevant performance hurdles for that period.

Performance rights 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 performance rights nor performance rights 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 performance rights 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 performance rights by deeming him to be an "Eligible Leaver". If Mr Fenn is deemed to be an Eligible Leaver, he may be entitled to retain some or all of his performance rights and these will be tested for vesting against the Vesting Conditions other than the Continued Employment Condition in their normal course. An Eligible Leaver's performance rights will be settled with fully paid Downer ordinary shares or in cash in the Board's sole and absolute discretion. No performance rights 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.

### OTHER INFORMATION

- Mr Fenn is the only director of the Company who is entitled to participate in the Company's LTI Plan;
- No loan is being made to Mr Fenn in relation to the acquisition of performance rights;
- In accordance with the approval of shareholders at the 2015 Annual General Meeting, for Mr Fenn's 2015 LTIP, Mr Fenn was granted 678,702 performance rights. This quantity was calculated as 100% of his annual fixed remuneration of \$2,000,000 divided by \$2.9468, being the daily average of the volume weighted average price of Downer shares for the 10 trading days following the release of Downer's results for the year ended 30 June 2015, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights.

### Board recommendation

In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the performance right-based 2017 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 2017 Grant and the Managing Director's participation in the 2017 LTIP.

### Voting exclusions

The Company will disregard any votes cast on Item 4 by:

- Mr Fenn; and
- Associates of Mr Fenn.

However the Company need not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Shareholders should note that apart from Mr Fenn no Director is eligible to participate in any employee incentive scheme in relation to the Company.

**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 2017) 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 2017) 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 2017).

### ITEM 5

#### RENEWAL OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

Under the Corporations Act, a company may include provisions in its constitution to enable it to refuse to register shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by the shareholders.

Proportional takeover approval provisions are contained in rule 37 of the Company's existing Constitution which was approved by shareholders at the Annual General Meeting on 3 November 2010. However, rule 37 will be automatically omitted from the Company's Constitution on 6 November 2016, the third anniversary of the provision's most recent approval by the shareholders on 6 November 2013.

Rule 37 of the existing Constitution includes provisions requiring shareholder approval of a proportional takeover bid. If the re-insertion of the proportional takeover approval provisions is approved, these provisions will have effect for a further three years. The Board considers it in the interests of shareholders to renew these provisions into the Constitution.

Where the approval of shareholders is sought to renew proportional takeover provisions in a constitution, the Corporations Act requires certain information to be included in the notice of meeting. That information is set out below.

#### PROPORTIONAL TAKEOVER BID

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

#### EFFECT OF THE PROVISIONS PROPOSED TO BE RENEWED

If a proportional takeover bid is made, the Directors must ensure that a resolution of shareholders to approve the takeover bid is voted on, in general, more than 14 days before the last day of the bid period. The vote is decided on a simple majority and each person (other than the bidder and their associates) who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote. If the resolution is not passed, transfers giving effect to takeover contracts for the bid will not be registered and the offer will be taken to have been withdrawn. If the resolution is not voted on, the bid will be taken to have been approved.

If the bid is approved (or taken to have been approved), the transfers must be registered (provided they comply with other provisions of the Corporations Act and the Constitution).

The proportional takeover approval provisions do not apply to full takeover bids and will only apply until three years after the date of renewal. The provisions may be renewed for a further term, but only by a special resolution of shareholders.

#### REASONS FOR THE PROPOSAL

The Board considers that shareholders should have the opportunity to renew the proportional takeover approval provisions. Without these provisions, a bidder might be able to obtain control of the Company using a proportional takeover bid without shareholders having the opportunity to sell all their shares, potentially leaving existing shareholders locked into a minority position in the Company.

The proportional takeover approval provisions give shareholders the opportunity to decide whether a proportional takeover bid should proceed. If it does proceed, individual shareholders can make a separate decision as to whether they wish to accept the proportional offer for their shares.

#### KNOWLEDGE OF ANY ACQUISITION PROPOSALS

As at the date of this notice of meeting, none of the Directors is aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

#### POTENTIAL ADVANTAGES AND DISADVANTAGES

##### *Potential advantages*

The potential advantages for shareholders of the proportional takeover provisions include:

- a) Shareholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- b) They may help shareholders to avoid being locked in as a minority;
- c) They increase shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- d) Knowing the view of the majority of shareholders may help each individual shareholder assess the likely outcome of the proportional takeover bid and decide whether to accept or reject an offer under the bid.

##### *Potential disadvantages*

It may be argued that the proportional takeover approval provisions make a proportional takeover bid more difficult to achieve which may have the effect of discouraging proportional takeover bids. This in turn may possibly reduce opportunities for shareholders to sell some of their shares at an attractive price to persons seeking to secure control of the Company and may reduce an element of takeover speculation from the Company's share price, although this effect may be negligible as proportional takeover bids are less common today than they have been in the past. It may also be argued that the provisions constitute a potential restriction on the ability of shareholders to deal freely with their shares.

Since the existing Constitution was adopted, there have been no full or proportional takeover bids for the Company. Therefore there has been no example against which to review the advantages or disadvantages of the provisions for the Board and shareholders respectively, however, the Board is not aware of any potential takeover bid that was discouraged by these provisions.

The Board does not believe the potential disadvantages outweigh the potential advantages of re-adopting the proportional takeover approval provisions in the Constitution.

Renewing the proportional takeover approval provisions in the Constitution will not confer any particular advantages or disadvantages on the Directors in their capacity as Directors of the Company. The Directors therefore consider that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

##### **Board recommendation**

The Directors unanimously recommend that shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote any undirected proxies held by him in favour of Item 5 (Renewal of Proportional Takeover Approval Provisions).

## ITEM 6

### **SPILL RESOLUTION (CONTINGENT ITEM)**

**Item 6 – (the Spill resolution) – is to be put to this AGM only if at least 25% of the votes cast at this AGM on the resolution at Item 3 above (Adoption of the 2016 Remuneration Report) are against the passing of that resolution.**

The Spill resolution in Item 6 will only be put to this AGM if at least 25% of the votes cast at this AGM on the resolution to adopt the 2016 Remuneration Report (Item 3 above) are against that resolution.

If less than 25% of the votes cast at this AGM are against Item 3, then the Spill resolution in Item 6 will not be put to this AGM.

If the Spill resolution in Item 6 is validly carried, that is, at least 50% of the eligible votes cast on the Spill resolution at this AGM are in favour, then the Corporations Act requires, in the circumstances of the Company, that:

- a) The Directors must convene another meeting of shareholders – (the Spill Meeting) – to be held within 90 days of this AGM; and
- b) All the Company's Directors other than the Managing Director as at the date of the resolution to make the 2016 Directors' Report was passed automatically cease to hold office (that is, cease to be Directors of the Company) immediately before the end of the Spill Meeting; and
- c) Resolutions to appoint persons to the offices that will be vacated be put to the vote at the Spill Meeting.

If the Spill resolution at Item 6 is not validly carried, then the Board as at the conclusion of this AGM will remain in place.

The Spill Meeting is effectively a special meeting of shareholders at which all the positions of Director (other than the Managing Director) are open for election by shareholders.

If the Spill resolution is passed, then the Company must give at least 28 days' notice of the Spill Meeting. Nominations for Director appointments at the Spill Meeting may be made in accordance with the Constitution of the Company.

##### **Board recommendation**

The Directors unanimously recommend that shareholders vote **against** this Spill resolution. The Chairman of the meeting intends to vote all available proxies against Item 6.

##### **Voting exclusions**

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, dependants and companies they control). However, this does not prevent those KMP 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.

##### **By order of the Board**

Peter Tompkins, Company Secretary  
Sydney, 29 September 2016

## GETTING THERE



### 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.

### PUBLIC TRANSPORT

The closest train stations are Martin Place and Wynyard. State Transit buses also stop along George St and close to Wynyard station. For information about train and bus times, please call 131 500 or visit [www.transportnsw.info](http://www.transportnsw.info)

### PARKING

There is limited secure parking on-site directly beneath the Sofitel. Parking is Valet only and is charged at a day rate of \$51 (shareholders must state to the parking attendant they are attending an event in the hotel on arrival and re-confirm this before making payment to receive this discounted rate). The car park is accessible via Bligh St. Please note that Bligh St is a one-way street.

Other parking stations located close by:

**Secure Parking**  
6-10 O'Connell St, Sydney

**Wilson Parking**  
43 Phillip Street, Sydney  
(entry via Young and Phillip Sts)

### 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 FY16 performance can be read in the Annual Report and Sustainability Report available at [www.downergroup.com](http://www.downergroup.com).