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## 1 PURPOSE

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Downer EDI Limited is committed to ensuring that the Board comprises a majority of independent, non-executive directors. This document outlines the Downer policy on which the Board will determine whether a Director is independent.

All requirements in this document are consistent with the documents listed in section 6 *Referenced & Associated Documents*.

## 2 SCOPE

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This policy applies to the Board, Committees and the Company.

### **3 DEFINITIONS**

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The following terms are used in this document.

- ASX** Australian Securities Exchange.
- Board** The Board of Directors of Downer EDI Limited (ACN 003 872 848).
- Company** Downer EDI Limited (ACN 003 872 848), its subsidiary companies, operating divisions and business units.
- Director** Any person who is appointed to the Board and includes alternate directors.
- NZX** The New Zealand stock exchange.

### **4 ASSESSMENT OF INDEPENDENCE**

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#### **4.1 Director Independence**

The Company is committed to adopting the highest standards of corporate governance, which include the requirement that a majority of the members of the Board (including the Chairman) are independent.

The Company expects each Director to bring an enquiring, open and independent mind to Board matters, listen to the debate on each issue raised, consider the arguments for and against each motion and make determinations which they believe to be in the best interest of the Company as a whole.

#### **4.2 Determination of Independence**

To determine the independence of Directors, the Board will consider whether a Director is independent of any business or other relationship which could materially interfere with the Director's ability to:

- exercise objective and independent judgement; or
- act in the best interests of the Company.

The Board will consider all relevant facts and circumstances when determining the independence of a Director.

#### **4.3 Relationships Affecting Independence**

The Board will normally consider a Director to be independent if they:

- are not, do not represent, and have not been within the last three years, an officer or employee of, or a professional adviser to, a substantial shareholder of the Company;
- are not employed, or have not previously been employed in an executive capacity by the Company or another group member, or there has been a period of at least three years between ceasing such employment and serving on the Board;
- are not, and have not been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) to the Company or another group member, and are not an officer of, or otherwise associated with, someone with such a relationship;
- are not, do not represent, and have not been within the last three years, an officer or employee of, or a professional adviser to, a substantial shareholder;
- do not receive performance-based remuneration (including options or performance rights) from, and do not participate in an employee incentive scheme of, the Company or another group member;
- do not have close personal ties with any person who falls within any of the categories described above; and
- have not been a Director for such a period that their independence from management and substantial holders may have been compromised (it is neither possible nor appropriate to assign a fixed term to this

criterion. The mere fact that a Director has served on a Board for a substantial period does not mean that the Director has become too close to management or a substantial holder to be considered independent).

### 4.4 Board's Discretion

In certain circumstances, the Board, in its discretion, may consider a Director to be independent even though the Director does not meet one or more of the criteria specified above.

### 4.5 Materiality

The Board will determine the materiality thresholds for the purposes of determining independence, having regard to the nature and circumstances of a Director's activities.

## 5 DISCLOSURE

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### 5.1 Disclosure Relating to a Director's Independence

Each Director must regularly provide the Board with all relevant information about any of his or her interests which is relevant to his or her independence.

If the Board determines that a Director has ceased to be independent, the Company will immediately disclose this information to the ASX and NZX.

### 5.2 Disclosure in Annual Reports

The Board will disclose the following information in the Company's annual report:

- whether a Director is independent;
- relationships or activities which the Board believes do not affect independence, but which could be perceived as affecting a Director's independence;
- if the Board has exercised its discretion under section 4.4 *Board's Discretion* of this Directors' Independence Policy, details of its determination including the nature of the interest, position or relationship in question and an explanation of why the Board is of the opinion that it does not compromise the independence of that Director; and
- the length of service of each Director.

## 6 REFERENCED & ASSOCIATED DOCUMENTS

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### GROUP DOCUMENTS

#### REGISTERS

Downer Group Definitions Register