

# Notice of Annual General Meeting 2019

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

**THE AUDITORIUM**

Northside Conference Centre  
Oxley Street (Cnr Oxley Street and Pole Lane)  
Crows Nest NSW 2065

**ON THURSDAY 7 NOVEMBER 2019**

commencing at 11:00am Sydney time (meeting).  
Registration will commence at 10:30am.

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**DEAR SHAREHOLDER,**

I am pleased to invite you to Downer's 2019 Annual General Meeting (**AGM**) to be held at 11.00am (Sydney time) on 7 November 2019 at the Northside Conference Centre.

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 and CEO and ask questions.

**ELECTION AND RE-ELECTION OF DIRECTORS**

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

Peter Watson joined the Board in May 2019. With an engineering and management background and previous leadership roles as Chief Executive Officer across the industrial, transport, defence, health, justice and utilities sectors, Mr Watson will be a valuable addition to the Board.

Teresa Handicott joined the Board in 2016 and is currently Chair of the Remuneration and Disclosure Committees and a member of the Audit and Risk and Nomination and Corporate Governance Committees.

Grant Thorne joined the Board in July 2011 and is currently Chair of the Zero Harm and Tender Risk Evaluation Committees and a member of the Audit and Risk Committee.

All three 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 2020 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. Page 22 of Downer's Annual Report contains a covering letter from me and the Chairman of the Remuneration Committee that sets out a summary of Downer's remuneration strategy and outcomes for the 2019 financial year. I ask that you consider this letter and accompanying pages in the 2019 Annual Report when forming your views on these items of business.

**RE-INSERTION OF PROPORTIONAL TAKEOVER APPROVAL CONDITIONS**

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 2016.

Yours sincerely,

A handwritten signature in black ink that reads "R. M. Harding". The signature is written in a cursive style with a long, sweeping underline.

**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 2019.

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 Mr Peter Watson who was appointed as an Independent Non-executive Director of the Company, effective 22 May 2019 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 Teresa Handicott, who was appointed as an Independent Non-executive Director of the Company on 21 September 2016 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 Charles Grant Thorne, who was appointed as an Independent 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 2019 be adopted."

Notes:

- This resolution is subject to voting exclusions, which are set out in the Explanatory Memorandum.
- 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 again at the 2020 Annual General Meeting in relation to the 2020 Remuneration Report, shareholders will be required to vote at the 2020 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) 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 2019 on the basis described in the Explanatory Memorandum to this Notice of Meeting."

Note:

- This resolution is subject to voting exclusions, which are set out in the Explanatory Memorandum.

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.

### 5. RE-INSERTION 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 re-inserting 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."

### 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, 5 November 2019.

### 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) (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) by following 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 2019 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 2019 Annual General Meeting.

### ITEM 1

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

The 2019 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 Independent 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, 30 October 2019. 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 MR P L WATSON

Peter Watson was appointed to the position of Non-executive Director, effective 22 May 2019. Mr Watson joins Downer as an Independent Director.

#### Board recommendation

The Directors, in the absence of Mr Watson, unanimously recommend that shareholders vote in favour of this resolution, as Mr Watson's skills and experience (as set out below) are valuable to the Board's existing skills and experience. In particular, Mr Watson's engineering and management background and previous leadership roles as Chief Executive Officer across the industrial, transport, defence, health, justice and utilities sectors make him a valuable addition to the Board. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

The Board arranged checks on Mr Watson's character, experience, education, criminal record and bankruptcy history ahead of his appointment. The Board confirms that those checks did not reveal any information of concern.

Mr Watson's profile is set out below.



**Peter Watson (63)**  
**Independent**  
**Non-executive Director**  
**since May 2019**

Mr Watson has extensive experience in the construction and engineering sectors in senior executive and governance roles, including in the industrial, transport, defence, health, justice and utilities sectors. He was Chief Executive Officer and Managing Director of Transfield Services Limited, now known as Broadspectrum for ten years. During this period, he led the business through a successful transition, cultivating a sustainable and successful public company. He also has considerable experience in various Non-executive Director roles.

Mr Watson is currently a Consultant of Stephenson Mansell Group where he provides coaching and mentoring to senior executives.

Mr Watson is a former Chairman of LogiCamms Limited, Watpac Limited, Regional Rail Link Authority in Victoria and AssetCo Management which managed PPP assets, a former Director of the Major Transport Infrastructure Board in Victoria, Yarra Trams and Save the Children Australia and was a Board member of Infrastructure Australia.

A Fellow of the Australian Academy of Technological Sciences and Engineering and Member of the Institute of Engineers Australia and Australian Institute of Company Directors, Mr Watson holds a Diploma of Civil Engineering from the Caulfield Institute of Technology and is a Graduate of the Wharton Advanced Management Program of the University of Pennsylvania.

Mr Watson lives in Melbourne.

**ITEM 2(B) RE-ELECTION OF MS T G HANDICOTT**

Teresa Handicott 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 Handicott, unanimously recommend that shareholders vote in favour of this resolution, as Ms Handicott's skills and experience (as set out below) are valuable to the Board's existing skills and experience. Ms Handicott also adds considerable strength and leadership to the Committees on which she serves, including as Chair of the Remuneration and Disclosure Committees and as a member of the Audit and Risk and Nomination and Corporate Governance Committees. 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 (56)**  
**Independent**  
**Non-executive Director**  
**since November 2011**

Ms Handicott is a former corporate lawyer with over 30 years' experience in mergers and acquisitions, capital markets and corporate governance. She was a partner of national law firm Corrs Chambers Westgarth for 22 years, serving as a member of its National Board for seven years including four years as National Chairman. She also has extensive experience in governance of local and State government organisations.

Ms Handicott is currently the Chairman of listed company PWR Holdings Limited and of Peak Services Holdings Pty Ltd, which is the subsidiary of the Local Government Association of Queensland that is responsible for its commercial operations. Ms Handicott is also a Director of Bangarra Dance Theatre Limited and a Divisional Councillor of the Queensland Division of the Australian Institute of Company Directors.

Ms Handicott is a former Director of CS Energy Limited, a former member of the Queensland University of Technology (QUT) Council, the Takeovers Panel and Corporations and Markets Advisory Committee and a former Associate Member of the Australian Competition and Consumer Commission.

A Senior Fellow of Finsia, Fellow of the Australian Institute of Company Directors and Member of Chief Executive Women, Ms Handicott holds a Bachelor of Laws (Hons) degree from the Queensland University of Technology.

Ms Handicott lives in Brisbane.

**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, as Dr Thorne's skills and experience (as set out below) are valuable to the Board's existing skills and experience. Dr Thorne also adds considerable strength and leadership to the Committees on which he serves, including as Chair of the Zero Harm and Tender Risk Evaluation Committees and as a member of the Audit and Risk Committee. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

Dr Thorne's profile is set out below.



**Grant Thorne (69)**  
**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 with Rio Tinto. His experience spanned a range of product groups and functional activities in Australia and overseas. After serving in London as Group Mining Executive from 1996 to 1998, Dr Thorne moved to Indonesia as President Director of Kaltim Prima Coal and then returned to Australia to manage Rio Tinto's Australian coal business as Managing Director of Rio Tinto Coal Australia and the publicly listed Coal and Allied Industries. He was President of the Queensland Resources Council in 2001-2003.

In 2006, Dr Thorne was appointed global head of Rio Tinto's technology, innovation and project engineering functions, reporting to the Chief Executive. He was a member of Rio Tinto's Executive Committee and Investment Committee. He retired from Rio Tinto in 2011.

Dr Thorne is a Director of Spotless Group Holdings Limited and a former Director of Wesley Research Institute, JK Tech and Queensland Energy Resources Limited. He is a Fellow of the Australasian Institute of Mining and Metallurgy.

Dr Thorne also holds directorships with a number of private companies.

He 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 2019 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 2019.

The Remuneration Report covers the following matters:

- An introductory letter from the Chairman and Chairman of the Remuneration Committee to shareholders;
- 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;
- 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 2018 Remuneration Report was carried with 93% of votes cast for the Remuneration Report.

#### 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 (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 2020 long-term incentive plan (2020 LTIP) on the terms set out below (2020 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 2020

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 2020 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 2020 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 312,193. This quantity was calculated as his annual fixed remuneration of \$2,000,000 divided by \$6.4063 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 2019, 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 2020 Grant will be made within twelve months from the date of this 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 2020 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 2020 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 and before amortisation of acquired intangibles (NPATA) and free cash flow (FFO) (Scorecard).

TSR is measured over the three-year performance period to 30 June 2022. 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% of the comparison companies.

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

| <b>Downer’s TSR ranking against the comparator group</b> | <b>% of performance rights subject to the relative TSR</b>  |
|--|---|
| < 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 2019 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 July 2019.

Earnings per Share (EPS) growth is measured over the three-year performance period to 30 June 2022. 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 5% compound annual EPS growth and 10% 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 NPATA 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 2022.

NPATA 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 2020 Grant will be the three years from 1 July 2019 to 30 June 2022 and the service period will end on 30 June 2023.

**CHANGE OF CONTROL**

Under the 2020 LTIP, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2020 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 2018 Annual General Meeting, for Mr Fenn’s 2019 LTIP, Mr Fenn was granted 301,791 performance rights. This quantity was calculated as 100% of his annual fixed remuneration of \$2,000,000 divided by \$6.6271, 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 2018, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights. These rights were issued for nil consideration; and
- If these rights are issued under Listing Rule 10.14 approval is not required under Listing Rule 7.1.

**Board recommendation**

In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the performance right-based 2020 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 2020 Grant and the Managing Director’s participation in the 2020 LTIP.

**Voting exclusions**

The Company will disregard a vote cast in favour on Item 4 by or on behalf of:

- Mr Fenn; or
- associates of Mr Fenn.

However the Company need not disregard a vote on the resolution 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) 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) 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).

### ITEM 5

#### RE-INSERTION OF PROPORTIONAL TAKEOVER APPROVAL CONDITIONS

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 3 November 2019, the third anniversary of that provision's most recent approval by the shareholders on 3 November 2016.

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 3 years. The Board considers it in the interests of shareholders to re-insert these provisions into the Constitution.

Where the approval of shareholders is sought to insert or 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 RE-INSERTED

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 3 years after the date of re-adoption. 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 re-adopt 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:

- shareholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- they may help shareholders to avoid being locked in as a minority;
- they increase shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- 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.

Re-adopting 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 intends to vote any undirected proxies held by him in favour of Item 5 (Re-insertion of Proportional Takeover Approval Provisions).

#### By order of the Board

Robert Regan, Company Secretary  
Sydney, 1 October 2019

## GETTING THERE



### PUBLIC TRANSPORT

The closest train station is St Leonards. There are several bus routes from the city and further north or west that stop in Crows Nest and/or St Leonards. For information about train and bus times, please call 131 500 or visit [www.transportnsw.info](http://www.transportnsw.info).

### PARKING

On-street parking near the Centre is generally metered parking (2P or less) with strictly enforced regulations. The Hume Street Car Park is located directly across from the Northside Conference Centre. There are three additional parking stations in close proximity to the venue which are: Holtermann Street, Nicholson Street and Alexander Street.

### 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.

### INFORMATION ABOUT DOWNER

Information about Downer's FY19 performance can be read in the Annual Report and Sustainability Report available at [www.downergroup.com](http://www.downergroup.com).



[www.downergroup.com](http://www.downergroup.com)



DOW  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?



**Phone:**

1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by 11:00am (AEDT) Tuesday 5 November 2019.

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### ATTENDING THE MEETING

**If you are attending in person, please bring this form with you to assist registration.**

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Use your computer or smartphone to appoint your proxy and vote at [www.investorvote.com.au](http://www.investorvote.com.au) or scan your personalised QR code below using your smartphone.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Downer EDI Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Downer EDI Limited to be held at The Auditorium, Northside Conference Centre, Oxley Street (Cnr Oxley Street & Pole Lane) Crows Nest NSW 2065 on Thursday 7 November at 11:00am and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3 and 4 (except where I/we have indicated a different voting intention in step 2) even though Items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3 and 4 by marking the appropriate box in step 2.

## Step 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|  | For                      | Against                  | Abstain                  |
|--|--------------------------|--------------------------|--------------------------|
| 2a Election of Non-executive Director - Mr Peter Watson            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2b Re-election of Non-executive Director - Ms Teresa Handicott     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2c Re-election of Non-executive Director - Dr Charles Grant Thorne | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Adoption of the Remuneration Report                              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Approval of Managing Director's Long Term Incentive ('LTI')      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Re-Insertion of Proportional Takeover Approval Provisions        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address   
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

