

# NOTICE OF ANNUAL GENERAL MEETING 2013

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

Whitely I, Level 2  
Amora Hotel Jamison Sydney  
11 Jamison Street  
Sydney, New South Wales, Australia

on Wednesday 6 November 2013,  
commencing at 11:00am Sydney time (meeting).

Registration will commence at 10:30am.

# NOTICE OF ANNUAL GENERAL MEETING 2013

## BUSINESS

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

1. To consider and receive the Financial Report, the Directors' Report and the Independent Auditor's Report of Downer for the year ended 30 June 2013.

Note:

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

### RE-ELECTION OF DIRECTORS

2. To consider and, if thought fit, pass the following ordinary resolutions:
  - a. "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."
  - b. "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."
  - c. "That Mr J S Humphrey, who was appointed as a Non-executive Director of the Company on 11 April 2001 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."

### ADOPTION OF REMUNERATION REPORT

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

"That the Remuneration Report for the year ended 30 June 2013 be adopted."

Notes:

- This resolution is advisory only and does not bind Downer or the Directors.
- The Directors will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing Downer's remuneration policies.
- If 25% or more of votes that are cast are voted against this resolution and at the 2014 Annual General Meeting 25% or more of the votes cast are also against the adoption of the Remuneration Report, shareholders will be required to vote at the 2014 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, dependents and companies they control). However, this does not prevent those KMPs or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or a closely related party if:

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

### APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE FOR 2014

4. 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 2014 on the basis described in the Explanatory Memorandum to this Notice of Meeting."

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

### RE-INSERTION OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

5. 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."

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## INVITATION

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

## HOW TO VOTE

Shareholders can vote on the items of business by:

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

## ELIGIBILITY TO ATTEND AND VOTE

You will be eligible to attend and vote at the meeting if you are registered as a holder of Downer shares at 7:00pm (Sydney time) on Monday, 4 November 2013.

## APPOINTING A PROXY

1. A proxy form is attached.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies.
3. Where more than one proxy is appointed, each proxy should be appointed to represent a specified proportion of the member's voting rights. In the absence of such a specification, each proxy will be entitled to exercise half the votes.
4. You may appoint either an individual or a body corporate as your proxy. A proxy need not be a member of Downer.
5. A proxy form must be signed by the member or the member's attorney. Proxies given by Corporations must be signed either under section 127 of the *Corporations Act 2001* (Cth) (*Corporations Act*) or in accordance with the Constitution of the Company. In the case of joint holdings, at least one of the joint holders must sign the proxy form.
6. **If you appoint the Chairman of the meeting as your proxy and do not direct the Chairman of the meeting how to vote on Item 3 (Adoption of Remuneration Report) or Item 4 (Approval of Managing Director's long term incentive plan for 2014) (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 2013 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 2013 Annual General Meeting.

### ITEM 1

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

The 2013 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, Deloitte Touche Tohmatsu, questions relevant to audit matters, including the Auditor's Report.

The Chairman will also allow a reasonable opportunity for a representative of the auditor to answer written questions to the auditor submitted by shareholders to Downer no later than Wednesday, 30 October 2013. A question list setting out any written questions to the auditor received from shareholders will be available to shareholders attending the meeting.

### ITEM 2

#### RE-ELECTION OF DIRECTORS

##### ITEM 2(A) 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 intends to vote undirected proxies in favour of this resolution.

Ms Chaplain's profile is set out below.



**S A Chaplain (55)**  
**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 a Director of Export Finance and Insurance Corporation, PanAust Ltd and Chair of KDR Gold Coast Pty Ltd and the Council of St Margaret's Anglican Girls School in Brisbane. Ms Chaplain is a former Director of Coal & Allied Industries Limited and 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.

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### ITEM 2(B) 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 intends to vote undirected proxies in favour of this resolution.

Dr Thorne's profile is set out below.



**C G Thorne (63)**  
**Independent**  
**Non-executive Director**  
**since July 2010**

Dr Thorne has over 36 years of 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 a member of Rio Tinto's Executive Committee and Investment Committee. Dr Thorne is a Director of Queensland Energy Resources Limited and JK Tech. 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 2(C) RE-ELECTION OF MR J S HUMPHREY

John Humphrey 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.

The Directors considered the re-election of Mr Humphrey in the context of his period of service since April 2001. The Directors concluded that Mr Humphrey's strong knowledge of Downer's history is beneficial to the Board. This is particularly relevant in light of sustained Board renewal in recent years which means that the average tenure of other Non-executive Directors is only three years. Further, Mr Humphrey brings substantial experience to the Board including in relation to major infrastructure projects which are a key part of Downer's future success.

During the year, the Nominations and Corporate Governance Committee reviewed and reaffirmed Mr Humphrey's independence.

#### Board recommendation

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

Mr Humphrey's profile is set out below.



**John Humphrey (58)**  
**Independent**  
**Non-executive Director**  
**since April 2001**

Mr Humphrey is currently the Executive Dean of the Faculty of Law at Queensland University of Technology and a Legal Consultant to King & Wood Mallesons of which he is a former Deputy Chairman, and partner specialising in corporate, mergers and acquisitions and infrastructure project work.

Mr Humphrey is currently a Director of Horizon Oil Limited and Wide Bay Australia Limited and is a former Chairman of Villa World Limited. He was appointed to the Board of Evans Deakin Industries Limited in 2000 and, subsequently, to the Board of Downer EDI Limited. He is also a member of the Australian Takeovers Panel.

Mr Humphrey holds a Bachelor of Laws from the University of Queensland.

Mr Humphrey lives in Brisbane.

## ITEM 3

### ADOPTION OF REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report in the 2013 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 2013.

The Remuneration Report covers the following matters:

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

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

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

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at this meeting and at the 2014 Annual General Meeting 25% or more of the votes cast are also voted against the adoption of the Remuneration Report, shareholders will be required to vote at the 2014 Annual General Meeting on a resolution that another meeting be held within 90 days at which all of Downer's Directors (other than the Managing Director and Chief Executive Officer) must stand for re-election.

### Board recommendation

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

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 (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 FOR 2014

It is proposed to grant the Managing Director performance rights in Downer as the Managing Director's 2014 long term incentive plan (2014 LTIP) on the terms set out below (2014 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 2014

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

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

In accordance with Downer's contractual commitments, it is proposed to grant the Managing Director performance rights with a maximum value of 100% per cent of his annual fixed remuneration at the time of grant as his 2014 Grant. The Managing Director'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 2014 GRANT

Mr Fenn will receive a grant at the same time as other eligible employees. Mr Fenn is the only director of the Company who is entitled to participate in the Company's LTI Plan. This grant will be made after publication of Downer's 2014 half year results in February 2014 and before the next Annual General Meeting in November 2014. The number of performance rights to be granted to the Managing Director in the 2014 Grant is not currently known as it will depend on Downer's share price at the time of grant.

The quantity of performance rights granted to Mr Fenn will be calculated as his annual fixed remuneration divided by the daily average of the volume weighted average price of Downer shares for the ten trading days following the release of Downer's results for the six months ending 31 December 2013, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights.

Details of the quantity of performance rights granted in the 2014 Grant will be announced to the Australian Securities Exchange at the time of grant and in the 2014 Annual Report in a similar manner to the details set out in section 6.5.2 of the Remuneration Report on page 35 of the 2013 Annual Report. Shareholders can access a copy of the 2013 Annual Report at the Downer website, [www.downergroup.com](http://www.downergroup.com).

If shareholders approve the proposed resolution in Item 4 (Approval of Managing Director's long term incentive for 2014), the 2014 Grant will be made after publication of Downer's 2014 half year results in February 2014 and before the next 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. No loan is being made to Mr Fenn in relation to the acquisition of performance rights.

### VESTING CONDITIONS

Vesting of performance rights granted under the 2014 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 2014 Grant will be divided into two equal tranches subject to the following performance hurdles:

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

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

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

The comparator group for the 2014 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 January 2014.

Earnings per Share (EPS) growth is measured over the three year performance period to 31 December 2016. The EPS measure conforms to AASB 133 Earnings per Share and is externally audited.

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

Once some or all of the 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 2014 Grant will be the three years from 1 January 2014 to 31 December 2016 and the service period will end on 31 December 2017.

### CHANGE OF CONTROL

Under the LTIP, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2014 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.

### Board recommendation

In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the performance right-based 2014 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 2014 Grant and the Managing Director's participation in the 2014 LTIP.

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

- Mr Fenn; and
- associates of Mr Fenn.

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 2014) 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 2014) 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 2014).

## ITEM 5

### RE-INSERTION 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 3 November 2013, the third anniversary of that provision's approval by the shareholders.

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.

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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.

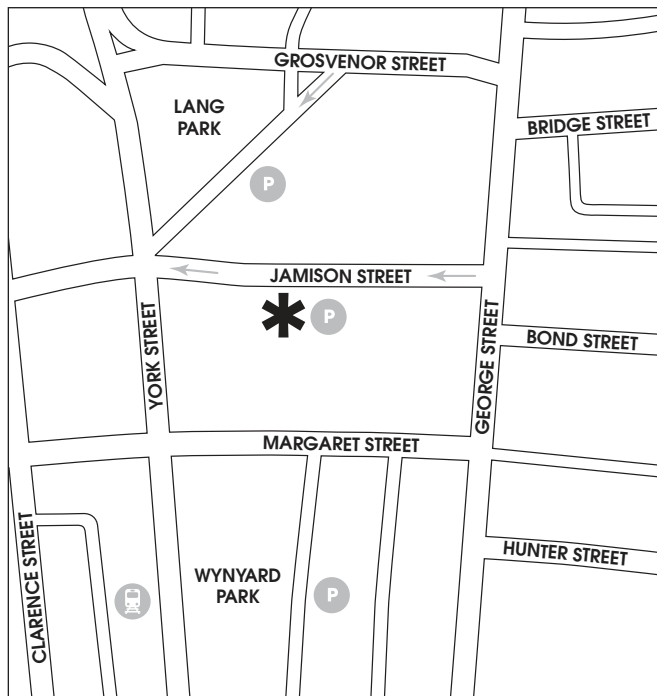
### **Board recommendation**

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**

Peter Tompkins, Secretary  
Sydney, 27 September 2013

## GETTING THERE



### PUBLIC TRANSPORT

The closest train station is 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.131500.com.au](http://www.131500.com.au).

### PARKING

There is limited secure parking on site directly beneath the Amora Hotel. Self-parking is charged at \$42 per 24 hour period and valet parking charged at \$52 per 24 hour period. The car park is accessible via Jamison St just before the hotel on the left-hand side. Please note that Jamison St is a one-way street.

Other parking stations located close by:

**Wilson Parking**  
295 George St, Sydney

**Met Centre Secure Carpark**  
60 Margaret St, Sydney  
(entry via Jamison St)

### GO PAPERLESS

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

### FURTHER INFORMATION

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

### WEBCAST

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

### INFORMATION ABOUT DOWNER

Information about Downer's FY13 performance can be read in the Annual Report, Annual Review and Sustainability Reports available at [www.downergroup.com](http://www.downergroup.com).

