

# Notice of Annual General Meeting 2017

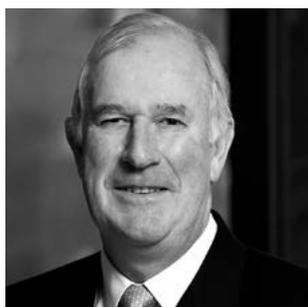
**NOTICE IS GIVEN THAT THE ANNUAL GENERAL  
MEETING OF THE SHAREHOLDERS OF DOWNER EDI  
LIMITED (DOWNER) WILL BE HELD AT:**

The Auditorium  
Northside Conference Centre  
Oxley Street (Cnr Oxley Street & Pole Lane) Crows Nest NSW 2065

on Thursday 2 November 2017,  
commencing at 11:00am Sydney time (meeting).

Registration will commence at 10:30am.

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



**DEAR SHAREHOLDER,**

I am pleased to invite you to Downer's 2017 Annual General Meeting (**AGM**) to be held at 11.00am (Sydney time) on 2 November 2017 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 & CEO and ask questions.

**RE-ELECTION OF DIRECTOR**

The first item of business seeks approval for my re-election.

I joined the Board in 2008, became Chairman in 2010 and currently Chair the Nominations and Corporate Governance Committee. I am committed to serving as your Chairman for another term and seek your support for my re-election.

**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 2018 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 20 of Downer's Remuneration 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 2017 financial year. I ask that you consider this letter and accompanying pages in the 2017 Annual Report when forming your views on these items of business.

**REQUISITIONED RESOLUTION (NOT SUPPORTED)**

This resolution was requisitioned by a small group of shareholders. Whilst the Board believes that shareholder resolutions are a healthy part of corporate democracy, the shareholder resolution put forward at this meeting is not supported by the Board for a number of reasons as set out in this Notice of Meeting.

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 2017.

Note:

- No resolution is required for this item of business.

### 2. RE-ELECTION OF DIRECTOR – MR R M HARDING

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

"That Mr R M Harding, 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 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 2017 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 2018 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 2018 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 2018 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.

## SPECIAL BUSINESS

### 5. REQUISITIONED RESOLUTION – POWERS OF THE BOARD

The following resolution is **NOT SUPPORTED** by the Board.

To consider as a special resolution put forward by shareholders:

"To amend the constitution to insert at the end of clause 5 'Powers of the Board' the following new subclause 5.4 "In the exercise of their powers and duties pursuant to clause 5.1 (a) the Directors shall ensure the business of the company is managed in a manner consistent with the objective of holding global warming to below two degrees Celsius above preindustrial levels."

This resolution is **NOT SUPPORTED** by the Board.

## 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, 31 October 2017.

### 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) 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 2017 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 2017 Annual General Meeting.

### ITEM 1

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

The 2017 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, 26 October 2017. A question list setting out any written questions to the auditor received from shareholders will be available to shareholders attending the meeting.

### ITEM 2

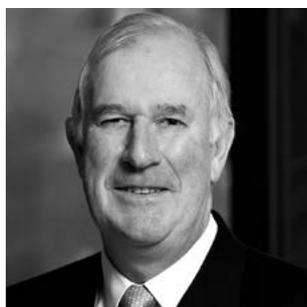
#### RE-ELECTION OF DIRECTOR – MR R M HARDING

Mike Harding 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 Mr Harding, unanimously recommend that shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

Mr Harding's profile is set out below.



**Mike Harding (68)**  
**Independent**  
**Non-executive Director**  
**since July 2008**

Mr Harding has held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia.

Mr Harding is currently the Chairman of Lynas Limited and a Director of Cleanaway Waste Management Limited, a former Chairman of Roc Oil Company Limited and Clough Limited and a former Director of Santos Limited.

Mr Harding holds a Masters in Science, majoring in Mechanical Engineering.

Mr Harding is Chairman of the Board, chairs the Nominations and Corporate Governance Committee and is a member of the Disclosure, Remuneration, Rail Projects and Tender Risk Evaluation Committees.

Mr Harding lives in Sydney.

### ITEM 3

#### ADOPTION OF REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report in the 2017 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 2017.

The Remuneration Report covers the following matters:

- An introductory letter from the Chairman & 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 2016 Remuneration Report was carried with 98.1% 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 2018 long term incentive plan (2018 LTIP) on the terms set out below (2018 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 2018

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 2018 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 2018 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 332,160. This quantity was calculated as his annual fixed remuneration of \$2,000,000 divided by 6.2012 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 2017, 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 2018 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 2018 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 2018 Grant will be divided into three equal tranches subject to the following performance hurdles:

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

TSR is measured over the three year performance period to 30 July 2020. 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 percent 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 2018 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 July 2017.

Earnings per Share (EPS) growth is measured over the three year performance period to 30 July 2020. The EPS measure is based on AASB 133 *Earnings per Share* and is externally audited.

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

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

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

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

The performance of each component will be measured over the three year period to 30 June 2020.

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

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

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

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

**PERFORMANCE PERIOD**

The performance period for the 2018 Grant will be the three years from 1 July 2017 to 30 June 2020 and the service period will end on 30 June 2021.

**CHANGE OF CONTROL**

Under the 2018 LTIP, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2018 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; and
- In accordance with the approval of shareholders at the 2016 Annual General Meeting, for Mr Fenn's 2017 LTIP, Mr Fenn was granted 503,526 performance rights. This quantity was calculated as 100% of his annual fixed remuneration of \$2,000,000 divided by \$3.9712, being the daily average of the volume weighted average price of Downer shares for the 10 trading days following the release of Downer's results for the year ended 30 June 2016, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights of \$4.2103 multiplied by the ASX adjustment factor for the bonus element of the Entitlement Offer undertaken during 2017.

### Board recommendation

In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the performance right-based 2018 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 2018 Grant and the Managing Director's participation in the 2018 LTIP.

### Voting exclusions

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

- Mr Fenn; and
- associates of Mr Fenn.

However the Company need not disregard a vote if:

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

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

**If you choose to appoint a proxy, you are strongly encouraged to direct your proxy how to vote on Item 4 (Approval of Managing Director's long term incentive) 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

### REQUISITIONED RESOLUTION – POWERS OF THE BOARD

Shareholders holding approximately 0.0035 percent of the Company's ordinary shares ("Proponents")<sup>1</sup> have proposed the resolution in Item 5 ("Proposed Resolution"). 96.6 percent of the Proponents acquired their Downer shares in August 2017. The Proponents have prepared an outline in support of the Proposed Resolution and have requested that it be provided to shareholders (refer Appendix to this Notice of Meeting)<sup>2</sup>.

### Board response

The Board respects the right of shareholders to put forward resolutions and to express their views. However, in this case, the Board believes that the Proposed Resolution is not in the interests of the Company as a whole.

The Board therefore **recommends against** the Proposed Resolution.

The power to manage the business of the Company is given to the Board by the Constitution, which is expressed as a broad power. This is to enable the Board to exercise its judgment independently and holistically so that Directors can act in the interests of the Company as a whole.

The effect of the Proposed Resolution, if passed, would be to require the Directors to apply an ambiguous requirement in relation to the activities of the Company and its customers. It could also create conflict for the Directors when seeking to discharge their duties.

As a service orientated business, Downer works with customers in a range of market sectors, including owners of both renewable and conventional energy assets. Downer's business model is to operate as efficiently as possible to assist all of its customers in minimising their overall environmental impact. Downer will only be involved in projects that are compliant with all applicable laws and have all relevant environmental approvals in place.

Downer's governance framework is mature and robust. It has been developed in order to consider and manage a range of important strategic issues, including the impact of Downer's operations on the environment. Downer has an Audit & Risk Board Committee and Zero Harm Board Committee. The Directors are of the opinion that the risks and opportunities associated with environmental impacts are considered within this framework and in particular, via the Company's risk management processes that are reviewed annually.

<sup>1</sup> Under section 249N of the Corporations Act

<sup>2</sup> Under section 249P of the Corporations Act

Downer understands the importance of conducting its business in a way that is sustainable. Downer continues to measure energy use, emissions and performance across its businesses and has comprehensive plans in place to reduce greenhouse gas emissions over time (which along with other targets related to the environment, are linked to executive remuneration).

Downer understands that community expectations are evolving in this area, as is best practice. It is for this reason that in August 2017 the Company commenced a review of climate related risks and opportunities associated with its activities consistent with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Notwithstanding that the Directors do not support the Proposed Resolution, they are committed to continuously improving Downer's disclosure in relation to sustainability and ensuring that it has best practice governance in relation to these issues.

Details of Downer's sustainability performance can be found on its website at [www.downergroup.com](http://www.downergroup.com).

### **Board recommendation**

The Directors unanimously recommend that shareholders vote against this resolution. The Chairman of the meeting intends to vote any undirected proxies held by him against Item 5 (Requisitioned resolution – powers of the Board).

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

Peter Tompkins, Company Secretary  
Sydney, 28 September 2017

### APPENDIX

The shareholders who requisitioned the resolution in Item 5 have requested, pursuant to section 249P of the Corporations Act, that the following statement accompany the resolution.

Downer is legally required to circulate the statement to shareholders. However, the Board and Company do not endorse and are not responsible for the contents of the statement or for any inaccurate or misleading statements contained in it.

#### **Statement pursuant to Section 249P of the Corporations Act in relation to Item 5**

In the interests of all shareholders, and all Australians, our company requires sound and stable governance, and a preparedness to manage the climate change risks it, and the broader economy and community face.

There is a growing appreciation amongst leaders about the severity, breadth and immediacy of climate change risk, resulting in 160 countries signing on to the Paris Climate Change Agreement<sup>1</sup>.

APRA executive board member Geoff Summerhayes has laid down a marker on Directors' duties: "While climate risks have been broadly recognised, they have often been seen as a future problem or a non-financial problem. [...] This is no longer the case. Some climate risks are distinctly 'financial' in nature. Many of these risks are foreseeable, material and actionable now."<sup>2</sup>

To this end, we move this special resolution to embed the effective management of climate change risk into the constitution of our company.

#### **Climate change risk**

Downer's 2017 Annual Report identifies that it is reviewing its climate disclosure practises in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations and that it has been voluntarily reporting to the CDP for years.<sup>3</sup>

However, this report and CDP<sup>4</sup> submissions to date, re-iterate the current policy<sup>5,6</sup> position – that being a consideration of only immediate operational impact and "Climate related risks on major projects are typically assessed by the project owner through various government environmental planning and approvals processes"<sup>7</sup>.

We the shareholders believe, that by managing the company in a manner consistent with holding global warming to below 2°C, Downer must broaden their consideration beyond operations to all emissions resulting from a project they enable or service. Failure to do so, is a failure to mitigate the following risks identified in the TCFD Final Report<sup>8</sup>:

- Reputation Risk
- Legal Risk

#### **Reputation Risk**

The TCFD Final Report states "Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy".<sup>9</sup>

The reputational risk to Downer involving itself in projects not aligned to keeping below 2°C, even where emissions responsibility is deferred to their client, is clearly and currently evident in its intention to enter in to contracts<sup>10</sup> with Adani Mining Pty Ltd (Adani) for the provision of mining services and the construction of mine infrastructure at the Carmichael Coal Mine.

The Adani mine is losing its social licence, with one of the largest environmental campaigns in Australia's history.<sup>11,12,13,14,15,16</sup> Public disapproval has only increased with new, critical scientific information about increasing global climate change threats.<sup>17,18,19</sup>

Downer has already been a target of decentralised direct action, disrupting business<sup>20</sup> and bringing attention to Downer's brand in traditional media.<sup>21,22,23,24</sup>

This project demonstrates that a reliance on "various government environmental planning and approvals processes"<sup>25</sup> is misplaced, as the Federal Government did not assess climate impacts of the mine. Companies can no longer continue to retain their social licence by absolving themselves of responsibility, and we the shareholders believe that Downer's reputation is at risk if it does not take on this responsibility and manage the company in a way consistent with keeping global warming below 2°C.

#### **Legal Risk**

The TCFD Final Report states that "Recent years have seen an increase in climate-related litigation claims being brought before the courts...<sup>26</sup> Reasons for such litigation include the failure of organizations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase."<sup>27</sup>

Further, a 2016 legal opinion outlines the obligations of directors to consider climate risk.<sup>28</sup> Geoff Summerhayes also drew attention to this piece by highlighting the link between 'foreseeable' and 'duty', and that the piece "found that company directors who fail to properly consider and disclose foreseeable climate-related risks to their business could be held personally liable for breaching their statutory duty of care and diligence under the Corporations Act."<sup>29</sup>

Downer's Environmental Sustainability Policy<sup>30</sup> states their goal is to "improve the sustainable use of natural resources" and "take all practical steps to prevent pollution and protect biodiversity and ecosystems". We believe that such commitments – without director governance managing the company in a manner consistent with the objective of holding global warming to below 2°C – make our company vulnerable to litigation.

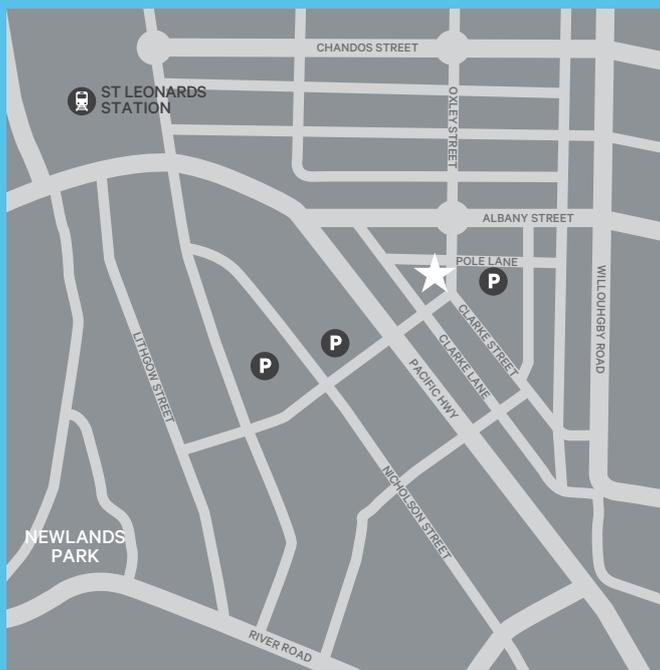
**Summary**

While this resolution is not intended to prescribe specific actions, a growing body of material provides guidance on limiting global warming to less than 2°C, and management of climate risk.

Adopting this resolution would provide certainty to investors that Downer will align itself with the globally agreed goal of holding global warming below 2°C, embedding climate change risk management into its operations and the projects it will enable and/or service, thereby positioning our company favourably in to the future.

- 1 [http://unfccc.int/paris\\_agreement/items/9485.php](http://unfccc.int/paris_agreement/items/9485.php)
- 2 <http://www.apra.gov.au/Speeches/Pages/Australias-new-horizon.aspx>
- 3 <http://www.downergroup.com/Resources/Documents/Investors/Financial-Results--Reports/201617/Full-Year-Results/Annual-Report.pdf>
- 4 CDP Climate Change 2016 Information Request Downer EDI at <https://www.cdp.net/en/reports/archive> (search on Downer in the search facility at the bottom of the page)
- 5 [http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/DG-ZH-PO001-Environmental-Sustainability-Policy\\_locked.pdf](http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/DG-ZH-PO001-Environmental-Sustainability-Policy_locked.pdf)
- 6 <http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-and-Committees/Zero-Harm-Committee-Charter.pdf>
- 7 <http://www.downergroup.com/Resources/Documents/Investors/Financial-Results--Reports/201617/Full-Year-Results/Annual-Report.pdf>
- 8 Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report, June 2017 at <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>
- 9 Ibid
- 10 <http://www.downergroup.com/Investors-and-media/ASX-announcements/2014/Downer-receives-letter-of-award-for-Carmichael-Coal-Mine-contracts.aspx>
- 11 <http://www.stopadani.com/>
- 12 <https://www.getup.org.au/campaigns/great-barrier-reef--3/adani-video-report/help-stop-adani-from-destroying-the-great-barrier-reef>
- 13 [http://www.bobbrown.org.au/stop\\_adani](http://www.bobbrown.org.au/stop_adani)
- 14 <http://wanganjagalingou.com.au/our-fight/>
- 15 [https://www.acf.org.au/stop\\_adani](https://www.acf.org.au/stop_adani)
- 16 <https://350.org.au/stopadani/>
- 17 <https://www.nature.com/news/three-years-to-safeguard-our-climate-1.22201>
- 18 [http://climatenewsnetwork.net/antarctic-warming-threatens-ice-shelf/?utm\\_source=Climate+News+Network&utm\\_campaign=410a02c94a-EMAIL\\_CAMPAIGN\\_2017\\_05\\_22&utm\\_medium=email&utm\\_term=0\\_1198ea8936-410a02c94a-38804213](http://climatenewsnetwork.net/antarctic-warming-threatens-ice-shelf/?utm_source=Climate+News+Network&utm_campaign=410a02c94a-EMAIL_CAMPAIGN_2017_05_22&utm_medium=email&utm_term=0_1198ea8936-410a02c94a-38804213)
- 19 <https://www.carbonbrief.org/billions-face-deadly-threshold-heat-extremes-2100-study>
- 20 <http://galileeblockade.net/downer/>
- 21 <https://www.facebook.com/tennewsqueensland/videos/1589543274399040/>
- 22 <https://www.facebook.com/tennewsqueensland/videos/1590460594307308/>
- 23 <http://www.sbs.com.au/news/thefeed/article/2017/07/18/95-year-old-anti-adani-activist>
- 24 <http://www.couriermail.com.au/questnews/moreton/mine-protesters-at-brendale-facility-call-downer-for-to-ditch-its-deal-over-adani-mine/news-story/6026b41534449da14e7b96568627a58c>
- 25 <http://www.downergroup.com/Resources/Documents/Investors/Financial-Results--Reports/201617/Full-Year-Results/Annual-Report.pdf>
- 26 Peter Seley, "Emerging Trends in Climate Change Litigation", Law 360, March 7, 2016
- 27 Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report, June 2017 at <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>
- 28 <https://cpd.org.au/wp-content/uploads/2016/10/Legal-Opinion-on-Climate-Change-and-Directors-Duties.pdf>
- 29 <http://www.apra.gov.au/Speeches/Pages/Australias-new-horizon.aspx>
- 30 [http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/DG-ZH-PO001-Environmental-Sustainability-Policy\\_locked.pdf](http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/DG-ZH-PO001-Environmental-Sustainability-Policy_locked.pdf)

## 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 FY17 performance can be read in the Annual Report and Sustainability Reports available at [www.downergroup.com](http://www.downergroup.com).