



Notice of Annual General Meeting 2011

Notice is given that the Annual General Meeting of the shareholders of Downer EDI Limited (Downer) will be held at:

**The Lyceum
Ground Floor
Wesley Conference Centre
220 Pitt Street
Sydney, New South Wales, Australia**

on Wednesday 9 November 2011, commencing at 11:00am Sydney time (meeting).

Registration will commence at 10:30am.

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 2011.

Note:

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

2. Re-election of Mr R M Harding

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

"That Mr R M Harding, a Non-executive Director retiring in accordance with the Constitution and being eligible, is re-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 2011 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 2012 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 2012 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.

- A vote on this resolution must not be cast by or on behalf of a member of the key management personnel of the company, details of whose remuneration are included in the Remuneration Report (KMP), 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 KMPs or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP in accordance with a direction as to how the proxy is to vote on this resolution.

4. Approval of Managing Director's long term incentive for 2012

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

"That approval is given to the grant of restricted shares as the Managing Director's long-term incentive for 2012 on the basis described in the Explanatory Memorandum to this Notice of 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 Monday, 7 November 2011.

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 (Remuneration Report) (which you may do by marking any one of "For", "Against" or "Abstain" on the proxy form for that item of business), you will be directing the Chairman of the meeting to vote any proxies held by him in favour of Item 3 (Remuneration Report), even if that item is directly or indirectly connected with the remuneration of a member of the KMP.
7. 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 4 (Approval of Managing Director's long term incentive plan for 2012) (which you may do by marking any one of "For", "Against" or "Abstain" on the proxy form for that item of business), you will be expressly authorising the Chairman of the meeting to exercise your proxy even if Item 4 (Approval of Managing Director's long term incentive plan for 2012) is directly or indirectly connected with the remuneration of a member of the KMP.
8. 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 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 have 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 to submit your voting intentions.

Annual report

Downer's 2011 Annual Report is available on our website at downergroup.com.

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

The explanatory notes that follow provide important information regarding the items of business proposed for the Downer 2011 Annual General Meeting.

Item 1

Financial Report, Directors' Report and Independent Auditor's Report

The 2011 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 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, 2 November 2011. 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 Mr R M Harding as a director

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. Mr Harding was elected by members at Downer's 2008 Annual General Meeting.

Board recommendation

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

Mr Harding's profile is set out below.



Mike Harding

Chairman since November 2010, Deputy Chairman since July 2010, Independent Non-Executive Director since July 2008

Mr Harding is currently a Non-executive Director of Santos Limited. He has held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia.

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

Mr Harding lives in Melbourne.

Item 3

Adoption of Remuneration Report

The Remuneration Report is contained in the Directors' Report in the 2011 Annual Report. Shareholders can access a copy of the report at the Downer website downergroup.com.

The Remuneration Report provides information about the remuneration arrangements for KMPs, which includes Non-executive Directors and the most senior group executives, for the year to 30 June 2011.

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 2012 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 2012 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 (Remuneration Report).

A vote on Item 3 (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 or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or any of their closely related parties in accordance with a direction as to how the proxy is to vote on Item 3 (Remuneration Report) in the proxy form.

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 directing the Chairman to vote any proxies held by him in favour of Item 3 (Remuneration Report), even if that item is connected directly or indirectly with the remuneration of a member of the KMP.

Item 4

Approval of Managing Director's long term incentive for 2012

The ASX Listing Rules require the issue of Downer securities to Directors to be approved by shareholders. This requirement does not apply where Downer securities are purchased on-market. It is the Board's intention that shares granted under the Managing Director's 2012 long term incentive plan (2012 LTIP) will be acquired on-market. However, in the interests of transparency and good governance, Downer believes it is appropriate to seek shareholder approval of the Managing Director's 2012 LTIP share grant for 2012 (2012 Grant).

Proposed long-term incentive for the Managing Director for 2012

As a senior executive, 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 contingent shares (restricted shares) each calendar year with a maximum value equal to 100% of his annual fixed remuneration. The shares are subject to long term performance requirements, and may not vest to Mr Fenn.

In accordance with Downer's contractual commitments, it is proposed to grant the Managing Director restricted shares with a maximum value of 100% per cent of his annual fixed remuneration as his 2012 Grant. The Managing Director's current fixed remuneration is \$1,800,000. The grants will be in the form of fully paid Downer ordinary shares which will be purchased on-market and held in a trust. Accumulated dividends (if any) will be distributed once all vesting conditions of the 2012 Grant have been met.

Entitlement under the 2012 Grant

Mr Fenn will receive a grant at the same time as other eligible employees. This will be after publication of Downer's 2012 half year results in February 2012 and before the next Annual General Meeting. The number of restricted shares to be granted to the Managing Director in the 2012 Grant is not currently known as it depends on Downer's share price at the time of grant.

The quantity of restricted shares 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 2011.

Details of the quantity of restricted shares granted in the 2012 Grant will be provided in the 2012 Annual Report in a similar manner to the details set out in section 6.5.1 of the Remuneration Report on pages 26 to 27 of the 2011 Annual Report. Shareholders can access a copy of the 2011 Annual Report at the Downer website, downergroup.com.

If shareholders approve the proposed resolution in Item 4 (Approval of Managing Director's long term incentive for 2012), the 2012 Grant will be made after publication of Downer's 2012 half year results in February 2012 and before the next Annual General Meeting.

Price on grant or vesting

No amount is payable by the Managing Director on grant or vesting of the restricted shares.

Vesting conditions

Vesting of restricted shares under the LTIPs is subject to:

- meeting certain performance hurdles over a specified period; and
- continued employment with Downer over a period determined by the Board (service period).

Grants under the LTIPs are made in respect of calendar years. This overlaps with the financial year performance periods used to assess performance relating to payments under any of Downer's short term incentive plans. The overlapping time periods used to assess and pay for performance is applied to encourage performance sustainability, risk management and retention. Accordingly, specific performance hurdles for the restricted share grants are formulated after considering company strategy, reward plans based on performance measurement and stakeholder feedback and are approved by Directors prior to the grant and after the release of half year results.

The 2011 grant was subject to two performance hurdles. These were Earnings Per Share growth and relative Total Shareholder Return. Details of the 2011 grant can be found at section 5.4 of Downer's 2011 Remuneration Report on pages 17 to 20 of the 2011 Annual Report. No decision has been made as to the nature of the performance hurdles for the 2012 Grant. Once they have been finalised, they will be disclosed in Downer's 2012 Remuneration Report.

Once determined and approved by the Board, the performance hurdles for the 2012 LTIP will be applicable to all participants of the 2012 LTIP, including the Managing Director.

Once some or all of the restricted shares have met the vesting conditions, the restricted shares 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 2012 Grant will be the three-years from 1 January 2012 to 31 December 2014 and the service period will end on 31 December 2015.

Change of control

Under the LTIPs, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2012 Grant's performance period have elapsed, unvested shares pro-rated with the elapsed performance period are tested for vesting with performance against the relevant performance hurdles for that period. Shares 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 shares nor shares 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 restricted shares 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 restricted shares. No shares 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 share-based 2012 long-term incentive grant to the Managing Director because it appropriately aligns the Managing Director's remuneration with shareholder returns. Your Directors (with the Managing Director abstaining) therefore recommend shareholders approve the 2012 Grant and the Managing Director's participation in the 2012 LTIP. As the Managing Director has a personal interest in the resolution proposed in Item 4 (Approval of Managing Director's long term incentive plan for 2012), he has elected that he and his associates will not vote on Item 4 (Approval of Managing Director's long term incentive for 2012) at the meeting.

A member of the KMP and their closely related parties must not vote as proxy on Item 4 (Approval of Managing Director's long term incentive plan for 2012) unless the proxy appointment specifies the way the proxy is to vote on Item 4 (Approval of Managing Director's long term incentive plan for 2012). However, as set out in the section on Appointing a proxy, the Chairman of the meeting may vote an undirected proxy if the proxy appointment expressly authorises the Chairman to exercise the proxy even though Item 4 (Approval of Managing Director's long term incentive plan for 2012) is connected directly or indirectly with the remuneration of a member of key management personnel.

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 2012).



By Order of the Board

Peter Tompkins, Secretary
Sydney, 5 October 2011