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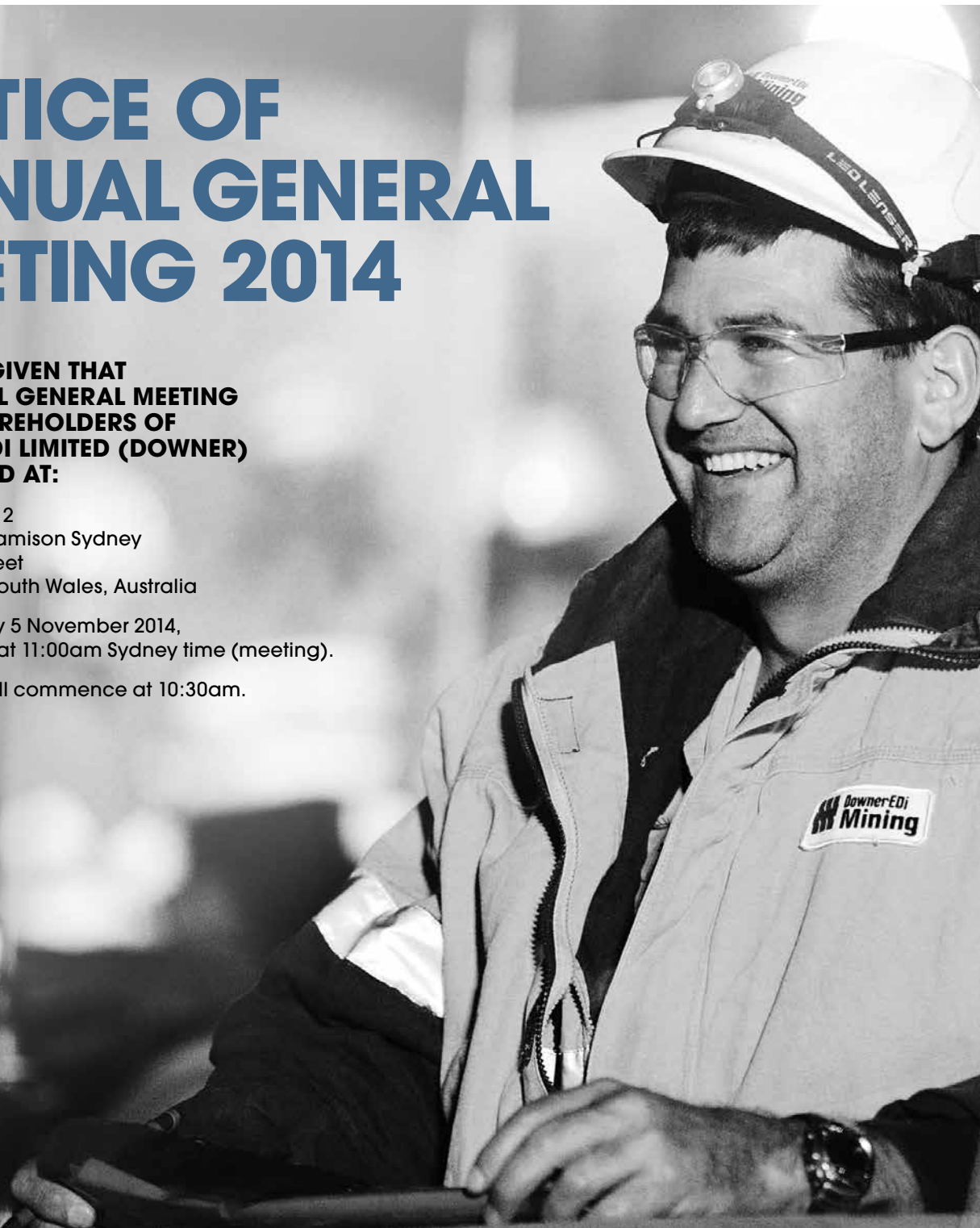
NOTICE OF ANNUAL GENERAL MEETING 2014

**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 5 November 2014,
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 2014.

Note:

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

2. RE-ELECTION OF DIRECTOR – R M HARDING

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

"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 2014 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 2015 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 2015 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

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

a. 2014 LONG TERM INCENTIVE

"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.

b. 2015 LONG TERM INCENTIVE

"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 2015 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.

5. APPOINTMENT OF KPMG AS AUDITOR OF THE COMPANY

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

"That, KPMG, having consented to do so, be appointed to act as auditor of the Company, with effect from the conclusion of the 2014 Annual General Meeting."

NOTICE OF ANNUAL GENERAL MEETING 2014

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, 3 November 2014.

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 2015) (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 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 to submit your voting intentions.

ANNUAL REPORT

Downer's 2014 Annual Report is available on the Downer website at www.downergroup.com.

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

The explanatory notes that follow provide important information regarding the items of business proposed for the Downer 2014 Annual General Meeting.

ITEM 1

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

The 2014 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.

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, 29 October 2014. A question list setting out any written questions to the auditor received from shareholders will be available to shareholders attending the meeting.

ITEM 2

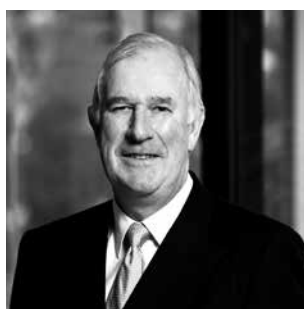
RE-ELECTION OF DIRECTOR – MR R M HARDING

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 intends to vote undirected proxies in favour of this resolution.

Mr Harding's profile is set out below.



Mike Harding (64)
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 Roc Oil Company Limited, a Director of Transpacific Industries Group Ltd and is a former Director of Santos Limited, Clough Limited and ARC Energy Limited and a former Chairman of Clough Limited.

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

Mr Harding lives in Sydney.

ITEM 3

ADOPTION OF REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report in the 2014 Annual Report. Shareholders can access a copy of the report at the Downer website, 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 2014.

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 2015 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 2015 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

The Board completed a review of the long term incentive plan (LTIP) in 2014. Details of this review and the outcomes adopted are set out in the 2014 Remuneration Report. The review included benchmarking of Downer's LTIP policy against a 'benchmark group' comprised of sector competitors and other ASX 100 companies. The review sought to ensure that the balance between rewarding performance and motivating and retaining existing senior executives and attracting new executives was effective and reflected the Company's business strategies, including the focus on cash and de-leveraging. Accordingly the review focused on the composition and operation of the performance conditions. The following changes were made as a result of the review:

- Amendment of the LTIP EPS performance vesting scale so that performance rights qualify for vesting between 5% and 10% compound annual EPS growth (previously between 6% and 12%), consistent with sector competitors;
- Amendment of the LTIP vesting profile so that 30% (previously 0%) of performance rights qualify for vesting at threshold performance with linear increments to 100% at the capped maximum performance level, remaining conservative compared to sector competitors;
- Transition of the LTIP performance period to a financial year basis from a calendar year basis in order to improve transparency between performance and reward and ensure consistency with STI plan outcomes with the LTIP;
- Introduction from 2015 of a third performance condition, 'Scorecard', based on rolling three-year average net profit after tax (NPAT) and Free Cash Flow (FFO) performance relative to budgeted targets to focus on performance sustainability, increase alignment with the STI and strengthen retention. The Scorecard measure applies to one third of the performance rights granted to each executive with equal weighting to NPAT and FFO; and
- From 2015, the relative total shareholder return (TSR) and earnings per share (EPS) growth LTIP measures each apply to one third (previously each one half) of the performance rights granted to each executive, reflecting the introduction of the Scorecard condition.

In implementing this change, the transition period of six months between the end of the 2013 calendar year and the commencement of the 2015 financial year (i.e. 1 January 2014 to 30 June 2014) needed to be addressed.

Accordingly, it is proposed that:

- No grant is made to Mr Fenn under the LTIP that received shareholder approval at the 2013 Annual General Meeting;
- A grant representing half of Mr Fenn's annual contractual entitlement is made for the transition period. This will be the only grant to Mr Fenn in respect of 2014. Details of this proposed grant are set out at Item 4 (a); and
- A grant representing Mr Fenn's annual entitlement is made in respect of the 2015 financial year. This will be the first full grant under the new policy. Details of this proposed grant are set out at Item 4 (b).

(a) 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 as Managing Director, Mr Fenn 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 Mr Fenn performance rights with a maximum value of 50% of his annual fixed remuneration at the time of grant as his 2014 Grant, representing a half year 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 2014 GRANT

Mr Fenn will receive a grant on the same terms and at the same time as other eligible employees.

The 2014 Grant is a transitional grant, with Mr Fenn's entitlement being calculated on 50% of his annual fixed remuneration.

Subject to shareholder approval being obtained, the maximum number of performance rights granted to Mr Fenn will be 243,576. This quantity was calculated as 50% of his annual fixed remuneration of \$2,000,000 divided by \$4.11, 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 six months ended 31 December 2013, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights.

If shareholders approve the proposed resolution in Item 4(a) (Approval of Managing Director's long term incentive for 2014), the 2014 Grant will be made prior to the 2015 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.

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.

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

Downer's TSR ranking against the comparator group	% of performance rights subject to the relative TSR condition that qualify to vest
< 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 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 2.5 year performance period. 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 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:

Downer's EPS compound annual growth	% of performance rights subject to EPS condition that qualify to vest
< 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%

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 2.5 years from 1 January 2014 to 30 June 2016 and the service period will end on 30 June 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.

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

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(a) 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(a) (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(a) (Approval of Managing Director's long term incentive plan for 2014).

(b) APPROVAL OF MANAGING DIRECTOR'S LONG TERM INCENTIVE FOR 2015

It is proposed to grant the Managing Director performance rights in Downer as the Managing Director's 2015 long term incentive plan (2015 LTIP) on the terms set out below (2015 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 2015

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 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 Mr Fenn performance rights with a maximum value of 100% of his annual fixed remuneration at the time of grant as his 2015 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 2015 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 511,247. This quantity was calculated as his annual fixed remuneration of \$2,000,000 divided by \$3.91, 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 2014, adjusted for the estimated value of dividends during the vesting period that do not attach to the rights.

If shareholders approve the proposed resolution in Item 4(b) (Approval of Managing Director's long term incentive for 2015), the 2015 Grant will be made prior to the 2015 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.

VESTING CONDITIONS

Vesting of performance rights granted under the 2015 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 2015 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 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.

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

Downer's TSR ranking against the comparator group	% of performance rights subject to the relative TSR condition that qualify to vest
< 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 2015 LTI grant is the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 July 2014.

Earnings per Share (EPS) growth is measured over the three year performance period to 30 July 2017. The EPS measure conforms to 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.

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

Downer's EPS compound annual growth	% of performance rights subject to EPS condition that qualify to vest
< 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 2017.

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:

Scorecard result	% of performance rights subject to Scorecard condition that qualify to vest
< 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 2015 Grant will be the three years from 1 July 2014 to 30 June 2017 and the service period will end on 30 June 2018.

CHANGE OF CONTROL

Under the 2015 LTIP, if there is a change in control of Downer during the performance period, provided at least 12 months of the 2015 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

Board recommendation

In the view of the Non-executive Directors, it is in the best interests of shareholders to approve the performance right-based 2015 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 2015 Grant and the Managing Director's participation in the 2015 LTIP.

The Company will disregard any votes cast on Item 4(b) 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(b) (Approval of Managing Director's long term incentive plan for 2015) 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(b) (Approval of Managing Director's long term incentive plan for 2015) 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(b) (Approval of Managing Director's long term incentive plan for 2015).

ITEM 5

APPOINTMENT OF KPMG AS AUDITOR OF THE COMPANY

Deloitte Touche Tohmatsu (Deloitte) has been the auditor of the Company since prior to the Company's listing on the ASX. During this time, Deloitte has conducted the audit in an effective and competent manner.

Given Deloitte's tenure, the Board considered it good corporate governance to undertake a review of the current audit appointment and alternative audit service providers. Following a tender process, which included a detailed review and assessment of the capabilities of alternative audit service firms, the Directors proposed the appointment of KPMG as auditor of the Company. Under the Corporations Act, shareholders must approve the appointment of a new auditor.

Deloitte has submitted its resignation as auditor to the Company and the Australian Securities and Investments Commission ("ASIC") has consented to Deloitte's resignation as the Company's auditor, effective from the conclusion of the 2014 Annual General Meeting.

KPMG has provided its consent to its appointment as auditor of the Company, subject to the approval of shareholders.

It is proposed that KPMG be appointed the Company's auditor. A copy of the nomination of KPMG as auditor of the Company is included at the end of this explanatory memorandum.

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 (Appointment of KPMG as auditor of the Company).

By order of the Board

Peter Tompkins, Secretary
Sydney, 1 October 2014

**NOTICE OF ANNUAL GENERAL MEETING 2014
APPENDIX A - AUDITOR NOMINATION LETTER**

The Company Secretary
Downer EDI Limited
Level 2, Trinita III, Trinita Business Campus
39 Delhi Road
North Ryde NSW 2113

15 August 2014

Dear Sir

Notice of nomination of proposed auditor

Pursuant to Section 328B(1) of the Corporations Act 2001, I Peter John Tompkins, being a member of Downer EDI Limited, hereby give you notice of the nomination of KPMG as auditor of Downer EDI Limited for appointment at the Annual General Meeting to be held on 5 November 2014.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter John Tompkins', with a horizontal line extending to the right.

Peter John Tompkins

GETTING THERE



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.

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.transportnsw.info

PARKING

There is limited secure parking on site directly beneath the Amora Hotel. Self-parking is charged at \$45 per 24 hour period and valet parking charged at \$55 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)

WEBCAST

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

INFORMATION ABOUT DOWNER

Information about Downer's FY14 performance can be read in the Annual Report, Annual Review and Sustainability Reports available at www.downergroup.com.