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# asx & media release

22 October 2007

## Michael Fraser's appointment as CEO and Managing Director

Further to AGL's announcement this morning, attached is a summary of the terms and conditions of Michael Fraser's appointment as Chief Executive Officer and Managing Director of AGL Energy Limited.

A handwritten signature in black ink, appearing to read 'P. McWilliams', written in a cursive style.

**Paul McWilliams**

**Company Secretary**

## **Summary of Terms and Conditions of appointment of Michael Fraser as Chief Executive Officer and Managing Director of AGL Energy Limited**

This document sets out the key terms and conditions of Michael Fraser's appointment as Chief Executive Officer and Managing Director of AGL Energy Limited (**AGL**).

### **1 Position title**

Chief Executive Officer and Managing Director of AGL.

### **2 Term**

The appointment commences on 22 October 2007 and continues until it is terminated in accordance with the termination provisions summarised below.

### **3 Total Fixed Remuneration**

\$1,400,000 per annum (reviewed annually).

### **4 Short Term Incentives**

Mr Fraser will participate in the AGL Short Term Incentive Plan (**STIP**). Mr Fraser will be eligible to receive a short term incentive per annum as follows:

- a) \$525,000 for on target performance; and
- b) \$1,050,000 for stretch target performance.

Any bonus will be determined in accordance with the STIP rules and is subject to satisfaction of applicable performance hurdles.

Half the value of a short term incentive will be paid in cash. The balance of the incentive will be deferred by providing an allocation of shares under the AGL Share Purchase Plan (**Share Plan**).

### **5 Long Term Incentives**

Mr Fraser will be granted share performance rights (**Rights**) with a face value of \$1,050,000, subject to AGL's LTIP Rules and applicable approval requirements under the Listing Rules. Subsequent grants will be determined during AGL's annual remuneration review process.

The number of Rights to be granted will be determined by dividing the face value of the Rights by the volume weighted trading price of AGL shares over the 10 trading days preceding their grant.

The Rights will vest subject to satisfaction of applicable performance hurdles. The AGL Board will determine the mix of performance hurdles which are expected to include TSR and EPS hurdles.

### **6 Final Retention Fee**

Under Mr Fraser's prior service agreement, he was entitled to certain retention payments. Mr Fraser will be allocated AGL shares in the following 3 tranches in lieu of this existing entitlement:

- a) upon appointment as Chief Executive Officer and Managing Director, AGL Shares with a face value of \$1,023,639; and
- b) if Mr Fraser is employed by AGL on the first anniversary of this appointment, AGL Shares with a face value of \$400,000; and

c) if Mr Fraser is employed by AGL as at 31 August 2009, shares with a face value of \$400,000.

These shares will be allocated under the AGL Share Plan.

## **7 Restraint and confidentiality**

Mr Fraser must not for a period of 6 months following the termination of his appointment be engaged or concerned in any capacity whatsoever in any business which is similar to or competitive with the business of AGL or solicit or entice or attempt to solicit or entice any director, employee or client of AGL to leave AGL or attempt to persuade any director, employee or client of AGL to discontinue their relationship with AGL or reduce the amount of business they do with AGL.

## **8 Termination**

Mr Fraser's appointment may be terminated by AGL in the following circumstances:

- a) without notice in the event of any act which detrimentally effects AGL such as dishonesty, fraud or serious or wilful misconduct in the discharge of your duties or persistent or material breach of the terms of his service agreement; or
- b) by providing Mr Fraser with 12 months' notice in writing at any time or by 12 months' Total Fixed Remuneration in lieu of notice paid by AGL and the immediate vesting of all unvested Rights.

Mr Fraser may terminate his appointment:

- a) by giving AGL 3 months' notice in writing if he ceases to hold the most senior management role within AGL or if the scope of your responsibilities or authorities are materially diminished (**Fundamental Change in Circumstances**). This right of termination must be exercised within 6 months' after the Fundamental Change in Circumstances occurs. If Mr Fraser validly exercises this right, he will receive 12 months TFR and all unvested Rights granted to you will immediately vest; or
- b) by giving AGL 12 months' notice in writing at any time.