

# Notice of 2017 Annual General Meeting of Shareholders



Date  
**Wednesday,  
27th September 2017**

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Time  
**10.30am**

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Venue  
**Melbourne Recital Centre**

**AGL Energy Limited**  
ABN 74 115 061 375  
Level 24, 200 George Street  
Sydney NSW 2000

# Chair's Letter

## Dear Shareholder

I am pleased to invite you to attend the 2017 Annual General Meeting of Shareholders, which has been scheduled as follows:

**Date:** 27 September 2017

**Time:** 10.30am

**Venue:** Melbourne Recital Centre, 31 Sturt Street, Southbank,  
Melbourne, Victoria

The business to be dealt with at the AGM is provided on pages 6-7 of this Notice of Meeting.

Please bring the enclosed Voting Form with you to facilitate registration at the AGM.

If you do not plan to attend the AGM, you are encouraged to lodge your vote directly or alternatively, appoint a proxy to attend and vote on your behalf. You can do this online at [vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL) or by completing the enclosed Voting Form and returning it in the envelope provided. Instructions on how to vote directly or appoint a proxy are detailed on the back of the Voting Form. Voting Forms must be received no later than 10.30am (Sydney time) on 25 September 2017 to be valid for the AGM. Voting Forms may be lodged online or returned by mail or by fax on 02 9287 0309.

You are encouraged to let us know of any questions you may have before the AGM. Details of how to lodge those questions prior to the AGM are on page 34 of this Notice of Meeting.

If you are unable to attend the AGM you may view our live AGM webcast via our website [www.agl.com.au/agm](http://www.agl.com.au/agm).

As foreshadowed at the 2016 AGM and announced by AGL on 21 June 2017, I have decided to retire from the AGL Board at the conclusion of this year's AGM after 11 years as a Director and seven years as Chairman. Graeme Hunt will succeed me as Chairman following the conclusion of the AGM. I am confident that Graeme Hunt and the AGL Board will be effective in overseeing the transformation that is occurring in the energy sector to deliver value for AGL's customers and shareholders.

We look forward to seeing you at the AGM.

Yours sincerely



**Jeremy Maycock**

Chair

25 August 2017

# Conduct of AGL's Annual General Meeting

Our Annual General Meeting (**AGM**) is intended to give Shareholders the opportunity to:

- hear presentations from the Chair and Managing Director and Chief Executive Officer about the operations and performance of AGL and the outlook for the year ahead;
- consider and vote on the resolutions contained in the Notice of Meeting; and
- ask questions of the Board, management and the auditor on the Items of Business, the management of AGL, and the conduct of the audit and the Auditor's Report.

To achieve these objectives we will:

- webcast the AGM for the benefit of those Shareholders that are unable to attend in person. The AGM can be viewed live at [www.agl.com.au/agm](http://www.agl.com.au/agm). The webcast will be recorded and made available on AGL's website after the AGM. Please note that if you attend the AGM in person, you may be included in photographs or the webcast recording.
- give Shareholders the opportunity to ask questions prior to the AGM – please see page 34 of this Notice of Meeting for details.
- allow a reasonable opportunity for Shareholders as a whole to ask questions or make comments at the AGM.

We ask that Shareholders:

- are courteous and respectful to all other Shareholders attending the AGM; and
- please keep questions as brief as possible to allow as many Shareholders as possible who wish to ask a question at the AGM an opportunity to do so.

# 2017 Highlights

## Who we are

AGL is committed to helping shape a sustainable energy future for Australia. We operate the country's largest electricity generation portfolio, we're its largest ASX-listed investor in renewable energy, and we have more than 3.6 million customer accounts. Proudly Australian, with more than 180 years of experience, we have a responsibility to provide sustainable, secure and affordable energy for our customers. Our aim is to prosper in a carbon-constrained world and build customer advocacy as our industry transforms. That's why we have committed to exiting our coal-fired generation by 2050 and why we will continue to develop innovative solutions for our customers.

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## Profitability



Statutory Profit  
after tax

**\$539m**

↑ from \$(408)m  
in FY16

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## Shareholder Value



Statutory earnings per share

**80.5cents**

↑ 141.0 cents per share

Final dividend per share

**50cents**

80% franked

## Proudly Australian

Over

**3.6m**  
Customer  
accounts

Over

**180**  
years old

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Underlying Profit  
after tax

**\$802m**

↑ **14%**  
from FY16

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Underlying earnings per share

**119.8cents**

↑ **15.9 cents per share**

**\$473m**

returned to shareholders  
via on-market share  
buy-back

Total shareholder return

**42.4%**

Return on equity

**10.2%**

# Business of the AGM

## 1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report of AGL and its controlled entities and the Reports of the Directors and Auditor for the financial year ended 30 June 2017.

## 2. Remuneration Report

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

*"To adopt the Remuneration Report for the financial year ended 30 June 2017, as set out in the Directors' Report section of the Annual Report."*

Note – the vote on this resolution is advisory only and does not bind the Directors or AGL. However, if 25% or more of the votes cast on this resolution are against the resolution, the Conditional Spill Resolution below will be put to shareholders for their consideration and vote.

A voting exclusion applies to this resolution – see page 10 for details.

## 3. Election and Re-election of Directors

(a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Leslie Hosking, a Director who retires by rotation at the close of the AGM in accordance with Clause 58 of AGL's Constitution and being eligible, is re-elected as a Director of AGL."*

(b) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Peter Botten, a Director who retires at the close of the AGM in accordance with Clause 56.2 of AGL's Constitution and being eligible, is elected as a Director of AGL."*

## 4. Grant of Performance Rights under the AGL Long Term Incentive Plan to Andrew Vesey

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

*"That approval is given for AGL to grant to its Managing Director and Chief Executive Officer, Andrew Vesey, 107,074 Performance Rights under AGL's Long Term Incentive Plan in respect of the financial year ending 30 June 2018 on the terms set out in the Explanatory Notes which accompany this Notice of Meeting."*

A voting exclusion applies to this resolution – see page 11 for details.

## 5. Approval of Termination Benefits for Eligible Senior Executives

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

*“That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for the giving of benefits to each current and future eligible senior executive, as described in the Explanatory Notes to this Notice of Meeting, in connection with the retirement of that person from any office in AGL or a related body corporate of AGL referred to in section 200B of the Corporations Act.”*

A voting exclusion applies to this resolution – see page 11 for details.

## 6. Renewal of Proportional Takeover Provisions

To consider and, if thought fit, to pass the following resolution as a special resolution:

*“That AGL renew the proportional takeover provisions contained in Clause 12 of AGL’s Constitution for a period of three years from the date of this meeting.”*

## Contingent business

### 7. Conditional Spill Resolution

If required, to consider and, if thought fit, to pass as an ordinary resolution:

*“That, subject to and conditional on at least 25% of the votes cast on Item 2, being cast against the Remuneration Report:*

- (a) an extraordinary general meeting of AGL (the Spill Meeting) be held within 90 days of the passing of this resolution;*
- (b) all of the Non-executive Directors who were in office when the resolution to approve the Directors’ Report for the financial year ended 30 June 2017 was passed and who remain in office at the time of the Spill Meeting (being Mr Peter Botten, Ms Jacqueline Hey, Mr Les Hosking, Mr Graeme Hunt, Ms Belinda Hutchinson, Ms Diane Smith-Gander, and Mr John Stanhope), cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting”.*

A voting exclusion applies to this resolution – see page 10 for details.

## By Order of the Board



**John Fitzgerald** Company Secretary  
25 August 2017

# Explanatory Notes

These Explanatory Notes form part of this Notice of Meeting and should be read in conjunction with it. These Explanatory Notes have been prepared to provide Shareholders with important information regarding the Items of Business proposed for consideration at the AGM. Capitalised terms in this Notice of Meeting are defined in the Glossary on pages 12-13.

## Determination of entitlement to vote

For the purpose of voting at the AGM, the Directors have determined that AGL Shares will be taken to be held by persons registered as Shareholders as at 7.00pm (Sydney time) on Monday, 25 September 2017. This means that transfers of AGL Shares registered after that time will be disregarded in determining entitlements to attend and vote at the AGM.

## Shareholder voting & proxies

### Appointing a proxy

Each Shareholder who is entitled to vote at the AGM may appoint a proxy, who need not be a Shareholder, to attend and vote at the AGM on the Shareholder's behalf. A Shareholder who is entitled to attend and cast two or more votes at the AGM may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll.

Further details about proxy voting are set out below.

### Direct Voting

Alternatively, a Shareholder may vote directly in accordance with the instructions contained on the Voting Form. If a Shareholder who is entitled to vote at the AGM appoints a proxy, they may specify the way that the proxy is to vote in relation to a resolution and indicate that the specification is to be regarded as a direct vote. A direct vote will enable Shareholders to vote on resolutions considered at the meeting by lodging their votes with the Company prior to the meeting. Direct voting is another way for Shareholders to exercise their voting rights without needing to attend the meeting.

Please note that a Shareholder who has cast a direct vote may attend the meeting, but their attendance will cancel the direct vote.



## **Lodging your voting form**

A Voting Form (and any Power of Attorney or other authority (if any) under which the Voting Form is signed, or a certified copy of that document) must be received by AGL at least 48 hours before the time for holding the AGM – that is, by **10.30am (Sydney time) on Monday, 25 September 2017**. Voting Forms received after this time will not be effective for the AGM.

Voting Forms may be lodged with AGL by:

- (i) appointing a proxy online at the AGL Share Registry's website:  
[vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL)
- (ii) posting them in the accompanying reply-paid envelope to:  
AGL Energy Limited  
C/ Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235
- (iii) sending them by fax to the AGL Share Registry on 02 9287 0309
- (iv) delivering them by hand to the AGL Share Registry located at:  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

## **Corporate representatives**

A company wishing to appoint a person to act as its representative at the AGM must provide that person with a letter executed in accordance with AGL's Constitution and the Corporations Act authorising him or her to act as the Shareholder's representative.

## **Directing your proxy how to vote**

If you want to direct your proxy how to vote on a particular Item of Business please mark the appropriate box on the Voting Form.

If you mark the abstain box for a particular Item of Business you are directing your proxy not to vote on that Item.

If you do not mark any box on a particular Item of Business, you are directing your proxy to vote as he or she decides, subject to any voting exclusions that may apply to the proxy.

## **Proxy voting by members of AGL's Key Management Personnel**

If you appoint a member of AGL's KMP (which includes the Directors) as proxy, they will not be able to cast your vote on Items 2, 4, 5 or 7, unless you direct them how to vote or the Chair of the meeting is your proxy (see pages 10-11).

# Explanatory Notes continued

## The Chair of the meeting acting as proxy

You may appoint the Chair of the meeting as your proxy. The Chair of the meeting will be deemed to be your proxy if you sign a Voting Form but do not name a proxy or if the person you appoint as proxy does not attend the AGM.

If you direct the Chair how to vote on a particular Item of Business, the Chair must vote in accordance with your direction on a poll.

If the Chair of the meeting is or becomes your proxy and you do not give any voting instructions for Items of Business 2, 4, 5 and 7, then by completing and submitting the Voting Form you will be expressly authorising the Chair to exercise the proxy as the Chair sees fit in respect of those Items of Business even though those Items of Business are connected directly or indirectly with the remuneration of AGL's KMP.

The Chair intends to vote undirected proxies **IN FAVOUR** of Items 1 to 6 and **AGAINST** Item 7 (Conditional Spill Resolution).

## Voting exclusion statements

### Item 2 and Item 7

Items 2 and 7 are resolutions connected directly with the remuneration of members of AGL's KMP. The Corporations Act restricts KMP and their closely related parties from voting on these Items. A "closely related party" of a KMP is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of the KMP.

In accordance with these requirements, AGL will disregard any votes cast on the resolutions in Items 2 and 7:

- (i) by or on behalf of a member of AGL's KMP named in the Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or
- (ii) as a proxy by a person who is a member of the KMP at the date of the AGM or their closely related parties.

However, AGL will not disregard votes cast on Items 2 and 7 if they are cast as proxy for a person entitled to vote on those Items:

- (i) in accordance with the directions on the Voting Form; or
- (ii) by the Chair of the Meeting pursuant to an express authorisation to exercise the proxy even though Items 2 and 7 are connected with the remuneration of AGL's KMP.

#### **Item 4**

Item 4 is a resolution relating to the grant of Performance Rights to AGL's Managing Director and Chief Executive Officer under AGL's LTIP. AGL will disregard any votes cast on Item 4:

- (i) by or on behalf of Andrew Vesey or any of his associates, regardless of the capacity in which the vote is cast; or
- (ii) as a proxy by a person who is a member of AGL's KMP at the date of the AGM or their closely related parties.

However, AGL will not disregard votes cast on Item 4 if they are cast as proxy for a person entitled to vote on Item 4:

- (i) in accordance with the directions on the Voting Form; or
- (ii) by the Chair of the Meeting pursuant to an express authorisation to exercise the proxy even though Item 4 is connected with the remuneration of a member of AGL's KMP.

#### **Item 5**

If any Shareholder is a current or potential employee or Director of AGL or a related body corporate and wishes to preserve their ability to receive benefits under this approval, then that Shareholder and their associates should not vote on the resolution. Further, AGL will disregard any votes cast on Item 5 as proxy by a person who is a member of the KMP at the date of the AGM or their closely related parties, unless the vote is cast as proxy for a person entitled to vote on Item 5:

- (i) in accordance with the directions on the Voting Form; or
- (ii) by the Chair of the Meeting pursuant to an express authorisation to exercise the proxy even though Item 5 is connected with the remuneration of AGL's KMP.

# Glossary

In this Notice of Meeting, the following terms have the respective meanings unless the context otherwise requires:

**AGL** means AGL Energy Limited ABN 74 115 061 375.

**AGL Annual Report 2017** means the Annual Report of AGL for the financial year ended 30 June 2017.

**AGL Share** means a fully paid ordinary share in AGL.

**AGM** means the 2017 Annual General Meeting of Shareholders.

**Board** means the Board of Directors of AGL.

**Company** means AGL Energy Limited ABN 74 115 061 375.

**Constitution** means the Constitution of AGL.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a Director of AGL.

**FR** means total fixed remuneration.

**FY18** means the 12 months ending 30 June 2018.

**KMP** means key management personnel including the non-executive directors and those executives who have the authority and responsibility for planning, directing and controlling the activities of AGL. The Remuneration Report identifies the KMP for AGL for the financial year ended 30 June 2017.

**LTIP** means AGL's Share Plan Rules arrangements as they provide for the Long Term Incentive Plan as varied from time to time.

**Notice of Meeting** means the notice pursuant to which the AGM is convened.

**Performance Right** means a right to receive one AGL Share in the future subject to meeting specified performance and/or employment conditions.

**Remuneration Report** means the section of the Directors' Report contained in the AGL Annual Report 2017 entitled 'Remuneration Report'.

**ROE** means Return on Equity, a metric calculating returns based on underlying profit after tax as a percentage of the capital shareholders have invested.

**RTSR** means relative Total Shareholder Return, a metric which measures the performance of AGL Shares relative to a specified peer group over a period of time.

**Shareholder** means a holder of AGL Shares.

**Spill Meeting** means the extraordinary general meeting that will be convened if Item 7 is passed and becomes effective.

**STI** means a short term incentive under AGL's Management Incentive Plan as varied from time to time.

**VWAP**, in relation to AGL Shares and in relation to a period of time, means the volume weighted average price at which AGL Shares traded on the ASX during that period of time.

# Business

## Item 1

### **To receive and consider the Financial, Directors' and Auditor's Reports for the financial year ended 30 June 2017**

The AGL Annual Report 2017 can be found on AGL's website ([www.agl.com.au](http://www.agl.com.au)) under 'Investor Centre' and Shareholders have been given the option of having a printed copy sent to them. The AGL Annual Report 2017 has been sent to those Shareholders who have requested a copy.

During the discussion of this Item of Business, there will be an opportunity for Shareholders to ask questions about, or comment on, the AGL Annual Report 2017 and the management and performance of AGL. You may also submit written questions in advance of the AGM (see section 'Questions from Shareholders' on page 34).

## Item 2

### **Adoption of the Remuneration Report for the financial year ended 30 June 2017**

AGL is required under the Corporations Act to include, in the business of its AGM, a resolution that its Remuneration Report for the financial year ended 30 June 2017 be adopted. The resolution is advisory only and does not bind the Directors. However, the Directors will take into account the outcome of the vote when reviewing AGL's remuneration policies and practices. During discussion of this Item of Business, there will be an opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report.

At last year's AGM, approximately 37% of the votes cast on the resolution to adopt the 2016 Remuneration Report were against the resolution. Accordingly, the Company received a "first strike". Since the 2016 AGM, the Company has consulted broadly with stakeholders to seek to understand the concerns that led to the "first strike" and has implemented various changes to AGL's remuneration framework as a result of that consultation.

The 2017 Remuneration Report, which forms part of the Directors' Report, is set out on pages 32 to 56 of the AGL Annual Report 2017, and includes the Board's response to comments made on the 2016 Remuneration Report at the 2016 AGM and the "first strike".

Shareholders should note that whilst the vote on this Item of Business is advisory only, if more than 25% of the votes cast on this Item of Business are against adopting the Remuneration Report, the Contingent Spill Resolution in Item 7 will be put to the meeting. The operation and consequences of a spill resolution are set out in Item 7 on pages 29-30.

#### **Directors' Recommendation**

Acknowledging that each Director has a personal interest in his or her own remuneration from AGL, as described in the Remuneration Report, the Directors unanimously recommend the adoption of the Remuneration Report.

### Item 3

#### Election of Directors

##### (a) Leslie Hosking

Leslie Hosking, Age 72

**Term:** Non-executive Director since November 2008.

**Independent:** Yes.

**Committees:** Chair of the People and Performance Committee, Member of the Audit and Risk Management Committee and the Nominations Committee.

**Directorships:** Chairman of Adelaide Brighton Limited (commenced as a Director in 2003).

**Experience:** Les has over 30 years of experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry. He was previously a Director of Innovation Australia Pty Limited, Australian Energy Market Operator Limited (AEMO) and Managing Director and Chief Executive Officer of NEMMCo. Mr Hosking is also an Adjunct Professor of the University of Sydney John Grill Centre for Project Leadership.

#### Directors' Recommendation

The Directors (excluding Mr Hosking) recommend that Shareholders vote in favour of the re-election of Mr Hosking as a Director.

##### (b) Peter Botten

Peter Botten, Age 62

**Term:** Non-executive Director since October 2016.

**Independent:** Yes

**Committees:** Member of the Nominations Committee and the Safety, Sustainability and Corporate Responsibility Committee.

**Directorships:** Council Member of the Australia PNG Business Council, Chairman of the Oil Search Foundation, Business for Development Australia, Hela Provincial Health Authority, the National Football Stadium Trust in Papua New Guinea and Managing Director of Oil Search Limited.

**Experience:** Peter has been Managing Director of Oil Search Limited since 1994, overseeing its development into a major Australian Securities Exchange-listed company. Peter has extensive worldwide experience in the oil and gas industry, holding various senior technical, managerial and board positions in a number of listed and government-owned organisations. Mr Botten has a Bachelor of Science in Geology from the Royal School of Mines at London's Imperial College.

#### Directors' Recommendation

The Directors (excluding Mr Botten) recommend that Shareholders vote in favour of the election of Mr Botten as a Director.

# Business continued

## Item 4

### Grant of Performance Rights under the LTIP to Andrew Vesey

Shareholder approval is being sought for the proposed grant of 107,074 Performance Rights to AGL's Managing Director & Chief Executive Officer, Andrew Vesey, under the LTIP, the terms of which are outlined below.

#### Background

Under the terms of his service contract with AGL, Mr Vesey's current remuneration comprises:

- Fixed remuneration of \$2,300,000, effective 1 September 2017;
- STI eligibility with a target of 100% of FR for FY18; and
- Long Term Incentive Plan eligibility, with a maximum opportunity of 120% of FR for FY18.

AGL's short-term incentive plan and long term incentive plans provide executives the opportunity to earn variable awards through the achievement of individual and company performance targets over the relevant performance periods.

The current LTIP was approved by the Board in FY15, effective from FY16, and is designed to reward executives for long-term performance, encourage long-term shareholding and deliver long-term value creation for Shareholders. It is the Board's view that the current LTIP supports these objectives.

Performance Rights are granted under the LTIP and will vest upon the satisfaction of agreed performance conditions. Each Performance Right entitles Mr Vesey to receive, upon vesting, one AGL Share. Performance Rights have no entitlement to dividends or voting.

#### Performance Conditions

AGL's FY18 LTIP is based on two performance conditions, equally weighted, being Relative Total Shareholder Return (**RTSR**) and Return on Equity (**ROE**). These measures have been used since FY16, and were selected to focus participants on value creation for Shareholders through relative share price growth and improvement in earnings combined with efficient use of capital.

RTSR is a market based performance condition which measures the performance of AGL Shares relative to those of the constituent companies in the S&P/ASX 100 index (**Peer Group**). RTSR was selected as an LTI measure because it provides a relative, external market performance benchmark against the Peer Group. RTSR essentially compares the returns a Shareholder would receive compared with other constituent companies of this Peer Group. The Board has the discretion to adjust the Peer Group to take into account certain events including takeovers, mergers, de-mergers and similar transactions that might occur over the performance period.



ROE assesses shareholder returns based on underlying profit after tax as a percentage of the capital shareholders have invested. ROE is used as a performance measure as it determines how effectively AGL is deploying shareholder capital. An increasing ROE indicates that an organisation is becoming more effective at generating profit on capital. An explanation of the way AGL sets ROE targets under the LTIP is set out in the Remuneration Report on page 46 of the AGL Annual Report 2017. The Board has approved a vesting range of 11.5% to 14% for the FY18 LTIP from a base ROE in FY17 of 10.2% including AGL's share buyback.

The performance conditions are measured over a three year period commencing from 1 July 2017. The number of Performance Rights that vest at the end of that period will be determined as follows:

| Performance Measure                             | Weighting | Measured Against  | Outcome                         | Performance Rights vesting*        |
|---|-----------|---|---------------------------------|------------------------------------|
| <b>Relative Total Shareholder Return (RTSR)</b> | 50%       | Constituent companies in the S&P/ASX 100                        | <50th percentile                | 0%                                 |
|   |           |   | 50th percentile                 | 50%                                |
|   |           |   | Between 50th - 75th percentiles | Straight-line vesting from 50-100% |
|   |           |   | >75th percentile                | 100%                               |
| <b>Return on Equity (ROE)</b>                   | 50%       | Net profit after tax as % of capital shareholders have invested | <11.5%                          | 0%                                 |
|   |           |   | 11.5%                           | 50%                                |
|   |           |   | Between 11.5% - 14%             | Straight-line vesting from 50-100% |
|   |           |   | 14%                             | 100%                               |

\* The overall vesting outcome is determined by applying a 50% weighting to each of the vesting percentages

The outcome against the performance conditions will be assessed once at the end of the three year performance period and the Board will notify Mr Vesey of any Performance Rights that have vested at that point. Any Performance Rights which do not vest upon this assessment will lapse. Therefore, Mr Vesey will not receive any value if the performance conditions are not met, or the Performance Rights otherwise lapse.

#### Determination of the number of Performance Rights

The total number of Performance Rights to be granted to Mr Vesey in respect of FY18 is 107,074. This is the maximum number of Performance Rights available to vest should the applicable performance conditions be met at maximum. This maximum number of Performance Rights has been determined by dividing \$2,760,000, being 120% of Mr Vesey's FR for FY18 of \$2,300,000, by the VWAP of AGL Shares traded on ASX during the 30 calendar days up to and including 30 June 2017 of \$25.7764.

## Business continued

The number of Performance Rights that ultimately vest for Mr Vesey under the LTIP for FY18 will be determined at the end of the three year period following the grant of the Performance Rights and will depend upon the extent to which the above performance conditions have been satisfied over that period. The maximum number of Performance Rights will only vest if the highest performance levels for each performance condition are achieved (RTSR at or above the 75th percentile and ROE at or above 14%). The outcomes of the FY18 LTIP offer will be included in the Remuneration Report for the relevant financial year (i.e. FY20).

### Cessation of employment

Except in limited circumstances, Mr Vesey needs to be employed by AGL at the vesting date in order to be eligible to receive any AGL Shares upon satisfaction of the performance conditions. An overview of the circumstances in which Performance Rights may not lapse upon Mr Vesey ceasing to be employed by AGL is set out in the Explanatory Notes for Item 5.

### Clawback

The Board maintains the discretion to prescribe clawback events in which any unvested equity awards may be clawed back from executives, including the FY18 LTIP award being proposed for Mr Vesey.

Further details of the LTIP and an explanation of its intent, design and operation are set out in the Remuneration Report on pages 32 to 56 of the AGL Annual Report 2017.

### Change of control

In circumstances where there is a likely or actual change in the control of AGL, the Board has discretion to determine how to treat unvested Performance Rights including whether to vest some or all of the Performance Rights.

### Shareholder approval

Under ASX Listing Rule 10.14 a Director may only acquire shares or rights to shares under an employee incentive scheme if the Director's participation has been approved by an ordinary resolution of shareholders. Approval from Shareholders is being sought in relation to Mr Vesey's participation in the LTIP in FY18, namely the 12 months ending 30 June 2018. If shareholder approval is not provided, it is intended that the FY18 LTIP award will be provided in cash and subject to the same performance and service conditions.

### Further information required by ASX Listing Rule 10.15

ASX Listing Rule 10.15 requires the following further information to be disclosed in relation to Performance Rights which may be granted to Mr Vesey under the LTIP:

- (a) In accordance with the shareholder approval obtained at the Annual General Meeting on 28 September 2016, 147,068 Performance Rights were granted to Mr Vesey on 21 October 2016. In accordance with the terms of the LTIP, no consideration was paid by Mr Vesey for those Performance Rights.

- (b) No other Director or associate of a Director has acquired Performance Rights under the terms of the LTIP except for Mr Vesey.
- (c) No Directors or associates of Directors are entitled to participate in the FY18 LTIP except for Mr Vesey.
- (d) A voting exclusion statement is included in the Notice of Meeting.
- (e) There is no loan applicable in relation to the acquisition of Performance Rights or the AGL Shares underlying them because Mr Vesey is not required to make any payment for the Performance Rights or the AGL Shares underlying them.
- (f) The Performance Rights are expected to be granted to Mr Vesey in October 2017 (but in any event no later than 12 months after the date of the AGM) on the conditions described in these Explanatory Notes.

### Directors' Recommendation

The Directors (excluding Mr Vesey) recommend that Shareholders vote in favour of the grant of Performance Rights under the LTIP to Andrew Vesey.

## Item 5

### Approval of Termination Benefits for Eligible Senior Executives

#### Why shareholder approval is sought

The Corporations Act restricts the benefits that can be given without shareholder approval to individuals who hold a managerial or executive office on cessation of their employment or retirement from office with AGL and its related bodies corporate. AGL is seeking to refresh the approvals previously obtained from its Shareholders at the 2011 and 2014 Annual General Meetings for the provision of certain benefits on termination of employment to KMP of AGL or persons who hold a 'managerial or executive office' (as that term is used in the Corporations Act) in AGL or a related body corporate of AGL (**Relevant Executive**).

If Shareholder approval is obtained this will not guarantee that a Relevant Executive will receive any of the termination benefits described below. This approval seeks to preserve the flexibility of the Board and the People and Performance Committee (**Committee**) to implement AGL's remuneration policy and framework in support of AGL's strategy. AGL's remuneration policy and framework, and its alignment with AGL's strategy, are set out in the Remuneration Report. In particular, this approval will enable the Board to:

- deliver KMP and other Relevant Executives the benefits to which they are contractually entitled;
- attract and retain future executives on market competitive terms; and
- ensure Relevant Executives are treated fairly on cessation of employment, having regard to their contribution to AGL and the circumstances in which they are ceasing employment.

## Business continued

In setting its remuneration policy and framework, and exercising specific discretions within the framework, the Board and Committee take into account a range of factors, including the expectations of Shareholders and other stakeholders, prevailing market practice and corporate governance standards, and the desire to appropriately reward and recognise an individual executive's contribution to AGL.

### Who does this approval cover?

Approval is being sought for any current or future employees who are Relevant Executives at the time of their termination or at any time in the three years prior to their termination. This would include:

- KMP of AGL, as disclosed in AGL's Remuneration Report; and
- executives who serve as directors of AGL's subsidiaries.

### The value of the benefits or entitlements

The amount and value of the leaving entitlements being approved is the maximum potential benefit that could be provided for each of the following categories (as described in further detail below):

- (a) the vesting of Performance Rights under the LTIP;
- (b) payment of an STI award and release of Restricted Shares awarded under the STI;
- (c) payments in lieu of notice and termination payments under any Service Contract; and
- (d) superannuation benefits.

The amount and value of the leaving benefits or entitlements that may be provided cannot be determined in advance. This is because various matters, events and circumstances will or are likely to affect the calculation of the amount and value. These are set out in Annexure A.

### Approval is sought for a three-year period

If Shareholder approval is obtained, it will be effective from the date of the AGM until the conclusion of AGL's AGM in 2020. That is, Shareholder approval will be effective:

- if the Board or Committee exercises certain discretions under AGL's incentive plans;
- in relation to any equity awards granted under AGL's incentive plans; and/or
- if a Relevant Executive ceases to hold office,

during the period beginning at the conclusion of the AGM in 2017 and expiring at the conclusion of the AGM in 2020. As a new LTIP has been introduced since the last approval was obtained at the 2014 AGM, Shareholder approval is also being sought for grants made under the LTIP for the financial year ending 30 June 2016 and 30 June 2017.

It can be reasonably anticipated that aspects of the relevant incentive plans, employment agreements and superannuation arrangements may be amended from time to time in line with market practice and changing governance standards. Where relevant, any changes in relation to KMP will be reported in the Remuneration Report. However, it is intended that this approval will remain valid for as long as the incentive plans, employment agreements and superannuation arrangements provide for the treatment on cessation of holding office as set out in this Notice of Meeting.

### Details of benefits for which Shareholder approval is sought

#### *LTIP entitlements on termination of employment*

Details of AGL's LTIP and an explanation of its intent, design and operation are set out in the Remuneration Report on pages 32 to 56 of the AGL Annual Report 2017.

Under the LTIP, if a participant ceases employment prior to the end of the performance period, all unvested Performance Rights lapse (ie, the executive will have no further entitlement to the Performance Rights)

**unless** the participant's employment ceases in the following limited circumstances:

- (a) death;
- (b) redundancy;
- (c) retirement;
- (d) incapacity; or
- (e) other circumstances (for example, termination by mutual agreement) as determined by the Board in its discretion. The Board would only exercise this discretion where good leaver treatment is considered appropriate in all the circumstances.

If a participant's employment ceases in one of the above circumstances, the Board can determine:

- (a) that some or all of the unvested Performance Rights continue to be subject to the performance criteria or that the performance criteria are waived. Except in exceptional circumstances (for example, death or total and permanent disability), the Board would require the Performance Rights to continue to be subject to the performance criteria. This is consistent with AGL's strategy of delivering long-term value creation for Shareholders and maintains an alignment between executive and shareholder interests beyond termination;
- (b) that the performance criteria will be assessed at a date determined by the Board (unless the performance criteria is waived). Except in exceptional circumstances (for example, death or total and permanent disability), the Board would assess the Performance Rights against the performance criteria at the end of the performance period which applied when the Performance Rights were granted (eg, Performance Rights granted in FY17 would be assessed against the performance criteria in FY19). This is consistent with AGL's strategy of delivering long-term value creation for Shareholders and maintains an alignment between executive and shareholder interests beyond termination;

## Business continued

- (c) that some or all of the unvested Performance Rights would lapse. Except in exceptional circumstances (for example, death or total and permanent disability), the Board would determine that a pro rata number of the Performance Rights would lapse on cessation of employment. The number of Performance Rights that would lapse would be determined by the portion of the performance period the participant was employed (eg, if the participant was employed for 1/3 of the performance period before the executive's employment ceased, 2/3 of the executive's Performance Rights would lapse). This ensures there is a correlation between the work performed by the participating executive and their LTIP entitlement.

AGL is seeking advance Shareholder approval so that it has full flexibility to apply the discretions available under the LTIP in respect of Relevant Executives. In exercising these discretions the Board would have regard to relevant circumstances, including the reasons for cessation, AGL's performance, the Relevant Executive's contribution to AGL and prevailing market practice and stakeholder expectations.

For the purposes of section 200E of the Corporations Act, further information about the value of any termination benefits that may be provided to or in respect of a Relevant Executive is set out in Annexure A to these Explanatory Notes under the heading 'LTIP entitlements on termination of employment' (see page 31).

### *STI entitlements on termination of employment*

Details of AGL's STI and an explanation of its intent, design and operation are set out in the Remuneration Report on pages 32 to 56 of the AGL Annual Report 2017. STI awards are a combination of cash and deferred Restricted Shares, with the Board determining the proportion to be deferred and the relevant deferral period. For FY17, 50% of the value of Mr Vesey's STI award is Restricted Shares, for other Relevant Executives it is 10% (and the remainder of the STI award is payable as cash). The FY17 deferral period is 12 months. At the end of the deferral period, the Restricted Shares are released.

If a participant ceases employment prior to the STI award being made for the relevant financial year they will not receive any STI award and any deferred Restricted Shares will be forfeited **unless** the participant's employment ceases in the following limited circumstances:

- (a) death;
- (b) redundancy;
- (c) retirement;
- (d) incapacity; or
- (e) other circumstances (for example, termination by mutual agreement) as determined by the Board in its discretion. The Board would only exercise this where good leaver treatment is considered appropriate in all the circumstances.

If a participant's employment ceases in one of the above circumstances, the Board can determine:

- (a) whether the participant will be considered for an STI award and the timing of that consideration and award. Except in exceptional circumstances (for example, death or total and permanent disability), the participant will only be considered for an STI award following the end of the relevant financial year. This ensures that a consistent approach is applied across all STI participants;
- (b) the application of the performance measures to any STI award for which the participant is considered. Except in exceptional circumstances (for example, death or total and permanent disability), the Board would require the award of the STI to continue to be subject to the performance measures. This ensures there is a correlation between the work performance by the participant and their STI award;
- (c) the composition of the STI award (ie, whether it is all cash or a combination of cash and Restricted Shares). Generally, the STI award would be satisfied wholly in cash; and
- (d) whether the deferral arrangement for any Restricted Shares awarded to the participant in preceding years will continue to apply or whether those Restricted Shares are released to the participant prior to the end of the deferral period.

If a Relevant Executive's employment ceases in one of the circumstances described above, the value of any STI award the Board may determine the Relevant Executive be considered for is limited to a pro rata amount according to the period of the financial year the Relevant Executive was employed by AGL (ie, unless the Relevant Executive was employed for the full financial year, they will not be considered for their full target STI opportunity).

AGL is seeking advance Shareholder approval so that it has full flexibility to apply the discretions available under the STI in respect of Relevant Executives. In exercising these discretions the Board would have regard to relevant circumstances, including the reasons for cessation, AGL's performance, the Relevant Executive's contribution to AGL and prevailing market practice and stakeholder expectations.

For the purposes of section 200E of the Corporations Act, further information about the value of any such benefits that may be provided to or in respect of a Relevant Executive is set out in Annexure A to these Explanatory Notes under the heading '*STI entitlements on termination of employment*' (see page 31).

#### *Payment in lieu of notice and termination payments*

The Service Contracts for AGL's Relevant Executives generally provide for notice (or a payment in lieu of notice) and a termination payment as set out in the table below.

## Business continued

| Notice by AGL                               | Notice by Relevant Executive           | Termination Payment                     |
|---|--|---|
| Up to 12 months (CEO)*                      | 6 months** (CEO)                       | 12 months (CEO)***                      |
| Up to 3 months* (other Relevant Executives) | 6 months** (other Relevant Executives) | 9 months (other Relevant Executives)*** |

\* AGL is not required to give a Relevant Executive notice in circumstances of termination for serious and wilful misconduct.

\*\* A Relevant Executive (including the CEO) is usually only required to give 3 months' notice in circumstances of material diminution of duties, status or responsibilities.

\*\*\* This payment is only made if the Relevant Executive terminates their employment in circumstances of a material diminution of their duties, status or responsibilities or, except for the CEO, where AGL terminates their contract without cause. Any termination payment would be in addition to any payment in lieu of notice made to a Relevant Executive.

Any payment in lieu of notice or termination payment made by AGL will be calculated based on the Relevant Executive's FR at the date of cessation of employment. The value of a Relevant Executive's FR:

- includes the Relevant Executive's base salary, the amount of any superannuation contributions paid to a complying superannuation fund on the Relevant Executive's behalf and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments; and
- is reviewed at least annually having regard to the Relevant Executive's performance in the prior financial year and market conditions (among other things). Generally, any FR increase will take effect on 1 September. The maximum FR for a Relevant Executive for the performance year commencing 1 September 2017 is \$2,300,000 (which relates to the CEO).

Making a payment in lieu of notice or a termination payment to a Relevant Executive may constitute a termination benefit regulated by the Corporations Act and AGL is seeking advance Shareholder approval to permit it to make a payment in lieu of notice or a termination payment to Relevant Executives.



### *Superannuation benefits*

AGL makes compulsory superannuation contributions required by Australian law (currently at a rate of 9.50% subject to an annual cap of \$20,049) on behalf of Relevant Executives into their nominated superannuation funds so as to not incur the superannuation guarantee charge. Additional superannuation contributions may also be made by AGL at the request of the Relevant Executive on a salary sacrifice basis.

Payment by a superannuation fund of all or part of the Relevant Executive's accrued superannuation benefits (by way of a lump sum or pension) could (to the extent they are referable to the contributions made by AGL or a related body corporate in respect of the Relevant Executive) be regarded as a benefit provided in connection with their retirement from a relevant office, and may therefore be regulated by the Corporations Act.

AGL is seeking advance Shareholder approval for the future payment by any Australian complying superannuation fund of the accrued superannuation benefits of a Relevant Executive to the extent they are referable to the contributions made by AGL or a related body corporate.

For the purposes of section 200E of the Corporations Act, further information about the value of any accrued superannuation benefit that may be made to a Relevant Executive are set out in Annexure A to these Explanatory Notes under the heading 'Superannuation benefits' (see page 32).

AGL is not seeking Shareholder approval for any Relevant Executive who is a member of a defined benefits superannuation benefit, to which a different regime applies.

### **Directors' Recommendation**

The Directors (excluding Mr Vesey) recommend that Shareholders vote in favour of the approval of Termination Benefits for Eligible Senior Executives.

# Business continued

## Item 6

### Renewal of Proportional Takeover Provisions

Clause 12 of AGL's Constitution contains proportional takeover approval provisions that prohibit AGL from registering a transfer of AGL Shares under a proportional takeover bid unless the bid is approved by a resolution passed by Shareholders in general meeting.

Under the Corporations Act proportional takeover approval provisions must be renewed every three years or they will cease to have effect. The current provisions will automatically cease to have effect after 23 October 2017. If the proposed resolution is approved by Shareholders, the proportional takeover provisions will be renewed and have effect on exactly the same terms as the existing provisions until 27 September 2020.

The Corporations Act requires that the following information be provided to Shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

#### What is a proportional takeover bid?

A proportional takeover bid is a takeover bid where an offer is made to each shareholder of a company to acquire a specified proportion only of that shareholder's shares (that is, less than 100%). The specified proportion must be the same in the case of all shareholders.

The Corporations Act allows a company to provide in its constitution that if a proportional takeover bid is made shareholders must vote on whether to accept or reject the proportional takeover bid and that decision will be binding on all shareholders. This provision allows shareholders to decide collectively whether a proportional takeover bid is acceptable in principle.

#### The effect of the proportional takeover provisions

The effect of the proportional takeover provisions in clause 12 of AGL's Constitution is that if a proportional takeover bid is made for AGL, AGL must refuse to register a transfer of AGL Shares giving effect to any acceptance of the bid unless the takeover bid is approved by Shareholders in general meeting.

The Directors must convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover bid. For the resolution to be approved, it must be passed by a simple majority of votes at the meeting, excluding votes of the bidder and its associates.

If no such resolution is voted on at least 14 days before the last day of the takeover bid period, the resolution will be deemed to have been approved. This effectively means that Shareholders may only prohibit a proportional takeover bid by passing a resolution rejecting the proportional takeover bid.

If the resolution is approved or deemed to have been approved, a transfer of AGL Shares under the proportional takeover bid may be registered provided it complies with the other provisions of the Corporations Act and the Constitution.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid is prohibited and the proportional takeover bid is deemed by the Corporations Act to have been withdrawn.

The proportional takeover provisions do not apply to full takeover bids and, if renewed, will only apply until 27 September 2020, unless again renewed by Shareholders by passing a special resolution.

### Reasons

Without the proportional takeover approval provisions, a proportional takeover bid may result in control of AGL passing without Shareholders having the opportunity to dispose of all of their AGL Shares to the bidder. This could result in control of AGL passing to the bidder without the payment of an adequate control premium and with Shareholders left as a minority interest in AGL.

The proportional takeover provisions lessen this risk because they allow Shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed. The Directors consider that it is appropriate for Shareholders to have this right.

### No knowledge of any acquisition proposals

At the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in AGL.

### Review of proportional takeover provisions

The Corporations Act requires Shareholders to be given a statement which retrospectively examines the advantages and disadvantages, for Directors and Shareholders, of the proportional takeover provisions proposed to be renewed. A statement of advantages and disadvantages is set out below.

While the proportional takeover provisions in clause 12 of the Constitution have been in effect there have been no takeover bids for AGL, either proportional or otherwise. Accordingly, there are no actual examples against which to review the advantages or disadvantages of the existing proportional takeover provisions for Directors and Shareholders of AGL. The Directors are not aware of any potential takeover bid that was discouraged by the proportional takeover provisions.

### Potential advantages and disadvantages

The Corporations Act requires that shareholders be given a statement of the potential future advantages and disadvantages of the provisions in addition to retrospectively reviewing the provisions proposed to be renewed.

## Business continued

The renewal of the proportional takeover provisions will allow Directors to ascertain Shareholders' views on a proportional takeover bid. Otherwise, the Directors consider that the proposed renewal of the proportional takeover provisions has no potential advantages or potential disadvantages for Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved or rejected.

The potential advantages of the renewal of the proportional takeover provisions for Shareholders are:

- (a) they give Shareholders a say in determining whether a proportional takeover bid should proceed;
- (b) they may discourage the making of a proportional takeover bid which may be considered to be opportunistic and may prevent control of AGL passing without the payment of an appropriate control premium;
- (c) they may assist Shareholders in not being locked in as a minority interest;
- (d) they increase Shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) knowing the view of the majority of Shareholders may assist each individual Shareholder in assessing the likely outcome of the proportional takeover bid and whether to approve or reject that bid.

Some potential disadvantages of the renewal for Shareholders are that the proportional takeover provisions:

- (a) may discourage the making of proportional takeover bids in respect of AGL and may reduce any speculative element in the market price of AGL's Shares arising from the possibility of a takeover bid being made;
- (b) may depress the share price or deny Shareholders an opportunity of selling some of their AGL Shares at a premium;
- (c) may reduce the likelihood of a proportional takeover bid being successful; and
- (d) may be considered to constitute an unwarranted restriction on the ability of Shareholders to deal freely with their AGL Shares.

However, the Directors do not perceive those or any other possible disadvantages as a justification for not renewing the proportional takeover provisions for a further 3 years and consider that the potential advantages of the proportional takeover provisions for Shareholders outweigh these possible disadvantages.

### Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the renewal of the proportional takeover provisions in clause 12 of AGL's Constitution.

# Contingent Business

## Item 7

### Conditional Spill Resolution

At last year's Annual General Meeting, more than 25% of the votes cast on the resolution to adopt the Remuneration Report were against adopting the report and the Company received a "first strike".

Item 7 is a conditional resolution and will not be required to be put to the meeting if more than 75% of votes cast on Item 2 are cast in favour of the resolution to adopt the Remuneration Report i.e. if the Company avoids a "second strike".

If the Company is required to put the conditional spill resolution to the meeting, and the spill resolution is passed and becomes effective, it will be necessary for the Board to convene an extraordinary general meeting of the Company (the **Spill Meeting**) to be held within 90 days of the date of the AGM in order to consider the composition of the Board. If a Spill Meeting is required, the date of the meeting will be notified to Shareholders in due course.

If the Spill Meeting is held, the following Non-executive Directors<sup>1</sup> will automatically vacate office at the conclusion of the Spill Meeting unless they are willing to stand for re-election and are re-elected at that meeting:

- Mr Peter Botten;
- Ms Jacqueline Hey;
- Mr Les Hosking;
- Mr Graeme Hunt;
- Ms Belinda Hutchinson;
- Ms Diane Smith- Gander; and
- Mr John Stanhope.

<sup>1</sup> As announced by AGL on 21 June 2017, Jerry Maycock will retire from the AGL Board at the conclusion of the 2017 AGM.

## Contingent Business continued

Even if Mr Botten and Mr Hosking are elected or re-elected (as applicable) at the AGM, they will still need to be re-elected at the Spill Meeting to remain in office following the Spill Meeting.

When considering this Item of Business, the Directors suggest that Shareholders consider:

- the Board's response to the first strike received at the 2016 AGM, which is set out on pages 34-35 of the AGL Annual Report 2017;
- the additional costs in convening an additional general meeting of Shareholders; and
- each Non-executive Director (other than Mr Botten who was appointed to the AGL Board after the 2016 AGM and is subject to election at the 2017 AGM) has previously been elected as a Director of AGL by Shareholders and received strong support from Shareholders.

### Directors' Recommendation

The Directors unanimously recommend that Shareholders vote **AGAINST** this resolution to convene a Spill Meeting if Item 7 is put to the meeting.

# Annexure A

This Annexure sets out additional information relevant to the proposed resolution in Item 5. This information should be read in conjunction with the Explanatory Notes to the proposed resolution, set out on pages 19 to 25 of the Notice of Meeting.

This additional information is for the purposes of section 200E of the Corporations Act.

## LTIP entitlements on termination of employment

- 1 The monetary value of any benefit that arises from the Board exercising discretion in respect of Performance Rights under the LTIP cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in paragraph 2 below.
- 2 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

### **Matter, event or circumstance**

---

The number of Performance Rights granted to the Relevant Executive.

---

The number of unvested Performance Rights that the Relevant Executive holds at the time they cease employment and the number that the Board determines to vest, lapse or leave on foot.

---

The portion of the performance period that the Relevant Executive is employed by AGL.

---

The extent to which the performance criteria that apply to the Performance Rights have been satisfied.

---

The circumstances in which the Relevant Executive ceases to hold office.

---

AGL's share price at the relevant time.

---

## STI entitlements on termination of employment

- 3 The monetary value of any benefit from an STI award, or the release of Restricted Shares from deferral, cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in paragraph 4 below.

# Annexure A continued

- 4 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

**Matter, event or circumstance**

---

The Relevant Executive's target STI opportunity.

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The Relevant Executive's base salary at the time of cessation of employment.

---

The portion of the relevant financial year that the Relevant Executive is employed by AGL.

---

The Relevant Executive's performance against applicable performance measures.

---

The circumstances in which the Relevant Executive ceases to hold office.

---

AGL's share price at the relevant time.

---

## Superannuation benefits

- 5 The monetary value of any payment made by a superannuation fund to a Relevant Executive cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in paragraph 8 below.
- 6 At a high level, the payment made by the superannuation fund will include the compulsory superannuation contributions required to be made by AGL so as not to incur the superannuation guarantee charge, and additional contributions made by AGL at the request of the Relevant Executive.
- 7 However, to determine the value of the payment by the superannuation fund to the Relevant Executive more precisely, it will be the amount of the benefit (before tax) to which the Relevant Executive is entitled under the rules of their superannuation fund. Typically, the value of the payment (before tax) would be referable to:
- (a) the total of all contributions to the fund by AGL (or any related body corporate) in respect of the Relevant Executive; plus
  - (b) all other contributions made by (or on behalf of) the Relevant Executive to the fund; plus
  - (c) any additional amounts that may be credited to the Relevant Executive's account by the trustee of the fund at the request of AGL (or a related body corporate); plus
  - (d) the amount of any insurance proceeds paid to the fund in respect of the Relevant Executive,



adjusted by:

- (e) any earnings or capital growth or loss attributable to the contributions made to the fund; and
- (f) the deduction of any fees, charges and expenses by the fund.

8 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

**Matter, event or circumstance**

---

The total amount of superannuation contributions made by AGL or a related body corporate in respect of the Relevant Executive. This will, in turn, depend on:

- the rate at which AGL or a related body corporate has been required to make superannuation contributions in respect of the Relevant Executive so as not to incur a superannuation guarantee charge; and
  - the total amount of contributions under a 'salary sacrifice' arrangement.
- 

The total contributions made to the relevant superannuation fund by the Relevant Executive or any other person.

---

The investment performance of the relevant superannuation fund.

---

The fees, taxes, costs and expenses deducted from the Relevant Executive's account.

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Any insurance policies held by the trustee of the fund referable to the Relevant Executive and the terms of those policies.

---

The circumstances giving rise to a payment of superannuation benefits.

---

The manner in which the governing rules of the fund provide for calculation of the relevant superannuation benefit.

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# Questions from Shareholders

AGL aims to ensure that Annual General Meetings and AGL's Annual Report meet Shareholders' expectations. Your views are essential to this.

If you would like further information on AGL, or would like to ask a question at AGL's AGM or of the Auditor about the content of the Auditor's Report or the conduct of the audit, you may lodge your questions online by visiting the AGL Share Registry's website [vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL) or by completing the enclosed question form and returning it in the enclosed reply paid envelope.

**Questions for the AGM (including written questions to the Auditor) must be received at any of the addresses below by 5.00pm on Wednesday, 20 September 2017.**

The Chair of the AGM will answer as many of the frequently asked questions as possible.

The AGM will be webcast live at [www.agl.com.au/agm](http://www.agl.com.au/agm) and a copy of the Chair's address to the AGM will be available on the AGL website.

In accordance with the Corporations Act, Shareholders will also be given a reasonable opportunity at the AGM to ask:

- questions about, or make comments on, the management of AGL and the Remuneration Report; and
- the Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by AGL and the independence of the Auditor.

**If you would like to make a suggestion or comment on the Annual Report**, please advise AGL in one of the following ways (this will allow us to incorporate your views into the content and design of future Annual Reports):

- **Online** at the AGL Share Registry's website: [vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL)
- **Write** to the AGL Share Registry or the Company Secretary by completing the enclosed question form and sending it to the Share Registry in the enclosed reply paid envelope to:

AGL Energy Limited  
C/ Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

or post to:

Company Secretary  
AGL Energy Limited  
Locked Bag 1837  
St Leonards NSW 2065

or fax to:


the AGL Share Registry on 02 9287 0309.


# Location of AGM


## How to find the Melbourne Recital Centre

You can use the map below to find the nearest transport routes and the location of the AGM – Melbourne Recital Centre.



 **By Train**  
Melbourne Recital Centre is 10 minutes walk from Flinders Street Station

 **By Tram**  
Melbourne Recital Centre, Melbourne is served by a number of trams

 **By Car**  
There are many car parks located within walking distance

 **By Taxi**  
Your taxi can enter from Sturt Street

For more specific information about public transport routes and timetables, contact Public Transport Victoria on 1800 800 007 or visit [www.ptv.vic.gov.au](http://www.ptv.vic.gov.au)



[agl.com.au](http://agl.com.au)



**AGL Energy Limited**

ABN 74 115 061 375

**LODGE YOUR VOTE**

**ONLINE**  
vote.linkmarketservices.com/AGL

**BY MAIL**  
AGL Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**BY FAX**  
+61 2 9287 0309

**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

**ALL ENQUIRIES TO**  
Telephone: +61 1800 824 513 (free call within Australia)



**X99999999999**

**VOTING FORM**

I/We being a member(s) of AGL Energy Limited (Company) and entitled to attend and vote hereby appoint:

**STEP 1** Please mark either A or B

**A VOTE DIRECTLY**

elect to lodge my/our vote(s) directly (mark box)

**i** in relation to the Annual General Meeting of the Company to be held at **10:30am on Wednesday, 27 September 2017**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

**OR**

**B APPOINT A PROXY**

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am on Wednesday, 27 September 2017 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Melbourne, Victoria** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 2, 4, 5 and 7:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2, 4, 5 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

**The Chairman of the Meeting intends to vote undirected proxies in favour of all items except Item 7, which will be voted against as shown below.**

**VOTING DIRECTIONS**

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

**STEP 2**

**Resolutions**

- 2** Remuneration Report
- 3(a)** Re-election of Leslie Hosking
- 3(b)** Election of Peter Botten
- 4** Grant of Performance Rights under the AGL Long Term Incentive Plan to Andrew Vesey
- 5** Approval of Termination Benefits for Eligible Senior Executives
- 6** Renewal of Proportional Takeover Provisions

| Chairman | For                      | Against                  | Abstain*                 |
|----------|--------------------------|--------------------------|--------------------------|
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FOR      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Contingent Business**

Note: Item 7 will only be considered at the meeting if the condition described in the Notice of Meeting is satisfied.

**7** Conditional Spill Resolution

**AGAINST**

**i** \* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3**

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### VOTING UNDER BOX A - VOTE DIRECTLY

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

### VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** Where the holding is in one name, the holder must sign.

**Joint Holding:** Where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** To sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Monday, 25 September 2017**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



#### ONLINE

[vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL)

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



#### BY MOBILE DEVICE

Our voting website for mobiles is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the AGL Energy Limited voting link [vote.linkmarketservices.com/AGL](http://vote.linkmarketservices.com/AGL) into your phone. Login using the holder number and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile.



#### BY MAIL

AGL Energy Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**