

2020 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

My name is Graeme Hunt and I am your Chairman.

Welcome to AGL's 2020 Annual General Meeting. The health and safety of our people, Shareholders and the communities in which we operate is of paramount importance to AGL. That is why, in light of the potential health risks created by the COVID-19 pandemic, we decided it was prudent not to hold the meeting in a physical location this year. We are, therefore, conducting this years' Annual General Meeting in a virtual format.

There are several matters I need to mention with the format of our meeting being different from that of previous years. Every effort has been made to ensure that the meeting runs smoothly. However, if you encounter any technical issues which preclude you from attending the meeting live, a recording and transcript of the meeting will be available on our website after the meeting.

Shareholders have the opportunity to ask questions in this virtual meeting format. If you are a shareholder or proxy, attorney or representative of a shareholder and wish to ask a question about an item of business, please click the icon "Ask a Question" on your screen and click "Submit Question" once you have typed your question.

If you have a question already prepared, please submit it now on the platform so that I can answer as many questions as possible when I come to the relevant agenda item. You do not need to wait until the relevant item of business. I ask that you please keep your questions brief so that as many shareholders as possible have an opportunity to ask a question.

Questions sent via the online meeting platform will be moderated to avoid repetition, and if questions are particularly lengthy, we may need to summarise them in the interests of time. To assist with the smooth running of the meeting, James Hall, General Manager, Corporate Finance, will read out the name of the shareholder and their question. We will give all shareholders present a reasonable opportunity to ask questions, but it is possible that not all questions will be answered today.

A number of shareholders also submitted questions in advance of the meeting. Individual responses have been sent to those shareholders ahead of the meeting. We will also address the key themes raised in my address and in the Managing Director and CEO's address.

I now confirm that a quorum is present and I declare the meeting open.

I would like to start the meeting by acknowledging the traditional owners of the land on which I am chairing this meeting from today, the Wurundjeri people, and pay our respects to their elders past, present and emerging. Directors and shareholders listening in are doing so from other ancestral lands, and I also pay my respects to the traditional owners of those lands and their elders past and present.

I will now explain the running order for today's meeting.

In a moment, I will make a few remarks about the results for the 2020 financial year, and about other topical matters. Then, Brett Redman, AGL's Managing Director and CEO, will speak. We will then attend to the formal business of the meeting.

As I mentioned, shareholders may vote and submit questions about each item of business using the online platform. All resolutions to be put to the meeting today will be decided on a poll. I now declare the poll open.

In order to cast your vote, please click the “Get a Voting Card” icon on your screen. Then enter your Shareholder Number (that is your SRN or HIN) or Proxy Number and click “Submit Details and Vote”. Please complete your voting card for each item of business and then click “Submit Vote or “Submit Partial Vote” as appropriate.

I would now like to introduce my fellow Directors who are joining us today via the online platform.

They are: Les Hosking, John Stanhope, Jacqueline Hey, Patricia McKenzie, Peter Botten, Diane Smith-Gander, Mark Bloom and our Managing Director and CEO, Brett Redman.

Also attending this meeting today is our Company Secretary, John Fitzgerald, and Chief Financial Officer, Damien Nicks as well as the other members of the Executive Team.

AGL’s external auditors, Deloitte, are also attending this meeting. The senior audit partner, Jason Thorne, is available to answer any relevant questions you may wish to ask later in the meeting and I thank him for attending today.

As we begin, let me acknowledge the extraordinary challenges faced by the Australian people since the 2019 AGM. This includes the impacts of widespread and severe drought, followed by devastating bushfires and the health and economic effects of the COVID-19 pandemic, which have been extreme and are continuing.

Mindful of AGL’s role as an essential service provider, I am proud of the way AGL has, and is continuing, to respond to these challenges. AGL has acted quickly to ensure that we keep the lights on and the gas flowing for our customers while providing carefully targeted financial support to our affected customers, employees and communities.

I am particularly proud of the way AGL and our people responded during the COVID-19 pandemic, including by adopting new ways of working with a large proportion of the workforce pivoting to remote working while a number of AGL's people at generation sites continue to work with additional health and safety measures in place so that there is no disruption to customer experience and AGL's operations.

We also recognise the financial stress that our customers are facing as a result of these challenges, and AGL continues to provide ongoing payment support options to customers who cannot pay their bills because they have lost their job or business, or because their health has been impacted by the pandemic.

Amid this environment, I am pleased to say that AGL remains in a robust financial position. We retain the financial strength that is needed to ensure that our generation portfolio keeps the lights on for Australians. I will now discuss our results for the 2020 financial year.

AGL's statutory profit after tax was 1,015 million dollars. This compares with 905 million dollars in the 2019 financial year. The increase in statutory profit after tax in the 2020 financial year was a result of a positive non-cash movement in the fair value of financial instruments.

Given the volatility of these non-cash fair value movements every year, AGL regards Underlying Profit as the more useful measure of company performance. Underlying Profit is calculated by excluding significant items and the 'mark to market' impact of fair value movements.

Underlying Profit after tax for the 2020 financial year was 816 million dollars, down 22 per cent on the previous year, but in line with the guidance range we provided in August 2019. The main drivers of the decrease in profit were the unplanned outage at Loy Yang in the first half of the year, reduction in gas sales volumes, lower wholesale electricity and large-scale generation certificate prices, and increased depreciation and amortisation expense.

The final dividend of 51 cents per share (which was 80 per cent franked) was paid on 25 September 2020. When added to the interim dividend of 47 cents per share, the total dividend for the 2020 financial year was 98 cents per share, franked at 80 per cent.

AGL's cash flow and financial position remain strong, with net cash flow from operating activities after interest and tax up 35 per cent to 2,156 million dollars during the period. This strong cash flow enabled us to undertake a 622 million dollar on-market share buy-back in the 12 months to August 2020 and to announce our intention to pay special dividends in FY21 and FY22. We are not proposing to pay franked dividends during this period while we utilise historic tax losses. The special dividend program will in effect increase our target dividend payout ratio to 100% of Underlying Profit after tax during this period, helping to offset the impact of the loss of franking. Both ordinary dividends and special dividends will remain subject to Board discretion, trading conditions and the ongoing funding and liquidity requirements of our business.

Today we confirm the earnings outlook for the 2021 financial year as being within the range of 560 million dollars to 660 million dollars provided as part of the FY20 results in August. This guidance represents a material reduction on FY20, reflecting the operating and market headwinds that our company is facing, with reduced gross margin in wholesale gas and wholesale electricity; further increases in depreciation expense from recent investment in plant, systems and growth; and COVID-19 cost challenges. Brett will talk more about the detail of the outlook shortly. As mentioned earlier, cash flow and liquidity remain strong and we have material headroom to fund investment and further capital market initiatives.

Our strategy remains focused on Growth, Transformation and Social Licence. Consistent with this strategy, AGL published a new Climate Statement earlier this year setting out our target to achieve net zero emissions by 2050. Our Climate Statement includes five key commitments to help manage carbon risk and reach this target. They are:

- offering customers the option of carbon neutral prices across all our products;
- supporting the evolution of Australia's voluntary carbon markets;
- continuing to invest in new sources of electricity supply;
- responsibly transitioning our energy portfolio; and
- being transparent.

In the past year, we have also continued to execute on our growth strategy. In September 2019, AGL acquired Perth Energy, an integrated energy company operating in Western Australia, which expanded our position in Western Australia.

In December 2019, we acquired Southern Phone Company, providing a foundation for AGL's future broadband and mobile offerings. We are continuing to grow our customer base while supporting our customers through challenging times by delivering better service and simplified products.

We have made good progress on our growth strategy this year, including through the acquisition of Click Energy, which completed on 30 September 2020, but recognise that there is more to be done and so, this year, AGL has set a number of long term growth targets as we quantify our vision for the future.

I would also like to take a few moments to outline the changes to the Board since the 2019 AGM.

In July 2020, Mark Bloom joined the Board, bringing over 35 years' experience as a finance executive. You will have the opportunity to hear a little more about Mark later when considering his election.

Peter Botten will retire by rotation at the end of the meeting and is standing for re-election at today's meeting.

At the conclusion of the AGM, Les Hosking will retire from the Board. On behalf of the Board, I would like to thank Les for over 10 years of invaluable service.

As a Board, we will continue to focus on ensuring that we have the appropriate mix of skills, experience and diversity to guide your company through the challenges of the present and the opportunities of the future.

I will now speak briefly about two resolutions that we received from a small group of Shareholders for consideration at the AGM. These are items 7a and 7b in the Notice of Meeting.

The Board respects the right of Shareholders to put forward resolutions. However, the Board does not consider these resolutions to be in the best interests of AGL, for the reasons detailed in the Notice of Meeting, and the Board recommends that Shareholders vote against these items.

Item 7b is contingent on the outcome of Item 7a, being the special resolution to amend AGL's Constitution.

Based on the proxy and direct votes received ahead of the meeting, and the number of votes that I have been informed are represented at this meeting today, Item 7a will not receive sufficient support from Shareholders to be passed and therefore, as advised to Shareholders in the Notice of Meeting, Item 7b will not be put to the meeting. However, we will give Shareholders an opportunity to ask questions about these resolutions later in the meeting.

I want to assure Shareholders that AGL takes the matters raised in the shareholders' resolutions Items 7a and 7b very seriously and they are matters that the Board continues to monitor closely.

AGL is Australia's largest integrated electricity generator and retailer, as well as a major investor in renewable energy. AGL is also Australia's largest carbon emitter, and therefore, we recognise that AGL must continue to evolve, innovate and adapt in order to continue to serve millions of Australian households and businesses.

AGL has been publishing reports under the Taskforce for Climate-related Financial Disclosure (TCFD) framework since 2018. We consider the TCFD framework is useful because it recognises that the exact path of decarbonisation is unknown and enables companies to use scenario analysis to consider the potential impacts upon its business of a number of possible futures.

In 2020, AGL extended its TCFD scenario analysis to 2050 and modelled four scenarios, including one (“Scenario A”) that reflected current policy settings and closure schedules in Australia and one (“Scenario D”) in which concerted action on climate change occurred to limit global temperature increases to no more than 1.5 degrees Celsius above pre-industrial levels. This analysis demonstrated that AGL’s business was resilient to all scenarios, with many opportunities present, but that earlier closure of the AGL Loy Yang power station would be required in Scenario D than in all other scenarios modelled.

Resolution 7(b) requests AGL to commit to the earlier closure timetable modelled in Scenario D. This request is not consistent with the purpose of scenario analysis, which is to recognise that the future is uncertain, and to model a business’ resilience to that uncertainty. It is not the objective of scenario analysis, nor AGL’s policy, to commit unilaterally to outcomes of particular scenarios. This is especially the case when moving toward that scenario requires concerted and collaborative efforts across industry, regulators and society as a whole.

In AGL's 2015 Greenhouse Gas Policy, AGL committed to not extend the life of its coal-fired power plants. AGL’s coal-fired power stations at Bayswater and Loy Yang A ensure energy reliability and security and provide AGL with the financial strength to progress the energy transition. AGL remains committed to not extending the life of these coal fired power stations and closing them no later than 2035 and 2048 respectively.

As these assets age and reach the end of their technical life, AGL will continue to run them responsibly and safely to supply affordable and reliable electricity to its customers. AGL will also support our people and local communities through change and remain flexible to how customers, community and technology shape the pace of the energy transition.

However, AGL does not consider that it is in the best interests of shareholders or other stakeholders for AGL to make firm commitments at this time to phase out coal power generation earlier than the existing planned closure dates. Rather, it is in the best interests of shareholders for AGL to focus on delivering its commitments made in the Climate Statement and to continue to work constructively with industry, regulators and government on delivering orderly transition to a decarbonised energy system.

AGL will continue to evolve the scenario analysis it undertakes each year in relation to carbon risk and to engage with relevant stakeholders and keep shareholders fully informed.

I also wish to make some comments on the second item on today's agenda, the Remuneration Report. The Chair of the Board's People & Performance Committee, Diane Smith-Gander, will speak to the Remuneration Report in more detail shortly, but I wanted to acknowledge the concerns raised by some proxy advisors and shareholders, which has resulted in a number of shareholders voting against the approval of the report and the granting of Long-Term Incentive rights to the CEO. This will mean we will incur a first strike against the Remuneration Report.

I want to assure you that your Board takes the feedback it receives on AGL's remuneration practices seriously. We devote significant time to striking the right balance between setting remuneration for executives at levels commensurate with the company's performance and community expectations, while also being sufficient to attract and retain talent. In keeping with this approach, last year we made a number of changes to our remuneration framework to reflect this principle – including extending the vesting periods on incentive schemes.

However, given the concerns expressed this year, we will engage with shareholders over the coming year to fully understand your views and we will review our remuneration structure and consider opportunities to further align the structure with company performance and long-term shareholder value.

In summary, it has been another year of resilient performance for AGL amid significant external challenges. The 2021 Financial Year will be significantly more challenging with a materially lower earnings outlook. Despite these challenges, your Board is confident that the appropriate strategy is in place, supported by a strong company culture and capable management team, to drive the right outcomes for customers and the community and continued value creation for our Shareholders over the long-term.

It is now my pleasure to invite Brett Redman, your CEO, to address you. Following Brett's address, we will move to the formal business of the meeting.