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ASX & Media Release

2021 Annual General Meeting

22 September 2021

AGL Energy Limited is holding its 2021 Annual General Meeting (AGM) today.

Attached are copies of the addresses to be given at the AGM by AGL's:

- Chairman;
- Managing Director & CEO; and
- Chair of the People & Performance Committee.

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for more than 180 years, AGL supplies around 4.5 million energy and telecommunications customer services[1]. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

[1] Services to customers number is as at 31 December 2020 and includes Click Energy and 100% of approximately 300,000 services to customers of ActewAGL, in which AGL owns a 50% equity stake of the retail operations.

2021 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

My name is Peter Botten and I am your Chairman.

Welcome to AGL's 2021 Annual General Meeting, my first meeting as Chairman of AGL.

I would like to start the meeting by acknowledging the traditional owners of the land on which I am chairing this meeting from today in Perth, the Whadjuk Nyoongar people, and pay my 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, present and emerging.

We had originally intended to hold this years' meeting as a physical meeting in Melbourne but given the extent of lockdowns throughout Australia and in light of the potential health risks created by the COVID-19 pandemic, we decided it was prudent to host this years' meeting online.

Every effort has been made to ensure that the meeting runs smoothly, and that shareholders have the full ability to participate. 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 online 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, select the messaging tab at the top of the platform. At the top of that tab there is a section for you to type your question. Once you have finished typing, please hit the arrow symbol to send.

If you have a question already prepared, please submit it now on the platform so that we can answer as many questions as possible when we 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.

For those shareholders who wish to ask a verbal question, an audio questions facility is available during this meeting. To use this service, please pause the broadcast on the Lumi platform and then click on the link under “Asking audio questions”. A new page will open where you will be prompted to enter your name and the topic of your question before being connected. You will listen to the meeting on this page while waiting to ask your 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, Liz McNamara, Executive General Manager, Corporate Affairs 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.

If you are eligible to vote at this meeting, a new voting tab will shortly appear on your screen. Selecting this tab will bring up a list of resolutions and present you with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded. You may submit your votes at any time.

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 2021 financial year, and about other topical matters. Then, Graeme Hunt, 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.

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

They are: John Stanhope, Jacqueline Hey, Patricia McKenzie, Diane Smith-Gander, Mark Bloom and our Managing Director and CEO, Graeme Hunt.

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.

Let me start off by acknowledging that FY21 was extremely challenging for AGL, and a very disappointing year for shareholders. The acceleration of the key operating and market headwinds that we have been foreshadowing for a number of years have now materialised, although the extent and impact of those headwinds on our business and the industry – especially in the form of declining energy prices and the impacts of COVID-19 – have proven to be far greater than anyone expected.

It is also beyond question that the pace of transition towards a decarbonised future in Australia has rapidly increased and that as Australia's largest electricity generator and, therefore, the largest emitter of greenhouse gases, this is also having a direct impact on the value – and share price - of our business.

AGL is already committed to achieving net zero emissions by 2050 and your Board recognises that we must challenge ourselves to see how we can enhance this commitment. We believe this is possible but it must also be done in a way that doesn't ignore the essential role that our thermal assets have to play in supporting the transition by keeping the lights on and continuing to provide reliable and affordable energy, as we and others invest in the change that is needed to bring new, renewable energy sources into the market.

Let me be very clear, your Board understands that shareholders are very unhappy with where the AGL share price is today and we acknowledge that the financial performance of the company over the past 12 months is not acceptable to shareholders or Directors.

So, what are we doing about it? I will first briefly summarise the financial performance for the past year, then explain the measures we are taking to address the challenges facing your company.

Firstly, as I have acknowledged, FY21 was a very difficult year for shareholders where we recorded a statutory loss after tax of 2,058 million dollars. This compares with a statutory profit after tax of 1,007 million dollars in the 2020 financial year.

The FY21 results included charges totalling $2,929 million associated with onerous contract provisions, and an increase in environmental restoration provisions announced on 4 February 2021. Charges were also associated with the cessation of the Crib Point project and costs associated with acquisitions and restructuring.

Underlying Profit after tax for the 2021 financial year, which AGL regards as the more useful measure of company performance, was 537 million dollars, down 34 per cent on the previous year but in line with the revised guidance range we provided in December 2020.

The main drivers of the decrease in profit were a reduction in wholesale electricity prices, lower electricity demand due to COVID-19 lockdowns, mild weather and increasing penetration from rooftop solar, as well as the fact that some of our older lower priced ‘legacy’ gas supply contracts are rolling off and new contracts are being entered into at higher current prices.

The final, unfranked dividend of 34 cents per share will be paid on 29 September 2021. When added to the interim dividend of 41 cents per share (which included the 10 cent special dividend), the total dividend for the 2021 financial year was 75 cents per share.

In a disappointing result, it is important to note that the wholesale electricity price is the single largest driver of AGL’s earnings and these wholesale prices have fallen to an extent not seen since 2012. In the past three years alone, prices have halved. AGL has for some time been foreshadowing market headwinds in wholesale prices however it is fair to say that the extent of the fall has surprised many credible market analysts and observers.

We are not alone in experiencing the impact of the decline in wholesale electricity prices, which has also significantly affected others in the industry. Given the prevailing low price environment, your Board recognises that we need to respond to these market conditions by tightening our belt.

That is why we have committed to reducing our operating costs by $150 million by the end of FY22 and reducing our sustaining capital expenditure by $100 million by FY23. We have also announced the sale of $400 million of non-core assets by the end of FY22. These measures will conserve capital and strengthen the balance sheet of the business.

In June, as another measure to conserve capital, we announced the cessation of the special dividend program and an intention to underwrite the Dividend Reinvestment Plan for the FY21 final and the FY22 interim dividends. While your Board recognises the impact on shareholders of no longer receiving the proposed special dividend - and the dilution caused by the issuance of new shares via the Dividend Reinvestment Program – it is prudent to conserve capital ahead of the proposed demerger next year.

These measures will also allow AGL to fund long term value-adding growth investments such as AGL's equity share in PowAR's acquisition of Tilt Renewables and the development of the Torrens Island Battery. Graeme and I will speak about the demerger a little later.

In the short term, we are also focussed on other measures to improve business performance. In our Integrated Energy business, we are focused on:

- Delivery of the cost and sustaining capex reductions mentioned earlier;
- Managing increasing price volatility through optimising our plant operations, hedging and delivering on grid-scale battery growth; and
- Successful re-contracting of short to mid-term gas supplies.

In Customer Markets, we are focused on:

- Continued organic growth in services to customers;
- Delivery of significant, sustained cost efficiencies;
- Successful integration and optimisation of recent acquisitions; and
- Growth in the C&I segment and expansion of our energy solutions offering to take a leading market position.

We are also continuing to build on our track record of the last 2 decades of investing in a renewable energy future. In the last few years alone AGL has directly invested around $2 billion in firmed renewable projects including over $180 million in the construction of the 250MW Torrens Island battery. The battery will support the growth of intermittent renewable energy in South Australia and will be the first to begin construction within AGL's planned 850MW national battery roll-out.

Before turning to the earnings outlook for FY22, I would like to briefly highlight some positive news for our shareholders from FY21. We made some significant acquisitions throughout the year, which will help drive our growth ambitions.

We successfully migrated more than 200,000 Click Energy and Amaysim customers to AGL during FY21 following the acquisition of Click Energy in September 2020.

In March 2021, AGL acquired two of Australia's largest commercial solar businesses – Solgen and Epho. These acquisitions complement and strengthen AGL's existing solar capabilities, enabling AGL to deliver more tailored and innovative energy solutions for businesses.

Also in March, AGL acquired 51 percent of OVO Energy Australia, which has provided AGL with exclusive Australia access to Kaluza, OVO's advanced customer experience and energy flexibility platform.

We have also, through our 20 per cent interest in PowAR, recently acquired an interest in Tilt Renewables. This transaction will further support our orderly transition away from coal-fired generation.

Today we confirm the earnings outlook for the 2022 financial year as being within the range of 220 million dollars to 340 million dollars provided as part of the FY21 results in August. I recognise that this guidance represents a material reduction on FY21, which reflects a material step down in Wholesale Electricity earnings as hedging positions, established when wholesale prices were materially higher progressively roll-off and the non-recurrence of Loy Yang insurance proceeds.

I will now talk about what we are doing to address the challenges currently facing AGL's business. The cost, capital management and growth measures I have already outlined are important measures that are needed to improve business performance amid challenging market conditions. However, your Board recognises that the pace of change continues to accelerate, reinforcing the rationale for our proposed demerger. We are creating two distinct businesses that will be category leaders in their own areas, with AGL Australia as Australia's largest multi-product energy retailer of essential services and Accel Energy as Australia's largest electricity generator.

The proposed demerger will give each business the freedom, focus and clarity to execute their own respective strategies and growth agendas, while playing an equally important, but different, role in Australia's energy transition.

The Board considers the proposed demerger will be in the best interests of shareholders by protecting shareholder value and enabling each business to focus on their respective strategic opportunities and challenges presented by the accelerating energy transition.

I would now like to take a few moments to discuss a few Board matters.

At the conclusion of the AGM, John Stanhope will retire from the Board. On behalf of the Board, I would like to thank John for over 12 years of invaluable service.

Jacqueline Hey will retire by rotation at the end of the meeting and is standing for re-election at today's meeting. For the reasons set out in the Notice of Meeting, the Board recommends that Shareholders vote in favour of the re-appointment of Jacqueline.

Also standing for election to the Board is Ashjayeen Sharif, a retail shareholder, who has nominated himself as a candidate for election. For the reasons set out in the Notice of Meeting, the Board does not consider the election of Mr Sharif to be in the best interests of the Company and recommends that Shareholders vote against the appointment of Ashjayeen Sharif.

However, the Board does recognise that further skills and expertise in climate change risk, ESG governance and industry transition are required on the AGL Board and a search process is underway to appoint a new Director with the requisite skills and experience. We are on track to appoint a new Board member with those skills in the first half of FY22.

In addition to appointing an additional Director to the AGL Board this year, we recognise that additional skills will also be required on the Boards of each of Accel Energy and AGL Australia. Following the update of the AGL Board Skills Matrix in FY21, Board Skills matrices for Accel Energy and AGL Australia were prepared, and we have also consulted with and received input from a number of investors and other stakeholders on the appropriate skills required for the new entities going forward. In particular, skills and experience in energy transition, ESG, technology, customer experience, project development and finance have been identified as priority areas. The Board is currently undertaking a search process for Directors with these skills, with a view to appointing some additional Directors to AGL Energy ahead of the demerger, but also to ensure that each entity is well placed to appoint additional Directors following the demerger.

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 6a and 6b 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 6b is contingent on the outcome of Item 6a, 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 6a will not receive sufficient support from Shareholders to be passed and therefore, as advised to Shareholders in the Notice of Meeting, Item 6b will not be put to the meeting. However, we recognise that Item 6b has received a level of support from Shareholders ahead of the meeting and 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 6a and 6b very seriously and they are matters that the Board continues to carefully consider.

Item 6b requests the Board disclose, in association with forthcoming demerger scheme documents:

- short, medium and long-term targets for reductions in the Scope 1, 2 and 3 emissions of the proposed demerged companies' (Accel Energy and AGL Australia) that are aligned with articles 2.1(a) and 4.1 of the Paris Agreement;
- details of how Accel Energy and AGL Australia's capital expenditure (sustaining and growth and transformation) will align with the targets; and
- details of how Accel Energy and AGL Australia's remuneration policies will incentivise progress against the targets.

AGL understands the critical importance of the decarbonisation of the electricity sector and the need to 'lean-in' to the transition. We already operate the largest portfolio of renewable assets of any ASX-listed company, and we have invested more than $2 billion directly in renewables projects.

It is often easy to simplify the challenges facing Australia's energy industry – renewables have grown at record pace and ageing thermal assets are playing a diminished role.

AGL and its proposed demerged entities will work with governments, regulators and other stakeholders to define a responsible pathway to transition to a decarbonised electricity sector as soon as practicable. We are already putting this into action by proceeding with the closure of the Liddell power station which commences next year and will lead to a 23 percent reduction in emissions by the end of 2024. We are also actively engaging with all stakeholders to understand their perspectives and concerns.

The success and speed of the transition will require an effective level of coordination between government, regulators and industry and the Board does not believe it is in the best interests of AGL to make this commitment unilaterally.

The task is to create a glide path rather than a crash landing. It will require the right policy and investment settings and a focus on customers from all market participants. It will also require a market design that supports an orderly transition.

Despite the challenges and uncertainty facing the energy industry, AGL has already made a number of commitments in relation to climate change, including a commitment to net zero by 2050 as part of our Climate Statement released last year.

But we know more is required and work is under way to define the decarbonisation roadmaps for both Accel Energy and AGL Australia. These roadmaps will be informed by scenario analysis and will consider the setting of short, medium and long-term targets and will become an integral part of the strategies of these businesses. This work will include analysis and impact on our business of commitments related to the Paris Accord and deliberations that will come from the UN climate change conference COP 26 in November and will inform decisions on how both companies can appropriately lean into the transition, as never before.

Further details of these roadmaps will be included in the demerger scheme documents to be sent to shareholders during the fourth quarter of FY22, but there is no doubt that both new organisations will be committed to the challenge of doing more and will play a critical part in the decarbonisation of Australian energy.

The scheme documents will also describe the business strategies for both entities including capital allocation and emissions targets.

If the proposed demerger proceeds, Accel Energy and AGL Australia also intend to put their respective climate reporting to a non-binding advisory vote of shareholders at their first Annual General Meetings. If the demerger does not proceed, AGL will put its climate reporting to a non-binding advisory vote of shareholders at its 2022 Annual General Meeting.

Finally, I 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.

At the 2020 AGM, 46.5 percent of shareholders voted against the approval of the 2020 Remuneration Report. This resulted in AGL incurring a "first strike". I want to assure you that your Board takes the feedback it receives on AGL's remuneration practices seriously. Since the 2020 AGM AGL has consulted with stakeholders to seek to understand the concerns that led to the first strike and these discussions have influenced the setting, assessment and disclosure of Key Management Personnel remuneration and outcomes for FY21.

I am pleased to say that the resolution to be put to the meeting in relation to the 2021 Remuneration Report has received sufficient support to avoid the company receiving a second strike. Therefore, the Conditional Spill Resolution (Item 5) item will not be put to the meeting today.

In summary, despite FY21 being a challenging year for AGL, I am optimistic about the future for AGL and its shareholders. We have a comprehensive program in place to improve performance, to lean harder into the energy transition and to respond to the evolving operating environment. In particular, the 2022 Financial Year will be a significant year in AGL's history as the proposed demerger is progressed. The Board is intending to hold shareholder meetings in the fourth quarter of FY22 for shareholders to consider the demerger proposal.

As I mentioned earlier, the Board considers the proposed demerger will position us best to meet the existing and future challenges of the company including through refreshed Board and management teams that are focused and have the appropriate skills and experience to respond to evolving ESG expectations, the energy transition and new technologies.

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

MANAGING DIRECTOR AND CEO'S ADDRESS

Thank you, Peter, and good morning everyone.

It is my pleasure to be joining you today, albeit virtually, after what has been a very challenging yet pivotal year for AGL.

The Chair has talked about company performance, but I would like to reiterate how disappointing the performance of our business has been over the last two years for shareholders, management and your directors. I can assure you that the team and I are working as hard as we can to deliver a strategy that will protect and deliver future value for you our Shareholders.

While we expect conditions to remain challenging into next year, I am confident in our strategic direction and our team to manage the business through the Energy transition and demerger. The underlying momentum of the business is strong, and amidst the challenging conditions, it is still important to reflect on the achievements and hard work over the year – from progressing our strategy, to growing our business, all while adapting to new ways of working. This short video provides a snapshot of the team's work.

[VIDEO PLAYS]

The Chair has provided a summary of our FY21 results, touched on business performance, as well as confirmed our guidance for FY22.

Today, I'll provide more detail on our operational performance, strategy execution and outlook, as well as recap our proposed demerger plans.

But first, let me focus on safety. I am pleased to say that there was an overall improvement in our Health, Safety and Environmental performance, illustrated by a marked reduction in the Total Injury Frequency Rate to 2.3 per million hours worked – which has now trended lower in consecutive years.

However, it is critical that this improvement in total number of injuries and severity of those injuries does not lead to any reduction in the drive towards a zero-injury workplace. The need for this ongoing rigour was reinforced in late-2020, when one of our people was seriously injured in an incident at the Liddell Power Station. We are very thankful this employee is recovering well and has commenced the return to work process. Safety remains our utmost priority, and we continue to thoroughly review high-risk tasks and strengthen our safety protocols to support the drive towards zero injuries.

Another key focus for AGL is employee engagement. Our FY21 employee engagement score fell 11 percentage points from the previous year. Albeit disappointing, this result was understandable given the significant challenges in energy markets, ongoing challenges presented by COVID-19 fatigue as well as uncertainty arising from our demerger plans. We are working hard to address engagement through strong internal communication, as well as the timely establishment of new organisational structures to provide our staff with greater clarity.

Moving now to our operating and financial performance – we know this has not been good enough and understand that we need to do more to protect shareholder value. With that said, I'd like to take you through some of the conditions under which we have been operating. FY21 was certainly one of the toughest energy markets have seen. Wholesale electricity prices were at levels not seen since 2012. Energy demand was impacted by ongoing lockdowns in our major capital cities, mild weather and increasing penetration from rooftop solar. While, at the same time, energy supply increased through the connection of large grid scale projects. The confluence of a decrease in demand and an increase in supply have applied material pressure on wholesale electricity prices over the year.

We also saw challenges in our wholesale gas business as low-cost legacy supply contracts matured which translated into lower margins. AGL has a highly flexible gas portfolio and we continue to execute on our supply strategy to meet customer demand from existing and new domestic supply sources, as well as proposed third party gas import projects. AGL also continues to competitively recontract medium term volumes to augment the gas portfolio as a consequence of the proposed import terminal project at Crib Point not proceeding.

In response to the challenging operating environment and resulting impact on the company's financial performance, we are pursuing initiatives to preserve liquidity and ensure we have sufficient financial flexibility.

These measures include a commitment to deliver $150 million dollars of sustainable operating cost reductions by FY22 and a $100 million dollar reduction in sustaining capital expenditure by FY23. These targets are in addition to the capital preservation from the termination of the special dividend, the full underwrite of the final dividend and the announced sale of approximately $400 million dollars of non-core assets.

To deliver on our strong opex and capex targets, operationally we are thinking differently about how we run our coal fired operations. Today, rather than maximising generation across the year, we are focused on maximising our generation when demand is at the highest levels. This means the plants don't need to be available all the time and we can optimise maintenance schedules and costs. As such, we are working on ensuring our preventive maintenance is efficient and scheduled in off peak periods, while making our plants as efficient and flexible as possible. These changes will not only ensure our plants are efficient but also that our plants are responding to the transitioning of our energy system.

We have taken steps to make our plants more flexible - we have lowered the minimum generation levels at Bayswater to reduce the run periods when demand is low, and spot prices are below our marginal running costs. We are also developing digital models at both Bayswater and Loy Yang to optimise operations. We continue to assess further options to improve plant efficiency and will implement additional initiatives throughout this financial year.

In Customer Markets, our previous investment in systems and our ongoing focus on simplification and digitalisation continues to deliver sustained cost efficiencies, assisting in the delivery of our cost targets.

Despite the challenges we have faced this year, AGL has continued to deliver on its strategy.

Customer service growth remained strong in FY21 – over the year we added 254,000 new services through good organic growth and the Click Energy acquisition – maintaining our status as Australia’s largest energy-led multi-product retailer.

Against the backdrop of a highly competitive market, we maintained low levels of churn, while our strategic Net Promoter Score (NPS) reached a new record high. Customer operating costs were also driven lower for a second straight year, on the back of a material reduction in ombudsman complaints and a greater portion of our customer base utilising our digital channels.

AGL’s telecommunications products were launched in February this year and we are already seeing steady growth and the anticipated benefits of customer loyalty, multi-product growth and tenure coming to fruition – notably, 98 percent of AGL’s telecommunication sales to-date are part of an energy-telco bundle.

In addition, we have now expanded our carbon neutral offering across all AGL products, with over 260,000 carbon neutral services now in place.

During the year, we also announced a number of key acquisitions to support our growth ambitions and decarbonisation pathway. The acquisitions of Solgen, Epho and Tilt, via our 20 percent interest in PowAR, have added customers, expertise and access to quality renewable generation. These acquisitions also build on our long history of investment in renewables and support our commitment to transition away from coal fired generation.

We remain on track to deliver on our plans for at least 850 megawatts of grid scale batteries by FY24. During the year, a final investment decision was reached on the 250-megawatt Torrens Island battery, and good progress was made on the Liddell and Loy Yang batteries. This energy storage infrastructure positioned on our strategic sites will be critical in helping to firm new renewable generation entering the National Electricity Market.

Participating in these acquisitions and developments strongly aligns with the commitments set out one year ago in our Climate Statement, representing the next steps in our decarbonisation journey.

And I am pleased to say we have made progress in each of our five Climate Statement commitment areas, which will not only help us on the path to net zero emissions by 2050 but also in challenging ourselves to aim higher.

We believe we can deliver on our leadership role in accelerating the Energy transition while also ensuring our thermal assets remain available for as long as they are needed to support the affordable, stable and sustainable provision of electricity and as we and the market develop sufficient firmed renewable electricity generation.

Now turning to our outlook.

As the Chair noted earlier, our short-term outlook remains challenged, and our guidance for FY22 largely reflects the continuation of market and operating headwinds which have impacted energy markets in recent years.

As such, we expect the year-on-year decline in overall earnings to be driven by a material step down in Wholesale Electricity earnings, as hedging positions established when wholesale electricity prices were higher progressively roll off, and a small impact to Wholesale gas gross margin from the maturity of lower priced legacy gas supply contacts. In addition, the Loy Yang 2 insurance proceeds received in FY21 will not recur.

These impacts are expected to be partially offset by the 150 million dollars of targeted operating cost initiatives, which we are working very hard to deliver.

Markets continue to experience material volatility. Prices have fluctuated significantly, and demand continues to be impacted by both COVID-19 lockdowns and milder than usual weather conditions. These factors will continue to impact our business as we navigate COVID-19 and the transition away from coal fired power towards firmed renewables.

Encouragingly, we have seen some improvement in forward wholesale electricity pricing in recent months. And, given that AGL produces some of the lowest cost generation in the National Electricity Market, we are very well positioned to benefit from any sustained recovery in wholesale electricity prices - the single biggest driver of AGL's earnings.

As we see the pace of change continue to accelerate in energy markets, we are further assured and committed to our proposed demerger strategy to create two new entities, both with the clarity of purpose and agility to lead the energy transition in their own ways, while protecting and delivering value for Shareholders.

AGL Australia would execute on its customer-led, multi-product strategy backed by a flexible trading, supply and storage position.

And, Accel Energy would ensure the safe and efficient operation of our thermal generation asset base as required by the market, actively engaging on policy matters relating to the energy transition and partnering with other entities to transform our strategic operational sites to low-carbon industrial energy hubs.

I'm pleased to say that good progress is being made on our demerger plans – the internal separation of our IT systems and key corporate functions are advancing, further key management personnel and high-level organisational structures will be announced in the coming months, and we are progressing the funding and capital structures of both entities.

Importantly, you, our valued Shareholders, will have the opportunity to consider and vote on the proposed demerger at a scheme and general meeting, expected to be held in the fourth quarter of FY22.

A scheme booklet containing detailed information about the demerger and the two proposed entities, including their expected asset allocations, capital structures and energy transition plans, will be sent to you prior to the scheme meeting. This will also include information on how you can vote on the proposal.

This is a challenging time for electricity generators and retailers, and AGL must effectively deal with these challenges. The proposed demerger is certainly focused on addressing these challenges and charting an exciting next chapter in our 180-year plus history.

In closing - this difficult operating environment we are facing will continue to test our resilience as an organisation. However, I am confident that the decisive actions we are taking today will enable us to protect shareholder value, as we create two leading organisations and prepare for a cleaner, more sustainable future.

I am immensely proud of the dedication and hard work of our people during these challenging conditions, and I assure you, we will continue to strive to deliver for our customers, communities and importantly you, our valued Shareholders.

Thank you.

2021 ANNUAL GENERAL MEETING –
CHAIR OF PEOPLE & PERFORMANCE COMMITTEE

Good morning ladies and gentlemen.

AGL's 2021 Remuneration Report commences on page 63 of the Annual Report. It sets out AGL's policy in respect of remuneration paid to the Board and senior executives and describes the link between company performance and executive remuneration outcomes for the 2021 financial year. It also sets out the Board's response to the first strike that AGL received at last year's AGM.

As the Chairman has noted, it is clear that AGL will not receive a second strike in respect of the FY21 Remuneration Report.

Since the 2020 AGM, the Board consulted with a broad range of stakeholders to understand the concerns that led to the first strike. These discussions influenced the Board's approach to remuneration for FY21, which I will now summarise.

As the Chairman noted earlier, FY21 was a challenging year for AGL. Although the Executive team delivered some notable achievements against the individual objectives included in Executive scorecards, AGL's financial performance did not meet the threshold required to warrant any payment under the financial metric. The Board took a holistic review of the scorecard for Executives and the company's performance and exercised its discretion to adjust Short Term Incentive outcomes to zero for all Executives despite some objectives being partially met. This was not a decision taken lightly but reflects AGL's underlying principle of aligning rewards with overall performance and shareholder experience.

The Board also tested the performance conditions for long-term incentives granted in FY19. The outcomes of both the relative total shareholder return and return on equity metrics reflected the financial performance of AGL over the three-year performance period, with no performance rights vesting for participants.

I will now summarise other key remuneration outcomes in respect of FY21:

- No members of AGL's key management personnel received an increase to their fixed remuneration during the 2021 financial year.
- Non-Executive Director fees were not increased during the year.
- The 0.5% increase in superannuation guarantee contributions effective 1 July 2021 was absorbed in existing entitlements by those AGL Energy employees paid on a fixed remuneration basis.

The Board considers the outcomes for Executives in FY21 aligned with company performance and shareholder experience.

The Board also implemented a number of changes to AGL's remuneration framework and reporting approach during FY21 to deliver enhancements identified by proxy advisors and investors in relation to the FY20 Remuneration Report. Those changes include:

- The inclusion of specific targets and target ranges in relation to short term incentive disclosures in the Remuneration Report to allow for a more complete assessment of performance over the financial year.
- The removal of the return on equity metric from the FY22 Long Term Incentive Plan given the challenges with establishing an appropriate range for the metric. The performance metrics included in the FY22 plan are relative TSR performance (weighted as to 75%) and carbon transition performance metrics (weighted as to 25%). The Board determined that carbon transition metrics would remain in the LTI plan for FY22 to ensure that the leadership team continues to focus on the responsible transition away from carbon-generated energy.
- Investors will recall that in FY20 an LTI Bridging Grant was issued to some executives to smooth the extension of the LTI testing period from three to four years. Again, in FY21 we met our commitment that no executive would receive a windfall gain due to the bridging grant. To date, there have been four good leavers with bridging grants and in every case the Board has lapsed in full an LTI grant.

A noteworthy event during the year was the resignation of Brett Redman, the former MD & CEO, in April after 15 years of service to AGL. In serving a full six months' notice period and remaining available to AGL, Brett is treated as a "good leaver". Brett will receive benefits in accordance with the terms of his agreement and AGL's incentive plans, retaining two pro-rated LTI grants upon cessation of his employment in October. Given the company's performance in FY21, Brett did not receive any STI award in FY21 and no performance rights vested in respect of his participation in the FY19 LTI plan.

The Board determined to appoint the existing Chairman, Graeme Hunt, as Interim MD & CEO of AGL to provide continuity of leadership in the period of uncertainty leading up to the potential demerger. Given the interim nature of the role, the Board determined that Mr Hunt would not participate in AGL's short-term or long-term incentive plans. In lieu of any incentives, restricted shares valued at $600,000 were proposed to be allocated to Mr Hunt. This level of reward was set with reference to the previous MD & CEO salary arrangements. When Mr Hunt was appointed as the permanent MD & CEO of AGL with effect from 1 July, the Board determined that it was appropriate for Mr Hunt to participate in AGL's incentive plans for FY22 to ensure that his reward outcomes are set by and align with company performance. The Board then reduced the value of the restricted shares from $600,000 to $165,354 to reflect the period that Mr Hunt acted on an interim basis without any incentive awards in place.

Finally, I would like to discuss the approach to remuneration that is being applied in relation to AGL's proposed demerger.

AGL has now identified a number of members of the Executive Teams for Accel Energy and AGL Australia and we have disclosed the key remuneration terms for the CEOs. The final remuneration structures for the new entities will be disclosed in the demerger scheme documents, expected to be released in the fourth quarter of FY22.

The remuneration structures for the KMPs of the new entities were determined on a basis consistent with AGL's current practice to attract and retain the requisite leadership and skills and reward performance in line with long term shareholder wealth creation while also having regard to community expectations and company performance. To assist the Board to determine the remuneration packages of the proposed KMP, independent advice was sought and market benchmarking was undertaken to ensure that the packages are contemporary and align with the overall business strategy. Naturally there was a level of judgment required to define the market to benchmark against.

Overall, the Board believes that the remuneration packages agreed for the proposed KMP of the new companies reflect an appropriate level and mix of fixed and variable remuneration, and are aligned with the strategy of each entity and ultimate company performance.

In summary, the Board has listened to the feedback from stakeholders regarding the 2020 Remuneration Report and we believe that we have taken appropriate action during the course of FY21 to address that feedback.

The Board recommends that shareholders vote in favour of this resolution.