AGL Energy Limited AGM Transcript - 22 September 2021

Disclaimer: **The following transcript has been edited and prepared by a third party on AGL's behalf. AGL cannot guarantee that it is accurate or complete nor that all or any errors it may contain have been corrected. You should not, therefore, rely on any of the information in this transcript. Anyone seeking to clarify content discussed in this transcript or the event to which it pertains should contact AGL's Investor Relations team.**

Peter Botten: 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.

Graeme Hunt: 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.

Peter Botten: It is now time to address the formal business of the meeting. The Notice of Meeting sets out 6 items of business. As outlined in the Notice of Meeting, Item 5 and Item 6b are contingent resolutions. As I mentioned earlier, Item 5, the Conditional Spill Resolution, will not be put to the meeting because the Company did not receive a second strike in relation to the 2021 Remuneration Report. Item 6b is contingent on the outcome of Item 6a, being the special resolution to amend AGL's Constitution. Given the proxies received for the resolution to amend the Constitution, and the votes represented at this meeting today, Item 6a will not receive sufficient support from Shareholders to be passed and Item 6b will not be put to the meeting. However, Shareholders will have the opportunity to speak on, or ask questions about, each item of business, including Item 6b, and the proxies for each item will be shown and released to the ASX.

Votes will be counted immediately following the meeting and the results will be notified to the ASX before the end of today and posted on the company's website.

Turning now to the first item of business.

[Item 1]

AGL published its 2021 Annual Report in August, which contains full information about the company's financial and operating performance during the year.

Under the Company's Constitution and the Corporations Act, there is no requirement to ask Shareholders to vote to adopt the accounts. However, you may ask questions or make comments on the 2021 Annual Report and the management and performance of AGL. As I mentioned earlier, Jason Thorne, from Deloitte, is available to answer questions relevant to the audit and a copy of the written questions Deloitte received ahead of the meeting are available on the platform under the Documents tab if any shareholder would like to review them.

I will now ask Jason to outline the questions received by Deloitte ahead of the meeting, which Deloitte determined to be relevant to the content of the auditor's report or the conduct of the audit, and Deloitte's response to those questions.

51:45 --> 2:01:30

Jason Thorne: Thank you Chairman. As previously stated, the company has received the written question from a shareholder in accordance with s250PA of the Corporations Act 2001.

In our capacity as auditor, we are provided a question list to the company that has been made available to members on the virtual platform today. The questions outlined on the question list does, in our view, relate to the conduct of our audit for the year ended 30 June 2021, and the content of the audit report as provided for in s250PA1 of the Act, and accordingly Deloitte welcomes the opportunity respond to the question. Before responding to the specific question to convey the context within our response is provided, I direct you to our Independent Auditor's Report on page 173 of AGL's Annual Report. In addition to providing our opinion, our report describes the basis for that opinion, the key audit matters, the responsibilities of the directors for the preparation of the financial report and our responsibilities for the audit of the financial report. I will now respond to the question. Auditing standards require an auditor to identify and assess risks of material misstatement, through understanding the entity, its environment and its internal control. Thereby, providing a basis for designing and implementing audit responses to the assessed risks of material misstatement. Amongst others, we identified risks of material misstatement in relation to the quantum and timing of impairment charges, the quantum and timing of onerous contract provisions, both of which arose as a consequence of the accelerated deterioration to long term wholesale energy market forecasts, subsequent to 30th of June 2020. The quantum and timing of changes to AGL's environmental rehabilitation provisions, which were an outcome of AGL's three-yearly review of those environmental rehabilitation provisions, and the associated disclosures made in the financial report. Our assessment of the risks of material misstatement included consideration of the timeframe over which the accelerated deterioration to long term wholesale energy market forecasts had occurred and therefore the appropriateness of the period in which the impairment charges and the onerous contracts were recognised. It also included considering the appropriateness of the timing of the recognition of the outcomes of AGL's three-yearly review of its environmental rehabilitation provisions. We then designed and implemented audit procedures to respond to the assessed risks of material misstatement. These responses are described in the key audit matters section of our audit report, along with a reference to the disclosures made by the company. Upon completion of those audit procedures, we issued an unmodified independent auditor's report. That concludes my response to the question outlined in the question list. I will pass back to you, Chairman. Thank you.

Peter Botten: Thank you very much, Jason. I'd now like to open the meeting for discussion. Please, Liz, could you please let me know if there are any questions relevant to this item.

Liz: Thank you, Chair. There are questions. The first question comes from Helen Manning of the Australian Shareholders Association. How should retail shareholders look at the company going forward? What benefits are there in owning AGL shares?

Peter Botten: Thank you, Helen. Thank you for that question and thank you for the Australian Shareholders Association for showing continued interest in the company. To answer that question, I think I need to give some context to give you a view about the excitement that we feel and certainly I feel towards the future of the organisation. As many of you are aware, AGL's had some very successful years built on acquisitions that were made of generating plants in the last decade and building what was called, or is called, a vertically integrated company with generation through to trading, through to customers.

The changes and market forces that are now applicable to AGL are very different. The vertically integrated model provided us with record profits 2018, 2020, and over $2.6 billion was returned to shareholders in terms of share buybacks and dividends during that period of time. The model worked. The model now is not, in our view as a board, applicable to the future of the organisation.

The model has to address the very rapid transition away from fossil fuels into renewables, and despite having the largest renewable portfolio on the ASX, the implications of having a combination between coal-firedcoal-fired generation and renewables, the access to capital that that means into the future and the direction and policy settings that are appropriate for carbon heavy coal-firedcoal-fired generation versus renewable and customers are actually very different.

On that basis, our share price which is not acceptable in anybody's terms over the last 12 months, is reflective of a number of things, and Graham has mentioned that. The overarching influence on share price is the value of wholesale electricity prices that give us revenue as an organisation. Back in the hey-day, not too many years ago, electricity prices were in the high 80s, 90, 100 dollars a megawatt hour, and in the last 12 months due to a greater level of supply, uncertainty on policy direction and lack of clarity around the glidepath that is the progressive decommissioning of coal-firedcoal-fired generation, the electricity prices dropped enormously. Going from 95 to 100 dollars a megawatt hour, down to in the order of 35 to 40 dollars a megawatt hour. Although Graham has highlighted there's been a pickup of that number in recent times, it's still a significant impact on our revenue streams. AGL's share price is absolutely a bellwether for energy pricing, and on that basis although we see relatively subdued activity in terms of pricing over the next few years, moving beyond that the pricing will be absolutely dependent on how the transition away from coal-fired generation and how fast the renewables generation picks up. However, at 35 to 40 dollars a megawatt hour, no one will be making any money and it's hard to demonstrate a real compelling investment case, unless there are sustainable higher pricing.

So, coming back to the question why do you invest and what do you see in AGL? Well, firstly we believe the separation of the two businesses, the renewables and customer business away from the carbon-heavy business is one that is logical and compelling in present market circumstances and how the market is moving.

Coal-fired generation will remain an absolutely critical part of stability on the national electricity market for many years to come. Right now, the capacity of other generation, including renewables, to make up the shortfall when the sun goes down and the wind doesn't blow is just not there for us to be able to withdraw and shut down our coal-fired generation without proper coordination with regulators, with governments and sustaining a reliable affordable supply of electricity to our customer base. So, we think Accel Energy, being the core company to generate from coal, will be a critical element of the future and will have a substantial role in managing the transition away from hydro-carbon generation. It will be very much subject to where you think electricity prices will go and we think in the medium and long-term, that is likely to be higher than it is on a historical low that we've seen in the last 12 months.

Accel Energy also has the ability to leverage its significant real estate in terms of connections, its talented workforce and it has the capacity to build on, an unprecedented way, energy hubs that can drive renewables within the real estate that it owns with the connections it has. And, that would utilise capital from ourselves, and from partners.

If you look then at AGL Australia, AGL Australia has an unprecedented customer base of close to 4.5 million. A value creating business that is substantial. It will also have connections initially in offtake agreements to Accel, but it also will have the strategies as a mandate and flexibility to continue to drive the renewable transition and will attract, we believe, the appropriate capital which Accel Energy will struggle to do into the future. But the appropriate capital and multiple that will drive the value in AGL Australia's share price.

We think separation is the way forward. We also believe that the vertical integrated company is probably something of the past and driving that transition it will give both entities leadership. In one side carbon-heavy business and the transition, and an active role in leading that transition with a view to electricity pricing and energy hub development and on the other side, the renewables with substantial access to capital and a different multiple and a different direction. Both companies have a slightly different or fundamentally different attitude to some of the regulatory changes that we think are necessary. So again, the separation into two companies with distinct value upside is absolutely the way forward and addresses the significant challenge of the transition over the next 15, 20 years.

So, I'm excited about the future of AGL. I'm extremely disappointed with the performance in the last 12 months, and clearly the accelerated transition requires us to move to different models and drive our business in different ways. And I believe the way forward enunciated with the separation is the way forward for AGL.

I should say that this opportunity thorough the AGM is one for shareholders to express their frustration for the board to take its medicine, but also an opportunity for the board to highlight the direction going forward with the company and I'd like to take that opportunity over the next short while to at least give you the direction and the reasons behind performance, or lack of, and the commitment that we as a board have to turn AGL, a great company, into an even better two companies addressing the transition. So, hopefully that gives you some context, Helen, as to why you should own shares and the next, obviously, 12 months or so are critical in our future, but the core assets that we hold whether it be generation from coal or our very substantial renewables portfolio, it is a fantastic platform, along with our customer base for future growth in our business and to allow us to drive the changes in the best interests of our shareholders.

Liz: The next question is from Helen Manning of the Australian Shareholders Association. Shareholders will be wanting to know why AGL is asking to be split. Given that we will be given more detail with the demerger documents, can you explain quite simply now why?

Peter Botten: Well, Helen, thanks again for the question. Probably, I've answered that second question with my response which answered hopefully your first question. We think the evolution of our business does require us to split the carbon-heavy piece of our business, the coal-fired generation away from our renewables business and customer base. There are compelling reasons to do that, including differences in the way we would like to see both sides of the business in terms of regulation, and there's compelling reasons for our renewable and customer piece to command a higher level of access to capital and trade at a different multiple.

Accel Energy definitely has an upside in its exposure to the power pricing and its unprecedented real estate value in terms of building energy hubs in our key areas. We have a great workforce, and we need to work with our workforce and communities to help them best address the transition as well, but certainly we have all the prerequisites, along with our partners to drive growth in that area as well. Details of that, undoubtedly, will be provided in the scheme document but I also think and Graham signalled it, that we would be taking further advice and input from our shareholders and other stakeholders in the lead up to the publishing of the scheme document and we think it's critical to and value-adding to have that input from shareholders as we go through this evolution of this great company.

Liz: The next question is from Dan Gocher of the ACCR. It appears that the share price is in freefall, declining 45 percent since the demerger was announced in March, and 80 percent from its high in early 2017. What are the board and the senior executives doing to arrest this decline? Is AGL's timidity around the early closure of its coal-fired power stations coming at the expense of shareholders'' best interests?

Peter Botten: Thank you Dan and ACCR for that question. I'll reiterate that the impact on share prices of the company are multiple and the core impact for 2021 was undoubtedly the very significant drop in wholesale energy pricing, which impacted our revenue streams for the year. Other factors that drove share prices were soft off-take obviously due to Covid lockdowns, the ongoing and growing impact during the day of renewables and a broad supply, substantial supply of electricity at various times during the day, which again is driven down pricing. I think some of the initiatives that have been put forward by governments has also led to uncertainty and there's no doubt that the sensitivity of major investors towards carbon-heavy assets and investments in carbon-heavy companies, has also led to some reticent to invest and certainly is starting to constrain capital that might be used by carbon-heavy industries, including AGL. I suppose the key area that I'd like to highlight, and a shareholder to me in a letter a couple of days ago and pointed out that on the 15th of September at 10:00 PM, only around eight percent of the electricity on the NEM was being provided by renewables and some 80 plus percent of the NEM was being provided by coal-fired generation, And, whether we like it or not, coal-fired generation is a critical part as other generations are especially focused on renewables, and [firm 71:55] renewables is built.

A KPMG report 18 months or so again, highlighted that remove or take fossil fuel generation down to 20 percent of the NEM would require some $50 billion in investment in renewables to allow that to happen. We believe we need to lead into the transition as never before. And, on that basis we are carrying out the appropriate analysis to be able to provide the strategy and direction together with appropriate goals into the future for us to apply Paris agreements into our capital allocation and our rewards for our people. On that basis, I think the application of early closure of its coal-fired stations is not necessarily a bit driver right now for us with respect to share price performance. Other factors are clearly more applicable, albeit that I believe the board is absolutely of one mind to work hard to provide much greater clarity about that transition, but work with other stakeholders, state governments and others to assure a smooth landing and a smooth transition.

Liz: The next question is from Mr David Rossiter and Mrs Catherine Rossiter. AGL recorded staggering impairments in FY21, while the share prices continued to freefall. The company's current plans and therefore valuations for its coal power assets are aligned with a 3 degree Celsius plus warming scenario. In other words, predicated on the failure of the Paris agreement, I note investors have been writing to companies and governments demanding financial accounts be aligned with global climate goals. So, how much value destruction can shareholders expect to see when the value of AGL's coal assets is bought into line with a 1.5-degree Celsius warming scenario?

Peter Botten: Well, firstly thank you David Rossiter and Catherine Rossiter for your question. You're right, there were significant impairments recorded in FY21 driven significantly by a change in value of our renewable power purchase agreements, which were signed between 2006 and 2012 at high levels of pricing and undoubtedly was a response to much, much lower electricity pricing and forced that change in valuation.

We have made a commitment to be carbon neutral or emissions neutral by 2050, and I would dispute that our coal-fired assets are aligning to 3 degrees C, plus warming scenario and certainly we remain very committed to doing our role to meet Paris agreements. We've made a commitment earlier today, prior to that in discussions with shareholders that we have made a commitment to review all of that and note changes even as late as the COP meeting that's coming up in Glasgow over the next couple of weeks into our modelling and as part of the overall direction of the companies, both AGL and Accel we will be publishing our strategy and, undoubtedly, our strategy was with respect to how we managed the transition and how we were pushed for a glidepath in this process and how our commitments will align with Paris. We're very, very well aware that the expectations of investors and shareholders generally are changing significantly in this space, and we're right now doing all the work necessary to make informed views before publishing that strategy on behalf of the two companies. So, I think we are making progress on that with more to come prior to, and in the scheme document, and undoubtedly the scheme will be a [1:17:02] comment on our direction with respect to trying to climate change and our role in the transition.

Liz: The next question is from Mr Andrew McPherson. On 8th September, Macquarie Bank disclosed it has been shorting AGL's shares. At the same it is the underwriter of our dividend re-investment plan. This morally questionable and duplicitous behaviour gives rise to a serious conflict of interest in my opinion. While Macquarie may argue they're simply hedging their downside from a potential DRP shortfall, I believe it more likely about Macquarie making proprietary trading profits for itself ahead of its corporate client AGL's best interest. By shorting the company's shares during the DRP price setting period, Macquarie effectively drives down AGL's share price further undermining shareholders' confidence in AGL and willingness to take up the DRP, thereby allowing Macquarie to profitably cover its short position with a larger than normal shortfall of DRP stock at supressed prices. My question to the board, one, do you think this behaviour is acceptable, and two, do you think we should use Macquarie's services in the future?

Peter Botten: Andrew, thank you for your comments. I would like to reiterate that I think the process that Macquarie is doing with the DRP is one that is standard banking practice during the price setting. I think accountability for doing the DRP has to come back to the board rather than Macquarie, albeit the mechanics of these things so they require them undoubtedly to cover their risk with appropriate shorting. The reality is that this was, I think, a very difficult decision for the board to go ahead with a DRP. It's interesting to receive input from shareholders that highlight the differential interests that people have around receiving a dividend. We will use Macquarie into the future? Macquarie is like all investment banks, subject to competition from other people who can provide services we continue to look at and pick the best people for the job. As I say, I think the process with the DRP has led undoubtedly to share price weakness in reality, to the story around the core future investment in AGL remains extremely strong. So, I would encourage people to take it up.

Liz: The next question is from Mrs Helen Costa. I initially invested with AGL as I was led to believe that the company was taking steps towards renewable energy and that it was carbon neutral, something that is very important given the dire predictions for the future of our planet posed by climate change. I now learn that AGL relies on coal to source over 80 percent of its energy and plans to rely on coal until 2048. How can this stance be regarded as consistent with its claim to be climate neutral? Isn't the real test of climate neutrality and acting on climate about how high the renewable energy percentage is and taking steps to move away from the use of fossil fuels much sooner that 2050?

Peter Botten: Helen, thank you very much for your question. The reality for AGL is, and we haven't hidden any of this is that a significant part of AGL is presently based on coal-fired generation. I think we make up somewhere around 30 percent of the NEM in terms of our capacity to provide power from coal. We've highlighted that that's not a long-term sustainable position for the company and that we've made a commitment to be carbon neutral by 2050. The reality is that we need to make an orderly transition from coal to other forms of energy and do that in conjunction with the reality that our generation is still required on the NEM. I highlight that we have the largest renewable portfolio on the ASX, and I also highlight that the board is leading in though its different direction with respect to company structure leading into this transition as never before and we certainly are reviewing what can be done both through Accel Energy and AGL Australia in terms of redoubling our commitment to that transition from a different stance Accel to AGL energy. So, this remains work in progress, but one that we are making material progress on.

Liz: The next question is from Mr [1:22:48] Rezar. AGL's plummeting share price can't simply be attributed to market conditions as other energy companies have fared better over the last 12 months. Why is the share price still falling and what will the board do to earn back shareholders' trust that they can revive the company and restore the share price?

Peter Botten: Thank you for your question, Mr Rezar. Our plummeting share prices have been covered in some of the discussions I've had before. In actual fact, our peer group, or some of our peer group within the market have also seen substantial changes to their share price not too dissimilar to us, and they're people with different portfolios and other ways of managing the present transition risk. Look, we've outlined where we think the direction of the organisation is going, we are committed to the demerger of our two entities and separating the coal-fired generation primarily with its upside in energy hubs away from our customer-based renewables. We think that is the way forward and we'll allow each of those companies to appropriately address the challenges of transition to a different and de-carbonised Australia. It also allows a very coherent direction and discussion with various stakeholders to drive that transition in an orderly way. I think the direction is one that will deliver shareholder value in the medium and long term and appropriately address the insensitivities of the transition with many of our shareholders and investors.

Liz: The next question is from Mr Alistair Anderson. What is AGL's stand on nuclear?

Peter Botten: At the moment, we have no nuclear and no study of nuclear activity or nuclear generation in our portfolio.

Liz: The next question is from Mr Austin Hunt. Could you please elaborate on the speculated demerger that was proposed for 2022? Additionally, can you provide any insight into how assets and finances would be split between these two entities if it is to proceed?

Peter Botten: Thank you, Mr Hunt for your question. We are, as I say, enunciated in both my speech and Graham's speech about the importance of the demerger. There is material that was published on 30th of June or around that time which provides a lot of information about which assets or likely which assets go where, and there's also information around the capital splits and some of the financing that is represented within that split. There is no doubt that many shareholders want to see more information, and that information is being actively worked on and will be published in the scheme document. There'll be updates and strategy updates around that prior to the scheme document being published, but this remains work in progress. I would encourage you to look though at the information that's already been published, which is on our website and as I say, more to come. I think we're a little disappointed it's taking a long time to get to this, but reality is some of the approvals that are needed to get the merger happening are actually not in our control and we remain a little cautious about the timeframe that we will take to get those approvals from regulators and others. But, second quarter next year is down for a design for publishing the scheme document.

Liz: The next question is from Mr Steven Maine. After our share price peaked at over $26 in April 2017, it today opened at around $5.72, giving us a market capitalisation of only 3.4 billion. However, we claim to have net assets of 5.5 billion. Does this mean further write downs are coming and please summarise the key covenants on our circa $3 billion in debt. Could the auditor also please comment on the 2.1 billion disparity between market value and book value?

Peter Botten: Thank you, Steven. And, thank you for our email earlier this morning. I'm going to ask our CFO, Damien Nicks, to answer the question and provide any details on the covenants. So, Damien, I can see you're there, so please if you could give your response to that one in detail.

Damien: Thank you, Chair, and good morning, everyone. Just briefly on the question from Steven Maine, thank you for the question. When we assess the asset carrying value, we assess a number of factors but particularly looking at the long-term cash flows of the organisation. Your second part of the question is in relation to bank covenants. I refer you to the accounts for the year where we state that we have more than 600 million in unused cash facilities as part of that debt facilities and we continue to have strong support through our banks. I won't go through it all of the individual covenants within those banking arrangements, but I am happy to take those on notice. And, I think the Chairman answers broadly that question.

Peter Botten: Thank you, Damien. We might lead to the next question then.

Liz: The next question is from Mr Robert Casamento. Why have the directors not issued comments or statements on AGL exiting the ASX 50 on the 3rd of September? Advice by directors on the consequences of this exit is requested?

Peter Botten: Thank you for your questions, Robert. We did exit the top fifty shareholders on the ASX in early September. We believe that hopefully that will be a temporary process, but reality is too that certain investors will readjust their portfolio because we're not in the ASX top fifty. We believe again the direction of the company will see us move towards that top fifty or into that top fifty as soon as we can.

Liz: The next question is from Mrs Carrol Williams. What is being done by AGL in the hydrogen area?

Peter Botten: We are presently engaged with a number of parties on studying and working the feasibility of hydrogen in our energy hubs and will continue to push those opportunities as we can reasonably be. We are looking much more at green hydrogen than other types but it's certainly an area of technology which we are pushing hard with our partners.

Liz: The next questions is from John Coulder. Is AGL getting into the rooftop solar business?

Peter Botten: Again, I will pass this question across to Graham Hunt, our CEO, and let him give you an update on where we're at with rooftop solar. So, Graham, over to you.

Graham Hunt: Thanks very much, Chairman. We have been involved in rooftop solar for many years, at different levels, but as covered in both my speech and the Chairman's speech, during this past year we acquired two of the leading solar installers, [1:31:28] that are involved but only in rooftop solar in residential, but at an industrial commercial scale which we think is obviously a developing market. So, rooftop solar is and has been a part of AGL's activities for many years.

Liz: The next question is from Jane Gibeon. If Tomago aluminium smelter follows through with its plan to go 100 percent renewable by 2029, doesn't this mean Bayswater Power Station is rendered economically unviable? What is the plan to provide renewable energy to retain Tomago's business?

Peter Botten: Thank you, Ms Gibeon, for the question. We undoubtedly are already in discussions with Tomago for the long-term supply of power to its business, renewable power in a combination of whatever they require. Tomago is a very significant customer to us and those discussions are ongoing and certainly we're aware of their sensitivities and are working hard to provide options for them at a competitive price for the future.

Liz: The next question is from Kevin Daly. Accel Energy is likely to be treated in the media a pariah company no matter what it proposes to do. For example, Accel Energy Australia's emitter. Is there any change that AGL will operate a sale facility so that shareholders will not have to actually receive Accel Energy shares?

Peter Botten: I suppose first off, I would not characterise Accel Energy as a pariah. It is doing a role for the NEM which is an essential part of the NEM so people can turn on their heaters and air conditioners and cook their meals every evening. I understand and AGL has already seen as the largest emitter in Australia, and we've outlined ways that we think we can reduce out footprint in that way and transition to other forms of energy appropriately, as well as providing responsible supply of power which is required to the market. I think I've outlined a lot of the plans that we anticipate, or we are pursuing right now, and it'll be whatever it'll be in terms of that strategy and the timing of that transition which we're working on right now. I would hope that you'd see value in Accel share price and have confidence in that transition.

Liz: The next question is from Mr Scott and Tracey Andrews. Can we expect that a dividend will be paid in FY22?

Peter Botten: Yes.

Liz: The next question is from Mr Kevin Daly. What is AGL's attitude to the idea of capacity payments being considered by COAG at the moment?

Peter Botten: Well, thanks for the question, Kevin and I appreciate this. This highlights a little bit of a difference between if you are a coal-fired generator, you would see that part of the orderly transition could include capacity payments to keep a coal-fired generation in the NEM as a required part to supply power as and when needed. If you're in the renewable space in AGL Australia, you might not be so committed to such a move. And, I think what we're seeing in the government and regulator space is unfortunately a continuing lack of cohesion around what works and what doesn't work, but there's been very good and active dialogue about the future of NEM after 2025 and we look forward as AGL and then Accel to play a significant role in helping to promote sensible solutions for that.

Liz: The next question is from Benjamin Garlett. Why is Accel Energy receiving such a large share of AGL energy upon demerger?

Peter Botten: Thank you for the question, Mr Garlett. The final size and shape of the shareholding that AGL energy may have is subject to ongoing study and will be part of the scheme document. Obviously, we believe that a shareholding in AGL Australia will provide greater levels of capital flexibility for Accel and also we believe that there's further value accrescent within that shareholding. So, there are good reasons for Accel to continue to hold shares in that way.

Liz: The next question is from Deborah Ann Sykes. Tomago are pledging to go 100 percent renewable by 2030, why aren't we?

Peter Botten: As I say, I think the reality is that you have to have a regular and reliable supplier of power and Tomago is one of the largest off-takers on the NEM. Whether that can be done completely by renewables in 2030, we're sitting down with Tomago and seeing how that possibly can be achieved and how we can play a role in providing them with ongoing power supply.

Liz: The next question is from Deborah Anne Sykes. Has the board sufficiently planned for the pace of change still to come, including a 100 percent renewable grid by 2030?

Peter Botten: I think the pace of change undoubtedly is accelerating and a key part of that is the attitude taken by investors and banks towards driving change and certainly we see that and want to be part of that change and are adjusting our business strategies accordingly. I believe it is very challenging to have 100 percent renewables on the NEM by 2030, that's not something that the regulator sees as being likely or possible, but it's certainly the timing of renewable and size and shape of renewable on the NEM is clearly subject to a lot of discussion right now and the transition subject, hopefully, to a glidepath of change. Whether it can be done by 2030, I'm not sure, frankly.

Liz: The next question is from Diane and Peter Sainsbury. With scheduled closure dates of all AGL's coal-fired power stations on the horizon, what financial provision has the board made to cover their remediation costs at these locations, what is the projected quantum of remediation costs for each of the sites, and how has this been taken into account during the demerger? Following the demerger, will Accel be liable for all coal site remediation costs?

Peter Botten: Thank you for your question, the Sainsbury family, and absolutely we are taking on board the financial requirements for the board to cover remediation costs of these locations. A review of remediation costs was actually part of last year's accounts and an adjustment to that was happening. It is obviously an estimation out to when you are looking at remediation a few years out. We're very confident about what the numbers are for Liddell as we are outliving contracts right now for that work.

Liz: The next question is from Imogen Judd. Banks, insurers, and investors, both in Australia and around the world, are increasingly excluding the coal power sector. With 2030 looming as a common cut-off date, has AGL already felt the impacts of decreasing access to and increasing costs of finance and insurance? How will AGL be able to access the finance and insurance it requires to operate its coal power assets beyond 2030?

Peter Botten: Thank you for your question, Ms Judd. Certainly, we are seeing and have seen a change in attitude of investors and financiers and indeed insurance companies to our business, our carbon-heavy pieces of business. However, I should say that Accel Energy in its discussions with its financiers, old and new, is receiving very strong support from our banking group, and we anticipate that will continue. Clearly, there is also an opportunity to help us and partner with us on a number of renewable and energy hub initiatives that we see as being important for Accel. But it certainly is a factor that we are mindful of and in part that is the reason for the demerger to allow AGL Australia not to be necessarily painted by the same brush as Accel and give that company a greater access to capital.

Liz: The next question is from David and Debbie Ziegler. How did the board consider fully the impact on the business of carbon border adjustments? Won't sticking to long term or long coal closure timeframes mean AGL is left out of the race to supply Australia's industrial customers with renewable energy?

Peter Botten: I would say that our core strategies for both Accel and to AGL Australia is absolutely to continue to supply a mix of coal and renewables in the short term, but shifting heavily to renewables into the future and I believe both companies, Accel through its energy hubs and AGL Energy through its broader portfolio of renewables are able to provide cost-competitive and reliable supply out into the future.

Liz: The next question is from Steven Maine. With the proposed demerger, is it right to assume that the retail consumer business will take on a bigger share of the $3 billion AGL debt because its profits are more reliable and sustainable going forward? Will it be challenging to receive bank approval for the demerger, particularly for those financiers exposed to the carbon intense assets?

Peter Botten: I'll partially answer that and again, ask Damien to reply, he's managing the bank discussions on a daily basis right now. Certainly, we believe we have very strong bank support for both entities and we see that the access to capital for both Accel and AGL Australia remains strong. But, Damien, you might add to that?

Damien: Thank you, Chairman and thank you, Steven, again for your question. If I could refer you again back to the 30 June announcement, where we talked about the split of where the debt was likely to go, and back in 30 June, we talked about 800 million going to Accel with the balance going into AGL Australia. So, your position that more will go into AGL Australia is correct, and that's on the basis of us working with the banks and working through what the cash flows of each of those entities will look like between now and into the future. So, that is correct.

Liz: The next question is from [1:44:29] Rezar. If renewable energy source is cheaper that thermal, then why not plan to retire thermal assets and build more of renewable quicker?

Peter Botten: Thank you for your question, Mr Rezar. The experience that everybody sees across the NEM is that renewables is not necessarily cheaper than coal-fired generation, certainly not for firming capacity and as I mentioned earlier when the prices were at $35, $40, renewables in terms of both getting money back operating costs and the return on investment remains challenged. It is the reality that although costs of capital for renewables and renewables may make investments in lower returning projects reasonably attractive, we're seeing that certainly in AGL's renewable portfolio. But, I think it's a misnomer to say it's cheaper because it's almost certainly not and certainly not for [firming/therming] when you have to take on the responsibilities of providing electricity when the wind isn't blowing, and the sun is not shining. Obviously, into the future batteries and significant investment in batteries is a major part of our future and with battery technology improving year on year, we anticipate that that will become extremely competitive down the track and will want to be a significant part of that technology.

Liz: The next question is from Kevin Daley. Instead of leaning into the energy transition, why not leave that to others while AGL seeks to spend capital in ways that generate a high internal rate of return independently of emissions?

Peter Botten: Thanks for your question, Mr Daley, but reality is that we have people, we have community expectations, and we have a role to play given where we sit in the supply of electricity to the NEM. Investors are clearly critical to our future and ongoing access to capital is critical. Private equity has a different view of life on this space, but as far was we're concerned as a public company, we are part of the system, part of the solution and we're happy to be that way. We, as an organisation, can't be immune in my view from the responsibilities of addressing climate change and that's part of our core strategy in culture and direction.

Liz: The next question is from Mr Jack Bower. What are AGL's plans to profit from the transition to electric vehicles?

Peter Botten: Thank you for your question, Mr Bower. We certainly have good partnership with a number of parties that are doing EVs, and it is a significant part of growth potential for AGL Australia, and we'll continue to push hard on that with appropriate partners to build an EV business and a supply process for that business.

Liz: The next question is from Mr Jonathan Hancock. With a big investment in renewables in solar and wind, what plans have been put in place or considerations made to recycle the solar panels and wind turbines at the end of life, expected to be about 30 years, and what provisions are being made for the cost of recycling the renewable assets?

Peter Botten: You're right Mr Hancock, many of these assets are long dated. We have agreements that are in place for long term renewables, or to recycle and dispose of that appropriately, but they are long dated and clearly in the technology of how we do that is likely to change over that period oof time, but we're certainly aware of the requirement for that, albeit long dated.

Liz: The next question is from Ms Adele Walsh. I don't want the demerger to happen, how can we vote on this before more money is spent on the proposal?

Peter Botten: Our direction is clear. There will not be a capacity to vote on this before the money is spent on the proposal. We genuinely believe it's a good idea to do and is core to our future. You have to make up your mind as to what you do with your investment, Ms Walsh. I hope we've addressed some of your concerns.

Liz: The next question is from Deborah Anne Sykes. How can AGL claim to be carbon neutral when the power is still coming from coal. Isn't this just green washing and won't the company get caught out for this? I am very distressed by this for a number of reasons.

Peter Botten: Our commitment is to be carbon-neutral by 2050 and we are totally committed to that and further information regarding our strategies with regards to managing our carbon emissions and exposure will obviously be part of the scheme document with ongoing discussions with a range of shareholders.

Liz: The next question is from Mr Ashayne Sharif. Will AGL Australia as a demerged entity set the goal of sourcing its power from 100 percent renewable energy by 2030?

Peter Botten: I think that will be up to the AGL Australia board as and when to, and part of overall work with respect to setting strategies for both Accel and AGL Australia and that will be published at scheme document at latest following a number of interfaces with shareholders and other stakeholders prior to that time. The AGL Australia board will then be accountable for those strategies and those targets. And, it would be premature of me to set that now while the work is ongoing to finalise what that strategy might be.

Liz: The next question is from Mr Steven Maine. What was the AGL board's view on the widely rorted $90 billion Jobkeeper program? It was very easy to qualify by just forecasting a drop of revenue, even if it didn't eventuate. How did AGL play Jobkeeper and are we aware of any competitors which participated in the scheme?

Peter Botten: I can only speak on a personal basis, Steven, on this one and I think I'd be disappointed that that scheme was utilised in the way it was. I don't believe, in fact, I'm certain we didn't participate in Jobkeeper, I'm unclear whether other parties did.

Liz: The next question is from Mr Steven Maine. AGL is increasingly looking like it's plunging share price and excessive debt will force the need for an emergency equity raising. If this occurs, can the board promise that it will use the (Portrayo) model with compensation for all non-participants and retail rights trading, similar to the 1.23 billion (Portrayo) we did at the $11 a share in 2014?

Peter Botten: Thank you, Mr Maine, for that question. I don't wish to speculate on any capital raising. I don't believe it's appropriate. We have ways and a strong capital process that's ongoing right now with our banks and financiers, and at present time there's no contemplation of an equity raising whatever style or shape that you have.

Liz: The next questions is from Altitude Investment. Did AGL use (Eon) and (Unica) as a case study for the split of AGL into Accel and AGL Australia? If so, what are your thoughts on how the split of the German company performed post-split?

Peter Botten: We did look at a whole range of companies and examples of how splits took place and the performance. Certainly, a number of the renewable's companies performed extremely well after that split. Although, I must say that the European market is different to the one that's prevalent in Australia. But we did look at examples and again, the renewable space and the renewables companies performed extremely well.

Liz: The next question is from Australian Trade Corporation. Are we losing household energy supply thanks to rooftop solar? Does AGL have any plans to expand its market share by adding new retail and industrial customers or supplying overseas markets like Singapore?

Peter Botten: Certainly, we have significant plans in our strategy to build on both our retail and our CNI customer base. And, that is part of our strategy which will be driven by Accel Energy. We have looked at supplying, certainly in gas trading, to places like Singapore but again, that remains a part of a strategy that will be looked at by Accel.

Liz: The next question is from Hilary Kunde. From a shareholder's point of view, it obvious that the current board and CEO recognise the need for new directors to the board with relevant skills for AGL's future directions, as described by the Chairman in his early address. So, why did the board not proceed with the process of appointments in order to gain ratification at this AGM?

Peter Botten: Thank you for your question, Ms Kunde. Getting an appropriate director or directors into an organisation is not a five-minute exercise. There needs to be clarity around what you're offering, and it needs to be a comprehensive process to find the right person. We've been looking for this for a number of months and to attract the right person, we need to take our time to find the person with the right skills and commitment to take on some of the challenges that AGL has and eventually, hopefully, Accel Energy and AGL Australia. We are very, very committed to bring on people with substantial experience on energy transmission in ESG, but we also need to, for instance, replace John Stanhope and his financial capabilities and audit processes for Accel and to look at the broad skills matrix which is appropriate for the challenges of the company's future.

Liz: The next question is from Patrick Kumar Patel. You mentioned that it is standard practice for an underwriter to use shorting in a way to cover the risk in relation to a question asked about Macquarie shorts. Can you assert your statement again and if it is at all in the best interests of shareholders?

Peter Botten: There are mechanics that are around doing a DLP and the processes that Macquarie are using are standard practice in this space. I don't have any further comment on that.

Liz: The next question is from Peter Brooks, professor at the Centre of the Health Policy at the Melbourne School of Population and Global Health. The evidence of the harm posed by both the combustion of fossil fuels and climate change itself and in the form of heat related mortality, extreme weather events, nutrition supply, and respiratory illnesses becoming more granular every day and already a material risk for our company. Given this why has our company not listed litigation on health grounds as a tier one strategic risk? Will AGL commit to replacing coal with renewable energy by 2030 to mitigate these health risks in line with advice from the International Energy Agency?

Peter Botten: Thank you for your question, Peter. And, let me say we continually interface with our communities and workers over their health and health and safety is a critical part of our strategy and culture at AGL. We continue to look at and discuss with them a range of these issues and will continue to do so, recognising the sensitivity to exposures to coal-fired generation, and beyond. Certainly, from a risk perspective, we do see that as a risk. Sorry Liz, we're an hour and bit in, and I'm acutely aware that we have other things to talk about. And so, I'd probably limit the questions to a few now.

Liz: No problem. The next question is from Dan Gocher. Has the board been approached by potential buyers or received a takeover of any sort?

Peter Botten: No.

Liz: The next question is from Mr Ashjay Am Sharif. The chair admitted in June that the board did not see the pace of change coming, how can we trust the board has sufficiently planned for the pace of change still to come?

Peter Botten: I certainly said that we saw changes coming, but I don't believe many of the participants in the energy markets on the east coast have seen how rapidly the direction and sentiment towards change has come and that was also admitted by a number of corporates, but also the regulator. So, that is a reality, so we understand now absolutely that the pace of change is accelerating, and our strategies are absolutely designed to address that.

Liz: The next question is from Steven Maine. The AFR rear window attacked the decision to have both demerged companies' headquarters moved from Sydney to Melbourne because he said both CEOs both prefer to live in Melbourne, is this true? How much were the relocation costs?

Peter Botten: I think honestly this is a piece of no news. There are substantial people in Sydney and in Melbourne. Melbourne actually has the largest number of people from customers to trading to administration and finance, IT. So, I suppose I think this is a no-news day and really doesn't have an impact on our business and certainly any costs of relocation for the relatively small number of people that move will be immaterial in the overall scheme.

Liz: Thank you, Chair. I believe you've covered the topics raised in any remaining questions.

Peter Botten: Thanks very much and thank you for those questions and I hope my responses have been useful.

Peter Botten: The second item of business concerns the adoption of the Remuneration Report of the Company for the year ended 30 June 2021. The People and Performance Committee assists the Board with oversight of AGL's remuneration policies. Diane Smith-Gander has been Chair of that Committee since November 2017. Before opening the meeting to invite questions, I would like to invite Diane to speak to you about AGL's remuneration policy and the steps AGL has taken during FY21 to respond to the first strike AGL received at the 2020 AGM.

Diane Smith-Gander:

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.

2:11:50 --> 2:15:23

Peter Botten: Thank you, Diane. Thank you for that description. Liz, could you please let me know if there are any questions relevant to the resolution to adopt the 2021 renumeration report?

Liz: The first question on this resolution is from Steven Maine. There are five proxy advisors in the Australian market. We know that the ASA is recommending and voting against the Rem Report and the LTI grant for CEO, Graham Hunt. Have any other proxy advisors gone against the board's voting recommendations today and if so, please provide the details?

Peter Botten: Thank you for your question, Steven. There is overwhelming support for both the remuneration report and the LTIs to Graham in the voting and that reflects the support of the various proxy advisors for that vote. I'm sure that we can provide and will provide details of the voting after the meeting.

Liz: The next question is from Adele Walsh. AGL management was able to predict renewables rising and reducing the costs of electricity. Why are we rewarding them?

Peter Botten: As Diane said, firstly we are not basing our STI on criteria such as predicting renewables and I should stress that we did predict, and they did predict rising impact of renewables and also the reduction in price. Reality is today the STI, or all our management or senior management has been reset inline with shareholder experience over the last 12 months and Diane enunciated the reasons for that change.

Liz: There is one further question that's just come in from Dan Gocher. In the STI, why is the carbon intensity measure not relative to the NEM average? AGL's carbon intensity is far higher than the NEM average and will likely remain so for the indefinite future.

Peter Botten: There is no doubt that both AGL Australia and Accel Energy will look at appropriate remuneration targets for carbon intensity and other objectives that are required in that company, based on their strategy for carbon neutrality and benchmarks against those objectives and on that basis, those boards will set the appropriate STI and other remuneration targets for those companies should the demerger go ahead.

Liz: There are no further questions on that resolution.

Peter Botten: I will now put the motion that the Remuneration Report of AGL for the year ended 30 June 2021, as set out in the Directors' Report section of the Annual Report, be adopted.

Details of the proxy and direct votes that have been cast on this motion are as shown on the screen.

Please place your online vote for this item if you have not already done so.

I now turn to the third item of business, which is the re-election of one Board endorsed Director and the election of a non-Board endorsed candidate. In accordance with the company's Constitution, two Directors are retiring at this Annual General Meeting – John Stanhope and Jacqueline Hey. Jacqueline is seeking re-election. Also seeking election to the Board is Ashjayeen Sharif who has nominated himself as a candidate for election. The first matter under this item of business concerns the re-election of Jacqueline Hey as a Director.

A short video will now play in which Jacqueline will outline why she is seeking your approval to continue as a Director of your Company. For our online meeting today, we thought it was prudent for this address to be pre-recorded to minimise disruption and the risk of technical issues.

2:16:45 --> 2:19:00

Jacqueline Hey: Hello, ladies and gentlemen, I really appreciate you joining us today in this virtual mode. And, I do thank you for giving me the opportunity to cover some relevant details of my career and background. I'm an economist by university training and have spent more than 20 years in the technology industry. Ending up as managing director for entities both here, in Europe and in the Middle East. During this time, I gained a lot of real-life leadership experience, particularly in governance and financials, in large intensive capital projects, technology strategy, people safety and in customers and stakeholder management. Today, I have ASX board roles with Qantas and I am the chair of the Bendigo and Adelaide Bank. These roles enable me to identify best practices across industries and to apply those learnings to the benefit of AGL. I also served as chair of the AGL safety, customer and corporate responsibility committee, as well as being on the audit and risk management committee. Your company has a proud history and presently it does operate in an industry which is experiencing substantial change. We must transform as the world we live and work in requires us to address generational, environmental, and social issues. And, to do it in a way that keeps the lights on, keeps our local communities in which we operate sustainable through this transition, allows our people to continue to be employed, and importantly, allows you as shareholders to be able to benefit in the future. This evolution means we are moving form an energy landscape built on base load thermal power to a future of cleaner, more distributed energy generation and storage. It will require a well-considered and responsible approach to balance the needs of all stakeholders to make sure that no one group gets left behind. And also, that Australian households and businesses have continued access to reliable and affordable energy. Ladies and gentleman, should you provide your endorsement, then I will be very honoured to continue to fulfil my director role. I thank you for your consideration. Thank you.

2:20:10 --> 2:22:04

Peter Botten: Jacqueline has been a director since March 2016. She is considered by the board to be an independent director. Ms Hey enjoyed successful executive career prior to becoming a fulltime company director in 2011. Ms Hey has extensive experience as a director of ASX listed companies and is currently chair of Bendigo Bank and a director of Qantas. Ms Hey's skills and experience, particularly her commercial and leadership experience are valuable to AGL's board's existing skills and experience. Ms Hey also adds considerable strength and leadership to the committees on which she serves, including as chair of the safety, customer, and corporate responsibility committee. Therefore, the board, excluding Jacqueline, recommends shareholders vote in favour of this resolution. Liz, could you please let me know if there are any questions relevant to the resolution to re-elect Jacqueline Hey as a director?

Liz: Thank you, Chair. The first question is from Steven Maine. The current AGL constitution provides a range of between three to ten directors and there are no entrenchment provisions making it difficult for external candidates to nominate for the board. Will the chair undertake to replicate these features of the constitution in the demerged company, avoiding following the lead of other demerged companies such as (South 32) and Treasury Wines Estates which had constitutions imposed without shareholder approval requiring external candidates for the board to be supported by 100 shareholders of five percent of issued capital?

Peter Botten: Thank you for your question, Mr Maine. The constitution of Accel and AGL Australia is subject to ongoing discussions. Your point and sensitivity is noted and we'll respond accordingly when we've got to decide, but your point is noted.

Liz: The next question is from Steven Maine. As the chair of Bendigo and Adelaide Bank, could Jacqueline please comment on how much Australia's banks are moving to decline or reduce funding for carbon-intensive businesses like AGL? Is Bendigo a lender to AGL?

Peter Botten: I can answer at least part of that question. I do not believe Bendigo is a lender to AGL. I can't speak on behalf of Jacqueline about Bendigo and Adelaide Banks policies of lending, and I would anticipate that I'd ask Jacqueline to respond accordingly to Steven Maine after this meeting.

Liz: There are no further questions Chair.

Peter Botten: Thank you, Liz.

Peter Botten: I will now put the motion to the meeting that Jacqueline Hey be re-elected as a Director of the Company. Details of the proxy and direct votes that have been cast on this motion are as shown on the screen. Please place your online vote for this item if you have not already done so.

The next matter for consideration is the election of Ashjayeen Sharif as a Director. Mr Sharif, a retail shareholder, nominated himself as a candidate for election, which was supported by another individual retail shareholder. A short video will now play in which Ashjayeen will outline why he is seeking your approval to be appointed as a Director of your Company. As with Jacqueline's address, we have pre-recorded Ashjayeen's address to minimise disruption and the risk of technical issues.

2:23:05 --> 2:27:02

Ashayne Sharif: My name is Ashayne Sharif, I am 18 years old and I'm currently a student at the University of Melbourne. I may seem an unlikely candidate for the AGL board, but I felt compelled to nominate myself because while AGL is Australia's biggest climate polluter, it has the size, the scale, and the scope to turbo charge Australia's energy revolution. I want to help steer AGL away from the coal burning power that is destroying the climate and AGL's profitability, and towards clean and reliable, renewable energy in order to give my generation and all those to come a shot at a safe future.

More than 18,000 people from all over Australia have signed a petition supporting my call for AGL to replace its coal burning power stations with renewables by 2030. All of those people are calling on shareholders like yourselves to do the right thing for the next generation and for AGL as a business. The AGL board has admitted that it failed to recognise the pace of change in the energy market. Renewables are taking the lead and AGL it not well placed to take advantage of the huge opportunities this presents. The failures of AGL's board have cost shareholders over $12 billion in recent years and AGL's share price has nose-dived 70 percent over the past three years alone. Financial markets are now moving at lightning pace towards climate action, leaving coal companies behind. AGL will struggle to gain financial support from banks, insurers, and investors if it does not respond commensurately to the climate crises.

As the UN's inter-governmental panel on climate change, and the International Energy Agency all advocate, we must transition away from coal by 2030 to maintain a safer, more liveable climate future. It is as simple as that.

With the right leadership, AGL can become a genuine renewable energy powerhouse and restore shareholder value to what it once was before the company began purchasing coal burning power stations in 2012. So, if you elect me to the board, here are five keys steps I would instruct AGL's executive team to deliver throughout the demerger process into Accel and AGL Australia.

Firstly, I would push to fully commit to the Paris Agreement Emissions Reduction targets, including replacing Bayswater and Loy Yang A with renewables by 2030, providing certainty to the market. This importantly includes implementing transition plans for all workers at Bayswater and Loy Yang A, working closely with unions, relevant governments, and other key local stakeholders to ensure AGL's hardworking workforce receives the job security that they deserve.

Secondly, I would prioritise negotiations with our largest customer, Tomago Aluminium smelter for AGL to provide renewable energy to as it transitions to mostly renewable power sources by 2029 and commence negotiations with Portland Aluminium Smelter to do the same.

Thirdly, I would transform AGL's old power generation sites to be the centre of renewable energy industrial precincts using access to land, transmission lines and renewable energy resources as a major competitive advantage.

Then ultimately, I would position the company to be the preferred supplier of electricity to the rapidly growing list of major businesses who are making 100 percent renewable energy [2:26:22].

And finally, I would redirect sustaining capital that is currently going into upgrading worn out coal burning power stations beyond 2030, into growth capital expenditure on new renewable energy production and storage projects.

As Australia's biggest climate polluter, AGL has the power the become Australia's biggest climate solution, by switching rapidly to renewable energy. I want to be part of that solution and I want to restore AGL to the great company that it was once was and should still be for the sake of all staff, all shareholders and the future of the company and the world itself. Thus, I urge you to vote me onto the board so I can deliver my plan. Thank you.

Peter Botten: The Board, assisted by the Nominations Committee, has carefully considered Mr Sharif's nomination in the context of the succession planning it undertakes for Non-executive Director succession and has recommended that shareholders vote against Mr Sharif's election. As I mentioned previously, the Board is currently undertaking succession planning and is seeking to appoint a new Director to the Board with specific skills and expertise in climate change and ESG in the first half of FY22.

Liz – could you please let me know if there are any questions relevant to the resolution to elect Ashjayeen Sharif as a Director?

2:27:52 --> 2:29:33

Liz: The first question is from Henry Kay. Instead of recommending that shareholders vote against the retail shareholder nominee, why don't you accept them on the board as an interim director until the replacement is appointed?

Peter Botten: Thank you for your question, Mr Kay. The appointment of a board member is a significant issue with broad ramifications and reality is that we are in a very advanced stage to appoint a director and/or directors to AGL Energy and therefore absolute not appropriate for us to appoint any interim director to that role, and we are proceeding as per our recommendation to bring on a range of skills, which are necessary to drive both AGL energy and the future AGL Australian and Accel.

Liz; The next question is from Steven Maine. Could the proxy position be disclosed before the debate on each item, rather than after in accordance with the ASA Best Practice AGM Guidelines? Did Mr Sharif, the youngest ever candidate for an ASX 100 board receive more than two percent of the proxy votes in favour?

Peter Botten: Thank you, Mr Maine for your question. I can confirm that Ashayne received votes of just over two percent in support of his nomination.

Liz: Thank you, Chair. There is no further questions on that resolution.

Peter Botten: I will now put the motion to the meeting that Ashjayeen Sharif be elected as a director of the company. Details of the proxy and direct votes that have been cast on this motion are as shown on the screen.

Please place your online vote for this item if you have not already done so.

I now turn to the fourth item of business, which is the grant of performance rights under the long-term incentive plan in the 2022 Financial Year to the Managing Director and CEO, Graeme Hunt. The number of performance rights to be granted to Graeme is 297,374, with a four-year performance period.

The number of performance rights that ultimately vest for Graeme will depend upon the extent to which the performance conditions have been satisfied over the relevant performance period.

AGL's FY22 Long Term Incentive Plan has two performance conditions. The first, weighted at 75%, measures AGL's total shareholder returns relative to those of the constituent companies in the S&P/ASX 100 index, being AGL's peer group.

The second measure, weighted at 25%, is related to carbon transition which was first introduced as an LTIP metric in FY21. This metric has been included having regard to AGL's Climate Statement and AGL's commitment to reduce its carbon footprint and to facilitate the transition of AGL's generation fleet responsibly over time. We think this metric provides the focus for executives to deliver against AGL's commitments in its Climate Statement.

Following feedback received on the FY20 Remuneration Report, and the ongoing challenge of establishing an appropriate target range for a return on equity metric, the Board determined not to include return on equity as a performance metric for the FY22 LTIP.

The ASX Listing Rules require that Shareholders approve the granting of performance rights to any Director, including the Managing Director.

The Board (excluding Graeme) recommends Shareholders vote in favour of this resolution.

Liz, could you please let me know if there are any questions relevant to the resolution to grant performance rights under the LTIP to Graeme Hunt?

2:32:26 --> 2:32:30

Liz: There are no questions to this resolution, Chair.

Peter Botten: I will now put the motion to the meeting to approve the grant of 297,374 performance rights to Graeme Hunt under AGL's long term incentive plan for the year ending 30 June 2022 on the terms set out in the Explanatory Notes which accompany the Notice of Meeting.

Details of the proxy and direct votes that have been cast on this motion are as shown on the screen.

Please place your online vote for this item if you have not already done so.

I now turn to the fifth item of business, which is the conditional spill resolution and will not be put to the meeting today given the Company did not receive a second strike in relation to the 2021 Remuneration Report.

Details of the proxy and direct votes that have been cast on this motion are as shown on the screen.

[Item 6a – Special Resolution to Amend AGL's Constitution and Item 6b – Ordinary Resolution on Paris Goals and Targets]

Item 6a concerns a special resolution proposing to amend AGL's Constitution to include a new provision that would enable Shareholders, by ordinary resolution, to express an opinion or request information about the way in which a power of the company vested in the Board has been or should be exercised.

This resolution has been requisitioned under section 249N of the Corporations Act by Shareholders representing approximately 0.02% of shares on issue in AGL.

The Board has recommended that Shareholders vote against this resolution. Detailed reasons are set out on page 13 of the Notice of Meeting.

The Board and the Company are committed to understanding the views of AGL's stakeholders and making a genuine effort to respond to concerns which are raised. The Company considers that it has a proven track record of listening and responding to stakeholder concerns in a way that is cognisant of, and balances, the competing interests of its different stakeholder groups. The Board does not consider that the proposed constitutional amendment would enhance its ability to understand the views and sentiments of its shareholders and broader stakeholders. In addition, the Board is concerned that the proposed amendment to the Constitution could have the effect of enabling groups of Shareholders to promote their own interests, which do not take into account the interests of the Company as a whole.

The resolution proposed is a special resolution. This means that it will be passed if at least 75 per cent of the votes cast by Shareholders are in favour of the resolution.

The Directors unanimously recommend that Shareholders vote against the resolution.

[Item 6B]

Item 6b is an "advisory resolution" and will only be considered if Item 6a is passed by special resolution. The Board does not endorse Item 6b and recommends that shareholders vote against it for the reasons set out on pages 14 and 15 of the Notice of Meeting.

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

- short, medium and long-term targets for reductions in the proposed demerged companies' (Accel Energy and AGL Australia) Scope 1, 2 and 3 emissions (Targets) 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 decarbonisation of the electricity sector. However, as mentioned earlier, AGL is not currently in a position to make Paris aligned targets for Scope 1, 2 and 3 emissions for Accel Energy and AGL Australia.

I will take questions on Items 6a and 6b at the same time.

Liz – could you please let me know if there are any questions relevant to the special resolution to amend AGL's Constitution or the resolution regarding Paris Goals and Targets.

2:37:33 --> 2:45:16

Liz: In relation to resolution 6A, the first question is from Steven Maine. Why are Australian boards so afraid of listening to the opinions of shareholders by way of non-binding shareholder resolutions? These are standard practice in the US, yet dozens of ASX listed companies have now recommended against these constitutional amendments. Did you consider supporting this move and will you consider providing for such resolutions in the constitution of Accel?

Peter Botten: Again, Mr Maine, thank you for your question. The constitution of Accel and AGL Australia are subject to review by the board and eventually their respective boards in the event of a demerger, and your point and sensitivities are noted and will undoubtedly be considered in those board deliberations.

Liz: The next question is from Angela Myer. The International Energy Agency and UN are both calling for Australia to transition away from coal power by 2030 in order to meet the Paris Climate Agreement goals. Does the board and CEO acknowledge that 2030 is the firm target date for coal closure to ensure Paris alignment?

Peter Botten: Thank you for your question, Ms Myer. We certainly recognise that the date of 2030 is something that is on the table with respect to the UN targets. I believe that 2030 is a very, very, challenging target for coal closure, based on the current base of regulatory reform and the need for ongoing replacement of coal-fired generation within the NEM. As I mentioned earlier on, our targets and strategies with respect to the management of our coal fleet will be part of the scheme document that will be published in FY22 and on that basis further details of our approach to this will be given in those documents.

Liz: The next question is from Dan Gocher of the ACCR. The presentation on 30 June stated that AGL would disclose detailed climate change roadmap, including specific decarbonisation targets for both demerged companies. Can the chair confirm when this information will be made available to shareholders? Is this information not material to the demerger vote?

Peter Botten: Thank you for your question, Dan. As we've said before, the reality is that we are working very hard on analysing what the targets and appropriate business strategies will be for these organisations and with further engagement with our shareholders and other stakeholders, the board will appropriately publish those targets, including capital allocation and incentivisation for meeting those targets as part of a scheme document which will be published next year. I reiterate that that's a commitment we made and inevitably from my mind the scheme document will be in part a mandate for shareholders to vote and be comfortable with the actions and strategies that each company is taking towards the transition.

Liz: The next question is from Steven Maine. When disclosing the outcome of the Paris goals and targets resolution and all other resolutions today on your website, could you please advise how many shareholders voted for and against, similar to what happens with a scheme of arrangement. This will provide a better gauge of retail shareholders sentiment on all the solutions and was a disclosure initiative recently adopted by Metcash after its AGM?

Peter Botten: Thank you for your question, Steven. We will review that and revert accordingly. I will revert.

Liz: The next question is from Deborah Anne Sykes. Do you acknowledge that the UN and International Energy Agency state clearly that Australia has to stop burning coal by 2030 to address climate change? What are you plans meet this target?

Peter Botten: I've already said that targets are subject to review right now and our strategy and objectives will be published as part of the scheme documents that will be published next year. Again, we will work very closely with regulators and governments, both federal and state, to come up with the right answer that provides stability and cost competitiveness to the NEM and leading into share transition will be absolutely described in our scheme documents, and they are being worked on now.

Liz: The next question is from James Morgan. As a shareholder, it would seem that the board is out of step and the share price reflects this. The board's obsession with coal is similar to Kodak's obsession with analogue film. Resolution 6A may help AGL become more relevant. Can the board indicate how it intends to address the shareholders' broader concerns?

Peter Botten: The shareholders concerns are reflected in their voting and the shareholder votes are and will be published as part of this AGM. The reality is that the share price reflects conditions and operating conditions of the day, they don't necessarily reflect a process which involves a commitment to targets that are right now being reviewed. So, on that basis, I think we have a different outlook and the process of how we manage our coal-fired generation is one that is linked into the management of the whole NEM, and we can't be independently doing things that regulations and other commitments don't allow us to do.

Liz: The next question is from Dan Gocher. If Australia's largest carbon emitter cannot align itself with the Paris agreement, what chance does Australia have of doing the same?

Peter Botten: Dan, I think you will see what we will align to and commit to at the time of the scheme document publishing. We're clearly mindful of where that's going and we're clearly mindful that this is an accelerating pace of expectations both from shareholders and investors, banks, etcetera. And, that is part of our analysis as we develop the strategy for the scheme document and publishing the rationale for the demerger.

Liz: Thank you Chair. There are no further questions on this resolution.

Peter Botten: I will now put to shareholders Item 6a, which deals with the proposed Constitution amendment. The motion before the meeting is to amend the Constitution to insert a new clause 32.4 'Member resolutions at general meeting' as follows: "The Members in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material relevance to the company or the company's business and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

Details of the proxy and direct votes that have been cast on Item 6a are as shown on the screen.

Please place your online vote for Item 6a if you have not already done so. Based on the proxy and direct votes received ahead of the meeting, it is apparent that Item 6a for the amendment of AGL's Constitution will not be passed. Therefore, Item 6b, which is contingent on amending the Constitution, will not be put to the meeting today.

Details of the proxy votes that were received on Item 6b are shown on the screen.

As mentioned earlier, a poll is being taken on the relevant items of business. If you have not already done so, please indicate your votes for the resolutions via the online portal. A summary of the proxy votes I hold as a nominated proxy for Shareholders in relation to each resolution are as shown on the screen.

I advise the meeting that I intend to vote all discretionary votes available to me as Chair of the meeting in favour of resolutions 2 (Remuneration Report), 3a (re-election of Jacqueline Hey as a Director) and 4 (Grant of Performance Rights under the LTIP to Graeme Hunt) and against resolutions 3b (election of Ashjayeen Sharif as a Director) [5 (Conditional Spill Resolution)], 6a (Amendment to the Constitution) and 6b (Paris Goals and Targets).

Ladies and Gentlemen, that concludes the formal items of business for today's meeting. The polls will remain open for another 10 minutes. Results of the poll on each resolution put to the meeting will be provided to the ASX by close of business today and posted on the company's website.

It only remains for me, on behalf of the Board, to thank you for attending and demonstrating your interest in AGL by taking part in this Meeting.

I now declare the meeting closed, subject to conclusion of the poll.

END OF TRANSCRIPT