

AGL Energy Limited AGM transcript (Q and A only) – 21 November 2023

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PATRICIA MCKENZIE:

We'll now open questions to the floor first. If anyone holding a yellow or blue card, please raise your hand and a microphone will be brought to you.

NATASHA LEE:

Thank you. Natasha Lee, shareholder. I note that in terms of expenses, the, let's see, the fuel costs for electricity didn't go up very much and gas costs, cash purchases, decreased slightly. Now, given the discussion about costs of inflationary costs and the increase in the fuel inputs, understanding that there was a period of power closure at Loy Yang, the numbers sort of don't quite gel right with me. Can you give some further explanation on the makeup of those fuel costs?

PATRICIA MCKENZIE:

I think I'll ask our Managing Director to respond on that issue.

DAMIEN NICKS:

Thank you for the question. Look, I think when you look through the results of FY23, it was a year of two halves. The first half was impacted significantly by the market volatility, which saw some significantly higher wholesale prices. But it also had the impact of Loy Yang A Unit Two out of the market for a period of time. So, the results were, if you like, somewhat distorted. What you're starting to see now is those results come back to more of a normalised level of both energy and gas costs. But what I would say is the geopolitical impacts that we saw over that period of time certainly had an impact that impacted both gas and coal through the market.

NATASHA LEE:

Yeah. Were you running down your stocks of, say, coal during that time? Because my gut feeling is that the cost probably should have been a bit higher because of those geopolitical and inflationary impacts.

DAMIEN NICKS:

So, in terms of the coal that we... Sorry, Chair. In terms of the coal that we have, we own the coal down in Loy Yang, so we mine that coal. That is coal that comes straight out of the ground. In terms of Bayswater up in New South Wales, that coal is through contracts. We hold the amount of coal that we need on hand to manage the portfolio of our generation. What we saw over that period of time, coal did also come off to some degree as the Liddell power station also closed.

NATASHA LEE:

Thank you. I've got another question about your financing. You talked about your US

placement, which I think is some 1.5 billion. Is there a exchange rate exposure and how are you managing the risks associated with that placement?

PATRICIA MCKENZIE:

Yeah. The exchange rate exposure is hedged so that the risk is managed.

NATASHA LEE:

No, that's fine. Thank you very much.

SPEAKER:

Good morning everyone. I got a couple of questions. I'm a shareholder. My name is Rambabu Muta. The dividends we declared in financial year '19 is \$1.19, and it came down to \$0.98 in FY20, and \$0.75 in '21, and \$0.26 to '22. And now we are a little better with \$0.31. This is a worrying trend. That is my comment. And another one is the statutory profit and loss after the tax last year was 860 plus, positive, and this year is -1.2 billion. So, people who are dependent on dividends, I think, for the last few years we are very disappointed. That is my comment. And second thing is, are we going to go back to the good old days of getting a dividend of \$1.19 in future?

PATRICIA MCKENZIE:

So, turning first to your question on FY22, there was a significant market suspension during that year by a regulatory intervention which impacted the results significantly and flowed through to the dividend. We can't make predictions about future dividends, but we will certainly... The determination of actual dividends is made at the time of determining the profit for the year. But we recognise the need to provide value to our shareholders while also ensuring that we have cash flow sufficient to fund the transition. And so, the board will look closely at what is available for payment in dividends in coming years.

SPEAKER:

Thank you. I definitely believe that you will work hard to make that happen to make improvements to the dividend earnings. Another thing is the customers who are shareholders, do they have any benefits of being a shareholder, being a customer? Sorry. Can I rephrase the question?

PATRICIA MCKENZIE:

Yes.

SPEAKER:

I'm a AGL customer. I use gas and electricity of AGL. I'm also a shareholder. Does it have any benefit of being a shareholder? Do you think anything like that?

DAMIEN NICKS:

So, there's no individual benefit of being both a shareholder and a user. But what I would suggest you do, we've got people outside this meeting who can also have a look at your account and the plan that you're on to assist with that if that is helpful after this meeting.

SPEAKER:

OK. Thank you very much.

ROMAN:

Thank you. My name is Roman. I have multiple holdings. I would like to provide a couple of comments, a couple questions. Most of it about your marketing, which you are spending millions of dollars with going nowhere. But tell me, any of you guys try to contact your call centre? Any? I'm not a customer of AGL. I was. But you spent hours to get through. What kind of service are you guys providing? Now, offers. You spend millions of dollars on

marketing. You can see AGL on TV, on radio. But when you try to get these offers, suddenly nobody knows about them. They asked me to email them or send them the offer that I received because they're not aware of it. What's the point to spend money for marketing product which nobody knows about it? You spend again millions of dollars instead of reducing the rates for existing customers to provide better service. Your customers are leaving you guys because there is no value. Origin, for example, on top of your customer, as a customer, they give you value, they give you points for Woolworths, they give you discount for fuels.

You guys do none of it. Why? I will ask, like a previous gentleman before me, why you can't offer like other companies discount to loyal shareholders who lost a lot of money keeping your shares. Why you cannot... Again, any other companies offering it to the customer. You bring back your more customers and loyal customers. Paperwork. If any other companies, energy companies, and you are become more green company, why anything need to be done by paper? Everything is done through internet now. Why I need to go and print your forms, then fill it up by hand, and then send it to you by mail, which hopefully will arrive. Why you can't do like any other company through internet, email, something, which arrived in two seconds instead of waiting for two weeks and then you hear, "Oh, sorry, we did not receive your paperwork"? We are at the... Everyone know about energy cost. Huge cost. When our share price is going back to the value which it was with loyal shareholders losing a lot of money on this company because there's again no - somehow money spent not the way it's supposed to be.

Our customer leaving us. It's something need to be done about it. Again, who is your Marketing Director? Can I see him? Because there's a lot of things can be improved. Also, you sell an internet, which I don't know where you got it from, but it's overpriced and under-delivered. Even your guys, which tried to use registration, have problem to use your internet. This is a company who provide internet can't use their own product. And the last comment. You called emergency meeting a couple of years ago at the ICC. Then you cancel it without nobody that you actually cancel it. I did effort to come to this meeting. There is also many shareholders just to hear, uh, sorry, meeting was cancelled. Why you can't communicate to your shareholders? What's going on? Thank you.

PATRICIA MCKENZIE:

Well, thank you, sir, for that very comprehensive list of questions. I'll try to answer those for you. In relation to the call centre, we certainly had a period of time after the recent increases in the cost of electricity, which were determined by the regulator, where our call centre was under a huge amount of pressure. And the time did blow out beyond that which is acceptable and we apologise for that. It has now come back to within appropriate and reasonable levels and meets targets. We did put on a significant number of additional call centre people to assist during that period. But, of course, people do need to be trained in order to answer those calls appropriately. We intend to ensure that we meet the standards that we have set as we move forward on the call centre. In relation to advertised rates not being available, I believe they should be available. I don't understand why that might have happened. We stand behind our advertising and we do offer those rates that we have advertised.

So, I'm not sure how that was not able to be communicated to you, but we will have customer service representatives and executives available after the meeting, who I'm sure would be pleased to discuss that further with you. Using funds to provide better services to customers. AGL's policy, our practice moving forward is to be customer-centric, and we intend to ensure that we are providing a suite of services to our customers and offerings to our customers which will meet their needs into the future, particularly their needs to

decarbonise and to electrify as we move forward. We think we have a fairly comprehensive and attractive suite of products now, but as we move to energy as a service, we will provide even wider services to our customers so that we can meet all of their needs, that we can partner with them in their journey moving forward to a net zero future. In relation to benefits to customers, we have quite a number of benefits to customers. There is a customer benefit scheme and as a customer myself, I receive the emails and letting me know that I can buy running shoes at reduced prices.

I can do all sorts of things that are made available if you're interested in doing that. But I think it's an interesting point that you've raised and one that we can look at to make sure that we are providing benefits to customers. We do also try to provide benefits across the scheme to customers, such as our Electrify Now website, where if you are interested in further electrifying your own home, there is a pretty comprehensive opportunity on that website to determine how best to go about it, and AGL will assist you in that journey. So, there are many other offerings along those lines which I think help the customer. And we're all about improving the customer experience as we move forward. And that's what we're focusing on right now. The discounts to loyal shareholders. I think we can take that one on under consideration as we move forward. It hasn't been a program that we have adopted in the past. Paper. We certainly intend and are encouraging our customers to move to the internet for their interactions with AGL.

And we now have - and I'll ask Damien for the percentage of customers who are now internet only.

DAMIEN NICKS:

Yeah. We have fully digitised mechanisms to talk to our call centres and so forth. So, again, I think it's probably worth the customer services staff having a chat to you afterwards to see what happened in that instance because everything should be able to be digitally done with those interactions.

PATRICIA MCKENZIE:

Yeah. And we do have a significant percentage of our customer base who only interact with us via the Internet. So, that is the future. That's the way we're headed. And we encourage our customers to move to that.

DAMIEN NICKS:

And that percentage is roughly about 54% of our customers interacting us just purely digitally these days.

PATRICIA MCKENZIE:

In relation to the cost, we certainly understand that the cost of electricity has risen significantly, and we're very aware of the impact that that has on our customers. Damien mentioned in his speech that we have put in place \$70 million program over the next two years to assist our vulnerable customers. We're using AI to identify and reach out to those customers to assist them so that they understand the government programs and assistance available to them, and the many programs that AGL has available to assist them. And Damien outlined some of those in his speech. We'll continue to do that. I am pleased to say that our customer base increased in the last year and we continue to, through various avenues, seek out new customers to become part of the AGL customer base. The sale of internet. The move into telecom has been quite recent for AGL. It's a small percentage of the services that we offer at this time, but it's one that, some customers prefer to be able to have both services, electricity and telecom, with the one service provider.

DAMIEN NICKS:

Yeah. And what I would say again, customer service is out the front. We have very competitive internet rates compared to some of the major competitors out there. So, again, I'd like to take that up separately if we can because certainly we can help you there.

PATRICIA MCKENZIE:

And Damien, perhaps you might speak to the cancellation of the ICC meeting?

DAMIEN NICKS:

Yes. I think you mentioned in relation to a cancellation of a meeting at the ICC that I believe if I've got this correct, would be when the demerger was originally pulled. And we did endeavour to communicate with all of our shareholders during that time, but maybe it didn't get to yourself. So, apologies.

PATRICIA MCKENZIE:

Thank you. Any other questions?

ANDREW FRASER:

My name is Andrew Fraser, a shareholder. My concern is about stranded assets, the ageing power plants, coal-fired power plants. And I was one of those shareholders that was very disappointed when that Atlassian deal didn't go ahead because it offered an immediate retirement of those assets and an immediate transition to renewable energy, which is what I think we need to do because I feel that these ageing power stations are simply not economic anymore, and it's no good waiting to 2035 or something. We need to retire them now. And when a great benefactor comes along and offers a deal like that to retire them immediately, you grab it with both hands. Now, Brookfield's talking about doing something similar with Origin, but it's been stopped. Are there any kind of moves to try and re-court Brookfield or similar capital providers to try and negotiate a deal like that? Is there any plans to do that?

PATRICIA MCKENZIE:

I thank you for the question, Mr Fraser. Let me deal first with the question of the ageing power stations. It is clear that the power stations in Australia are moving towards the end of their economic lives and investment needs to be made to ensure that we continue to have generation available to replace those assets. That is the part of the transition which is going to take some time. It is a transition not only for AGL but for the entire energy industry. And in order to ensure that we in fact are successful in that transition, there will need to be a concerted effort by governments, by regulators, by the energy industry, and by the business and communities to ensure that we do, in fact, build out the renewables and firming capacity necessary to replace the coal-fired generation. At AGL, we are ensuring that we are meeting our CTAP. We are looking to deliver the five gigawatts in firming and renewable capacity by 2030, and the 12 gigawatts by 2035. And we are continuously monitoring the market to determine whether there is opportunity for us to accelerate those programs.

And we will do so wherever it is possible and appropriate to do so. However, we do need to ensure that there is a reliable and affordable market for electricity in Australia, and we need to balance that also with the clear need for decarbonisation and in our case, the return to shareholders. We have not had any offers available to us or made to us in respect to AGL. Should that occur, the board will consider that offer and determine whether it is in the best interests of the AGL shareholders. When we received the earlier offer from Brookfield and Grok, or one of those companies, we looked at it carefully, but it was not, in the opinion of the board, in the best interests of AGL, and we did not agree to pursue it.

ANDREW FRASER:

Did you actually consider that tomorrow those assets might be worthless? Did you consider

that point that, I mean, there wouldn't be any assets at all and AGL would be nothing? I mean, that seems to be a pretty strong imperative.

PATRICIA MCKENZIE:

Our view is that the coal-fired generation assets will remain economic until the end of their lives. But we have also entered into agreements such as the agreement with the government in Victoria, which minimises the risk of that asset becoming uneconomical. And we'll continue to ensure that we manage risks in relation to the economic operation of the coal-fired generation assets throughout the period until it is appropriate to close them down.

ANDREW FRASER:

OK.

PATRICIA MCKENZIE:

Thank you. Any other questions?

RON STRAUSS:

Yes, Madam Chair, my name is Ron Strauss. I'm a shareholder. I just wanted to know how you've sort of worked with the new recruits to the board in the last 12 months, and have they been agitating for change at too fast a rate, or have they just settled in and now assume the off-peak mode? So just some feedback of how you've been working with the new recruits, please.

PATRICIA MCKENZIE:

Thank you, Mr Strauss. We have been pleased to welcome the new directors to the board, and they have brought additional skills which have been very useful in our discussions moving forward. We have been able to find common ground and to agree unanimously on the way forward for AGL. And examples of that have been the unanimous agreement to the appointment of Damien Nicks as our managing director. I think that decision is one of the most important decisions any board makes, and Damien has been well-received in the market and is doing a fantastic job for AGL. We also agreed on the revised strategy, which was presented at the Investor Day this year. That strategy incorporates our desire to look for additional opportunities to accelerate the decarbonisation program. So in addition to the CTAP commitments, we are looking to accelerate where that's appropriate and where the board considers that that is the best decision to be made for the market and for our shareholders. The board is working very well together.

I'm very happy with the level at which we operate, it's strategic, it's appropriate, and it's definitely collegial. Any other questions?

ISAAC PANG:

Hi. Good morning. Isaac Pang here from the Australasian Centre for Corporate Responsibility, ECCR. So my question relates to AGL's ambition to add 12 gigawatts of new renewable generation and firming by the end of 2035. So AGL states that it is building a generation and firming portfolio to meet projected growth in electricity demand from electrification. So based on the company disclosures, your combined storage and renewables target of 12 gigawatts will only replace up to 60% of your coal generation portfolio. So how does this 2035 target enable you to maintain market share and meet demand growth? Thank you.

PATRICIA MCKENZIE:

Thank you for the question. Yes, we certainly intend to look to that 12 megawatts as a minimum. We will, as I said earlier, look for additional opportunities. That will include our program of renewables and firming capacity. It will also include PPAs which we will enter

into, and contractual arrangements. So it will not all be in relation to our build, we're looking to ensure that we can meet the needs of our customers moving forward, and we will use various means to ensure that we are able to do so.

KAZIM:

Good morning. My name is Kazim and I'm a shareholder of quite a few years. Now, both you and Mr Nicks have talked extensively about the transition to a decarbonised company. In this process, have you used any outside consultants and any of the four, big four who found have been pretty poor in their ethics and everything else? If you have, how much money was allocated to them, and are you seeking to review your relationship in the use of consultants?

PATRICIA MCKENZIE:

Thank you for that question. Yes, we use multiple consultants, certainly in looking at the transition we have used many consultants and certainly beyond the big four with specialist expertise. We do, however, use the Big Four on various projects in our organisation, and we will continue to do that as they provide the service that we need. We recognise that there was some conduct which was unacceptable and which we do not accept as the appropriate level of conduct for any company. However, that does not, I believe, reflect on all employees in the Big Four, and we have ensured that the people that we interact with have met the necessary ethical standards, and we will continue to ensure that as we move forward.

KAZIM:

I mean, you say that you look at them closely, but all the revelations the Senate inquiry have shown clearly that not only was the ethical behaviour beyond any acceptable standards but also that they were gouging us, the taxpayer, and the companies that they were providing services for. How do you take that into account when you're examining and looking at the tenders? I mean, so far they've been private, but the Senate revelations have, for the first time, revealed what the practices are and how awful they are, found to be in betrayal of the very accepted, civilised standards of behaviour.

PATRICIA MCKENZIE:

Look, I think that's more an operational issue, and I'll ask Damien to respond.

DAMIEN NICKS:

Yeah. Look, thank you again for the question. Look, from our perspective, we use a wide range of consultants in this organisation, both locally and internationally, when we're thinking about the transition because we want to make sure we get the best advice we can when we're staring into this transition. In terms of the local big four here in Australia, we'll continue to assess each of those on the particular projects to make sure they've got one, the right skill sets for the work they're doing, two, they meet our requirements from both a compliance and ethical standards perspective. They're the things we assess every time that we look at various consultants coming into our organisation. So we'll continue to do that and we'll continue to assess as the market continues to move.

KAZIM:

Have any of you considered using universities? University of New South Wales has UniSearch which looks at problems of all sorts, management as well as technical issues, with which I'm assuming that you are pretty extensively involved in. Have you considered the use of universities as experts and with their resources, research resources, can provide you with a better service than some of these private consultants who've standards have been found wanting?

DAMIEN NICKS:

I think to my answer earlier, we use a whole wide range of whether it be consultants or

experts in this market, because technology is ever evolving, whether that's in the direct technology space, whether it's in the energy transition space. We do have contacts and we do deal with universities as well as part of this transition.

KAZIM:

OK. The other question is about the dividend reinvestment plan. Why haven't AGL given us a discount? I mean, you're getting interest-free money to reduce your debt and everything else. And why is there no discount available for the dividend reinvestment participants? And how many shareholders are participants in the dividend reinvestment plan? And if and when they were participating in the dividend reinvestment, how much money was raised?

PATRICIA MCKENZIE:

The dividend reinvestment plan has actually been suspended. It was a very small number of people who participated in it, and the administrative costs actually outweighed the benefit to our shareholders. And so we're not at this time looking to reinstate that dividend reinvestment plan.

KAZIM:

What I'm saying is that if you do offer a discount, they may be more people wanting to participate and give you interest-free money, which is to the benefit of the company as well as to the shareholders.

PATRICIA MCKENZIE:

Thank you for that feedback, and we will take that into account as we consider moving forward that dividend reinvestment plan and look at it again from time to time.

KAZIM:

OK. Thank you.

PATRICIA MCKENZIE:

Do we have any more questions from the floor? No. OK. Fantastic. James, could you please let me know if there are any online written or verbal questions relevant to this item?

JAMES:

Yes, chair. There are seven online questions and no one on the phone. Hang on a second. The first question comes from Ms Kathy Skliros. Can you explain the company's thinking around the internet offering, as I do not see the likely connection as a power supplier? Thank you.

PATRICIA MCKENZIE:

Yes, I think I've addressed this a little earlier. The telecom offering, which AGL has, is a pretty small part of our business. We looked to the adjacency of telecom as an offering to hopefully benefit our customers. We do find that customers who take up the internet offering remain with us for longer periods of time, which is a good thing for the organisation. It's not going to be a huge part of our business, but we'll continue to offer that service to our customers.

JAMES:

The next question comes from Mr Joga Srikanta. At the Investor Day, it was mentioned that the dividend payout ratio would be 50-75%. Any sense what is expected to be for this financial year and where within guidance do we currently sit upper or lower end?

PATRICIA MCKENZIE:

So, could you just repeat the last part of that question? I didn't quite catch it.

JAMES:

And where within guidance do we currently sit? Is it the upper or lower end?

PATRICIA MCKENZIE:

Well, I won't be able to comment on where we sit within guidance at the moment. This is an ever-changing world in electricity and things. There's a great deal that can happen between now and the end of the financial year. In relation to the dividend, the determination as to where we sit between the 50 and 75% range will be made at the time at which we understand the net profit for the year, and will then consider what is necessary to reinvest into the organisation for the business and the transition, and how much is available to pay out for dividends to our shareholders.

JAMES:

The next question comes from Mr Won Lee. Are you considering the development of AGL's own Electrolyser facility to bolster power stability using hydrogen? If you are, do you also have intentions to market or export surplus hydrogen? What are your thoughts on the viability and financial potential of producing and exporting hydrogen?

PATRICIA MCKENZIE:

We are currently participating in some pilot programs in relation to hydrogen on our sites, and we'll continue to do so. We do not have firm plans at this time in relation to hydrogen moving forward. There's quite a lot to be done in that area before it becomes viable. But we'll continue to participate and to work through the technologies with our partners on our sites. Do you want to add to that, Damien?

DAMIEN NICKS:

Probably the only small addition I'd make to that, in terms of firm generation or gas generation, there is a potential to use hydrogen into peaking gas plants. We continue to look at that technology today. It's anywhere from 10-30%, but that will continue to evolve as that technology also evolves.

JAMES:

The next question comes from Stephen Mayne. Could the CEO please comment on the current situation with our biggest competitor, Origin Energy, which is about to be taken over by a Brookfield-led syndicate after Brookfield bought AusNet and then tried to buy AGL. Aren't there competition concerns with one foreign entity having such a large market share in the Australian energy sector? Did we raise any concerns with competition regulators about this proposed takeover, and do we hope that Australian Super votes the deal down on Thursday?

DAMIEN NICKS:

Thank you for that question. I'll just briefly touch on, I won't touch on Origin itself, that's a question for themselves. In terms of, we made a submission into that particular transaction, we simply said, as part of our submission to the ACCC, that we wanted to ensure that the appropriate guardrails and ring-fencing was in place between those entities, should it proceed.

JAMES:

The next question comes from Mr Tylon Yi. What is the potential long-term impacts to AGL if the proposed acquisition of Origin goes ahead?

PATRICIA MCKENZIE:

I think we've just answered that question, really. It's a matter for the shareholders of Origin

as to whether that goes ahead or not. And the competition aspects have just been dealt with by Damien.

JAMES:

The next question comes from Miss Kathy Skliros. Good morning everyone. As an investor in AGL for quite some time, I was wondering, when do you likely see the dividend returning to a franked position?

PATRICIA MCKENZIE:

We currently have some tax losses, which we will continue to use within the organisation. Once those tax losses are exhausted, we will then be able to move to a franked position for dividends. It depends, we can't be exact in the timeframes for that.

DAMIEN NICKS:

Yeah. Look, I would just add to that briefly, over the next couple of years as those tax losses get utilised, then we'll come back to the market in terms of the amount of franking that may be available.

JAMES:

And the last question comes from Michael Coburn of Misura proprietary limited. Write-offs last year of financial instruments were over \$800 million, a very large amount. What are these? Are there any offsets in our revenues and will they continue in future years? Presumably both positive or negative. Is there a cash transfer as well, or is it just a book entry that we seem to be able to just shrug off?

DAMIEN NICKS:

I'll take that one, James, if you like. So, yes, these are accounting fair value market adjustments. You'll see both the positive and the negatives that we've seen through our accounts over the last few years, particularly in the volatility in the energy markets. They are non-cash in nature, but ultimately the changes in wholesale prices will ultimately move through our book in cash over the coming years.

PATRICIA MCKENZIE:

Now let's turn to questions on item two, the 2023 Remuneration Report. We'll start with questions from shareholders and proxies in the room today. If anyone holding a yellow or blue card has a question, please raise your hand and a microphone will be brought to you.

NATASHA LEE:

Thank you, Madam Chair. Natasha Lee, shareholder again. I see that the long-term incentives are over a three-year period, and appreciating that you haven't vested long-term incentives due to various reasons, but most companies are moving to a four-year horizon. Will the board consider extending that to better align with longer-term incentives?

PATRICIA MCKENZIE:

Yes. We have moved the LTI to a four-year period.

NATASHA LEE:

Ah, that's great. I didn't see it in the report, but I did see that there was a three-year horizon. Thank you.

PATRICIA MCKENZIE:

Thank you. Any other questions?

KAZIM:

Hi, it's Kazim again. I have no objections to the recommendations, but what I'd like to ask

you is there's a lot of Joe Blows and Mary Blows working at the base level, what do you do to encourage, recognise and reward those people who make up the bulk of the work on which the bonuses are paid to the senior management? How do you encourage, recognise, and reward plenty of people right down at the base who don't get rewarded quite as well in their pay or other measures?

PATRICIA MCKENZIE:

So... Oh, sorry.

KAZIM:

Yeah. Could you just enlighten us on those factors, please?

PATRICIA MCKENZIE:

Yes. In relation to the majority of our employees who work in the operational sphere, we have EBAs at each of our workplaces and they're negotiated at a regular period with unions involved to represent the workers. And we have agreed those EBAs, they are all in place and having cooperated, agreed increases to conditions and to payments for those workers. Would you like to speak to that as well Damien?

DAMIEN NICKS:

And maybe just to add to that answer. So all of our TFR employees are entitled to incentives at various structured levels throughout the organisation, and the EBA employees are entitled to the share reward program as well. So they're the two structures we have in place, different levels through the organisation, but all people can participate.

SPEAKER:

And you give them any educational opportunities? I mean, given the massive transition from point A to point B, I mean, is your organisation a learning organisation? Do you encourage learning and give them opportunities, formal or informal, in trying to grow themselves and contribute to the pool of ideas that allows AGL to be a good employer and a good company to work for? What do you do in that respect?

DAMIEN NICKS:

So the short answer is absolutely, we encourage all of our employees to deliver the strategy that's in front of all of us. Their incentives are set based on where they are in the organisation, what particular areas they're focusing on to deliver our strategy. So simple answer is yes, they are entitled to it and they are encouraged to deliver that.

KAZIM:

OK. The other thing is when I raised the issue of consultants, can I suggest that you put aside some part of the annual report in which you outline the number of consultants, which company and how much money was being used? And if you have reduced your use of consultants and increasing your own organisational skills and opportunities, then if the money is not being used in use of consultants, is it being redistributed and encouraging the growth of skills within the organisation? Can we have a separate section to allow us to see who you're employing and how much money are you paying them? I mean, generally...

DAMIEN NICKS:

I think that was going back to your original question on consultants. So look, why don't we take that one on notice? As I said, we use a broad range of consultants, both the big four, but other consultants throughout the organisation to ensure that we are at the forefront of where technology in both the energy industry is going, but also technology from a pure technology sense as well. So let us take that one on notice.

KAZIM:

Good, OK. But I think it'd be useful to have a separate section to identify so that the shareholders can get some idea of just how much money. Normally, I assume that these costs would be absorbed in management, but I think if you have a separate section, then we get a better understanding of who's being employed and how much money is being used to pay them. Thank you.

PATRICIA MCKENZIE:

Do we have any other questions on the Remuneration Report?

JULIEANNE MILLS:

Hello, Madam Chair. It's Julieanne Mills from the Australian Shareholders Association. Just a quick question regarding the remuneration report, or perhaps it's a comment. The complexity of the CTAP LTIs, is there a way that you could perhaps link them to a more specific goal so that you can see the transition or the relationship between the LTIs and your climate transition plan? And the other comment that we'd like to make is yeah, say, is there a way that we could also see the actual remuneration of the CEO and the KMP in your annual reports 'cause you produce a statutory, but we'd just like to see what the take-home is.

PATRICIA MCKENZIE:

Thank you for that question. So, in relation to the link between the... LTI and the CTAP. The LTIs are 70% shareholder experience and 30% on the CTAP. We have three areas in the LTI, there's reductions in emissions, there's renewable affirming targets and there's green revenue. And we think that's an appropriate allocation of the CTAP and the decarbonisation programs into the LTIs. We feel that that's the appropriate balance at this point.

JULIEANNE MILLS:

Can I just... I suppose what I'm trying to say is, is there a way that you can directly link it to your goals so that it's clearer for shareholders to see that relationship? Because I think it's just very difficult getting into all the numbers around whether they're percentages or whether they're emissions. For the average shareholder, it would just be good to see some kind of simplified graphic that explains it a little bit easier than having to get into those numeric sort of indicators.

PATRICIA MCKENZIE:

Yeah. Thank you. I think regrettably, this is a particularly complex area, but let's see what we can do about making that a bit more accessible to shareholders when they're having a look at the goals that we've set. Any further questions? If not, James could you please let me know if there are any online written or verbal questions relevant to this item?

JAMES:

Yes, chair. There are no questions online or on the phone.

PATRICIA MCKENZIE:

I'll now take questions on the re-election of Mark Bloom, Miles George and Mark Twidell. Let's start with questions from shareholders and proxies in the room today. If anyone holding a yellow or blue card has a question, please raise your hand and a microphone will be brought to you.

KAZIM:

Thank you, Kazim again. I have no doubt that your CVs are pretty impressive with what you've said, and I have no reason to doubt it. But are you a contrarian thinker? And can you give me one example where you've suggested something which was opposed by the majority on the board or any other organisation that you've worked for, and that your ideas

prevailed over a majority? Can any one of you three directors seeking re-election, tell me whether you are a contrarian thinker? That you put a proposal which was opposed by other people, but in the final instance your persuasion powers led the board into implementing something that you thought was positive for the customers as well as for the company. Can any of you give me one example, please?

PATRICIA MCKENZIE:

Thank you for your question. I don't think it would be appropriate for any of the directors to discuss the matters which are dealt with at the board. Suffice to say, all directors put forward their opinions and their views and suggestions on the way forward for AGL, and it's for the board then to determine on the balance the way forward. And we do that by forming a consensus.

KAZIM:

I think we get caught up in this management speak for a long time and I've been in the university research sector for a long time. And I've found that quite often people who have spoken out in the best interest of the company and the customers have been quashed. So I think what we need, in particular, a company like AGL, which is transitioning, there is usually some dispute or rather somewhere and they never get out into the air so that they can be heard. And as we found in the banking industry, once I was told that if you pay peanuts, all you'll get is monkey. And as we found there were plenty of people getting big bonuses, but were found to be no more than monkeys. NAB is one and CBA was another, and I think they were all found wanting. So I'm just saying in a very broad sense, you don't have to identify any particular ideas, but the idea that you floated as a director, did that find expression?

PATRICIA MCKENZIE:

I can assure you that no voice is quashed at the board. Certainly my policy as chair is to ensure that every voice has the opportunity to be heard. And in relation to specific ideas, we deal at the AGL board with a wide variety of issues. And I believe and can honestly say that the contribution of each of these directors is very valuable. They bring to us different skill sets in different areas. And every director is prepared to listen to that expertise and where suggestions are made, which are appropriate, we will adopt them.

KAZIM:

OK, thank you. I have some other questions later on.

PATRICIA MCKENZIE:

Any other questions? James, could you please let me know if there are any online written or verbal questions relevant to the resolution to re-elect the directors?

JAMES:

Yes, chair. We have three online questions and no questions on the phone. The three questions online are all from Mr. Steven Maine, with one each for Mark Bloom, Mark Twidell and Miles George. The first one for Mark Bloom, "Having served on the board since July, 2020, could Mark Bloom please comment on the influence activist investor Mike Cannon-Brookes has in the boardroom? Particularly after the four candidates he backed were all elected at last year's AGM. In Mark's eyes, are all the directors acting independently? And when Mike Cannon-Brookes recently publicly criticised the pace of our energy transition, what impact did that have in the boardroom?"

PATRICIA MCKENZIE:

It is absolutely the case that all of the directors appointed at last year's AGM are acting independently. And I can assure our shareholders that they all are acting in the best interests

of the company and the shareholders. And I think I've described to you previously that this is a well-functioning and collegiate board.

JAMES:

The next question is for Mark Twidell. "Could new director Mark Twidell and the chair comment on the recruitment process that led to his appointment to the board after last year's AGM? Was a headhunter involved? Did the full board interview Mark and did they interview any other candidates? Mark has excellent credentials in the renewable sector. Did he know any of our directors before engaging with the recruitment process, and has he had any past dealings with Mike Cannon-Brookes?"

PATRICIA MCKENZIE:

So Mark Twidell, as with the other directors elected last year were nominated by a shareholder. And it is the right of any shareholder to nominate someone that they believe would be appropriate to sit on the board. The shareholders of AGL elected those four directors and the board then made sure that we made the board work.

JAMES:

And the last question is for Miles George. "In 2019, Treasury Wine Estates voluntarily moved to annual elections for directors in line with best practice that occurs in both the US and the UK. Dual listed companies like News Corp and Rio Tinto all do this due to the laws in the US and UK, and BHP has continued doing it even after its UK DLC ended in 2021. Can the chair and Miles George, one of our newest directors, comment on whether our company will follow this TWE lead and move to annual elections of directors at the 2024, AGM. Such a move would improve board accountability to shareholders and also avoid the situation where the four, so-called Atlassian-backed directors are all on the same three-year election cycle."

PATRICIA MCKENZIE:

Under the constitution of AGL, three directors must stand for election each year. This ensures that we have continuity on the board, that we have not constant change and allows us then to turn our minds to the business of AGL and the transformation that we've outlined. That is common practice in Australia and I believe it's appropriate, we have not considered changing to an annual election of directors and I don't think that we need to do so at this time. We will be determining as... Other than Mark Bloom, all directors were elected last year, and that means that as we move forward, three directors will stand each year. So we will not find ourselves in a situation where the four directors supported by a shareholder last year and elected to the board will stand together in re-election. Any other questions, James?

JAMES:

No more questions.

PATRICIA MCKENZIE:

I'll now take questions on the grant of performance rights to Damien Nicks. Let's start with questions from shareholders and proxies in the room today. And again, anyone holding a yellow or blue card, please raise your hand and a microphone will be brought to you. No, we'll move on then. James could you please let me know if there are any online written or verbal questions relevant to this item?

JAMES:

We have one online question and no phone calls.

PATRICIA MCKENZIE:

Thank you. I think we can now move on. Oh, I'm sorry, you said one, I thought you said none. Apologies.

JAMES:

That's OK. We have one online question from Mr. Stephen Maine. "When disclosing the outcome of voting on all resolutions today, including this LTI grant, could you please advise the ASX how many shareholders voted for and against each item? Similar to what happens with a scheme of arrangement. This will provide a better gauge of retail shareholder sentiment on all resolutions and was a voluntary disclosure initiative adopted by the likes of Metcash, Altium, AUI, Dexus, Webjet, Tabcorp and Myer over the past two years. The ASX itself and Qantas both did it for the first time this season. AGL is almost 50% owned by more than 130,000 retail shareholders, but less than 5,000 of them bother to vote each year giving out-sized voting power to shareholders like Mike Cannon-Brookes. Please disclose the turnout so we can better understand the problem of retail voting apathy in Australia."

PATRICIA MCKENZIE:

As stated in this question, this is a voluntary decision and there is no legal requirement for disclosure of the number of shareholders voting. We have adopted the practice of the consolidated votes of proxies and shareholders and not disclosed the number of shareholders voting. And at this point we would intend to continue with that practice. I might add that the retail shareholder percentage in AGL is now at around 40%. OK, thank you. I think we can move on. Details of the proxy and direct votes that have been cast on item four are as shown on the screen. Please place your vote for this item if you had not already done so. I'll now turn to the fifth item of business, which is the approval of termination benefits to relevant executives. The Corporations Act restricts the benefits that can be given without shareholder approval to the individuals who hold or held in the previous three years, a managerial or executive office on leaving employment with AGL. AGL's Group policy in relation to termination benefits and entitlements is to treat departing employees fairly, having regard to applicable laws and market practice while balancing this with the need to avoid excessive termination payouts.

Approval of shareholders is being sought so that AGL can continue to give effect to this policy while complying with the Corporations Act. The notice of meeting sets out details of the people for whom approval is being sought, why approval is being sought, and the benefits and the entitlements for which approval is being sought. The termination benefits authorisation obtained at the 2020 AGM lapses at the end of this meeting. As such, AGL is seeking a further three year approval, which would have effect until the conclusion of the 2026 AGM. The board excluding Mr. Nicks recommend shareholders vote in favour of this resolution. I'll now take questions on item five, the approval of termination benefits for eligible senior executives. And let's start with questions from shareholders and proxies in the room. If you are holding a yellow or blue card, please raise your hand. No, can't see any questions on that. James, could you please let me know if there are any online written or verbal questions relevant to this item?

JAMES:

Yes, chair. There are no questions online or on the phone.

PATRICIA MCKENZIE:

Thank you. I think we can now move on. Details of the proxy and direct votes that have been cast on item five are shown on the screen. Please place your vote on this item if you have not already done so. I'll now turn to the sixth item of business, which is the reinsertion of proportional takeover provisions into AGL's constitution. Clause 12 of AGL's constitution

contains proportional takeover provisions that prohibit AGL from registering a transfer of AGL shares under a proportional takeover bid unless the bid is approved by resolution issued by shareholders in general meeting. Under the Corporations Act, proportional takeover approval provisions must be renewed every three years or they will cease to have effect. The provisions were last approved by shareholders at the 2020 AGM for a period of three years. If the proposed resolution is approved by shareholders, the proportional takeover provisions will be reinserted into AGL's constitution and will have effect on exactly the same terms until 21 November, 2026.

The board recommends shareholders vote in favour of this resolution. This is a special resolution, which means that it needs 75% of the votes to be passed. I'll now take questions on item six, the reinsertion of proportional takeover provisions starting with shareholders and proxies in the room. If you have a yellow or blue card, please raise your hand. Looks like no questions on that. James, could you let me know if there are any relevant questions online or by phone?

JAMES:

Yes chair. There are no questions online or on the phone.

PATRICIA MCKENZIE:

Thank you. I think we can now move on. Details of the proxy and direct votes that have been cast on item six are as shown on the screen. Please place your vote for this item if you've not already done so. I'll now turn to the seventh item of business, which is the conditional spill resolution, which will not be put to the meeting today given that the company did not receive a second strike in relation to the 2023 remuneration report. That concludes the formal items of business for today's meeting. A summary of the proxy votes I hold as nominated proxy for shareholders in relation to each resolution are shown on the screen. The polls will remain open for another ten minutes. Results on the poll on each resolution put to the meeting will be provided to the ASX as soon as possible today and posted on the company's website. On behalf of the board, 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.

Thank you.