AGL Energy Green Finance Framework

2023

Contents

1. Overview

AGL Energy Limited (**AGL**) is committed to playing a leading role in Australia's energy transition. To support AGL's decarbonisation and energy investment commitments, AGL has developed this Green Finance Framework (**Framework**).

This Framework outlines how AGL intends to enter into bond or loan facilities that will fund green assets and sustainability outcomes to which AGL is committed (**Green Debt**).

AGL may update this Framework to reflect changes to market standards and best practice in sustainability and sustainable finance.

AGL and Sustainability

Proudly Australian for 185 years, AGL supplies energy and other essential services to residential, small, and large businesses and wholesale customers. AGL operates Australia's largest private electricity generation portfolio, with a total installed capacity of 10,330 MW[1], accounting for approximately 20% of the total generation capacity within Australia's National Electricity Market (**NEM**). AGL is also the operator of the largest portfolio of renewable generation and storage assets of any ASX-listed company.

AGL has a strong track record in delivering action on climate change and the energy transition and provides a range of products and services to help customers decarbonise their businesses and homes.

AGL's Climate Transition Action Plan (**CTAP**), was released on 29 September 2022 and outlines AGL's approach to decarbonisation. The CTAP includes AGL's target to exit coal generation by the end of FY35 and outlines emission reduction targets and ambitions to invest in new renewable and firming capacity. It also documents AGL's commitments to continue to advocate for a responsible transition that balances energy reliability and affordability with the need to decarbonise, and to working with and supporting its people and communities through a responsible and orderly transition.

Importantly, the CTAP notes AGL's intention to transition its portfolio to support a low carbon world and its ambition to supply its customers' energy demand with ~12 GW of new renewable generation and firming capacity, requiring a total investment of up to $20 billion, before 2036. AGL's initial target is to have up to 5 GW of new renewables and firming capacity in place by 2030, funded from a combination of assets on AGL's balance sheet, offtakes and via partnerships.

Read more about AGL's CTAP **here**.

1. As of 30 June 2022

2. AGL's Green Finance Framework

This Framework sets out the process by which AGL intends to issue and manage Green Debt on an ongoing basis to fund expenditure on firming capacity and renewable energy. This will support the delivery of AGL's CTAP by financing and refinancing assets that fall within the Eligibility Criteria outlined in this Framework to create sustainable outcomes.

Market Standards

This Framework is consistent with the Green Loan Principles (**GLP**) as issued by the Asia-Pacific Loan Market Association (**APLMA**), the Green Bond Principles (**GBP**) and Climate Transition Finance Handbook (**CTFH**) as issued by the International Capital Market Association (**ICMA**) and the Climate Bonds Standard & Certification Scheme (**CBS**) where applicable (collectively referred to as the **Market Standards**). The Market Standards are voluntary and accepted as best practice for issuance and management of Green Debt in the global debt markets.

The Green Debt issued by AGL will comply with the Market Standards, as they evolve over time.

AGL may issue or manage the following Green Debt instruments under this Framework in accordance with the applicable Market Standard (which are publicly available):

Green Debt	Use of Proceeds	Assets/ Activities	Applicable Market Standard
Bonds			
Green Bonds	Proceeds-based: Net proceeds must be used for identified assets or activities	Green	Green Bond Principles (**GBP**)[1] Where applicable, Climate Bonds Standards & Certification Scheme (**CBS**)
Loans			
Green Loans	Proceeds-based: Net proceeds must be used for identified assets and activities	Green	Green Loan Principles (**GLP**)[2] Where applicable, Climate Bonds Standards & Certification Scheme (**CBS**)
Climate Transition Finance			
All Green Debt	N/A	Aligned to Climate Transition	Climate Transition Finance Handbook (**CTFH**)[3]

1. **CMA** Green Bond Principles 2021 (**GBP**)
2. **APLMA** Green Loan Principles 2023 (**GLP**)
3. **ICMA** Climate Transition Finance Handbook 2020 (**CTFH**)

3. Green Debt – Use of Proceeds Instruments

Use of Proceeds Instruments are Green Debt where the funds borrowed are used exclusively for assets or activities that help achieve AGL's CTAP in accordance with Market Standards (**Use of Proceeds Instruments**).

This Framework addresses the key elements of the Market Standards for Use of Proceeds Instruments, as outlined further in this Section 3:

- 3.1 Use of Proceeds**;**
- 3.2 Due diligence: Process for Project Evaluation and Selection:;
- 3.3 Allocation Procedures: Management of Proceeds; and
- 3.4 Reporting

3.1 Use of Proceeds

Use of Proceeds Instruments issued or managed by AGL under this Framework may be Green Bonds and/or Loans and will be issued in accordance with the Market Standards.

AGL commits to use an amount equivalent to the net proceeds from the issuance or management of the Green Debt wholly or in part to finance or refinance projects, assets or activities that help achieve AGL's CTAP and are defined below as Green Assets.

AGL will apply funds to finance new and refinance existing Green Assets and expects that ~65% of the proceeds from Use of Proceeds Instruments will finance new Green Assets and ~35% will be applied to the refinance of existing Green Assets. The proposed lookback period for the Green Assets is 2 years with a look forward period of 3 years. The Green Assets may be replenished as underlying Green Assets are sold or otherwise disposed of, non-Green Assets are removed, and additional Green Assets are identified and funded.

Green Assets included in the Use of Proceeds Instruments may include projects delivered, or in the process of being delivered, or assets owned by AGL's subsidiaries or partners. Where projects are jointly funded between AGL and another party, then funding from the Use of Proceeds Instruments will be applied only to AGL's share of the project.

3.1.1 Green Asset eligibility criteria

The proceeds of AGL's Green Debt will finance or refinance projects, assets or activities which qualify as eligible under the Market Standards (including capex and if appropriate, operating and other related expenditures) with clear environmental benefits (**Green Assets**).

In order to be Green Assets, the following requirements must be met:

- Meet AGL's CTAP, as summarised in Section 1;
- Meet the Eligibility Criteria set out below;
- Not fall within the Excluded Categories detailed below; and
- If instrument is certified under the CBS, comply with the applicable CBS Sector Eligibility Criteria

Examples of Green Assets that could be included in AGL's Use of Proceeds Instruments are listed below. This list may be expanded over time as the Market Standards are updated and the global market develops.

3. Green Debt – Use of Proceeds Instruments (continued)

Eligible Categories based on the GBP/GLPs	Eligibility Criteria and examples of eligible projects
Renewable Energy	Production, transmission, appliances and products of renewable energy sources. For example, energy from renewable sources, such as wind, solar, geothermal and hydropower. This also includes technology/componentry manufacturing that contributes to renewable energy generation that meets the above criteria (e.g. wind turbines and solar panels). Use of proceeds to include any related ancillary or financing costs incurred pursuant to the Green Assets.
Energy Storage	Assets/projects used for firming capacity/technologies, including but not limited to, battery energy storage and pumped hydro energy storage. Where applicable, grid and storage assets and/or projects must meet CBS sector-specific criteria, i.e. the Grids and Storage Criteria. Two key components that must be satisfied under this sector-specific criteria are: 1. Mitigation Component - The mitigation component applies to all grid and storage assets and activities. Requirements differ depending on the asset or activity being practiced. Certain assets and activities are automatically eligible in any system and the rest are eligible if the system in which they are located is on a pathway to decarbonisation. 2. Adaptation and Resilience Component – complete checklist to: - Identify clear boundaries and critical interdependencies between the infrastructure and the system it operates within - Undertake a risk assessment to identify the key physical climate hazards to which the infrastructure will be exposed and vulnerable to over its operating life - Sufficiently mitigate risks identified that the infrastructure is resilient to climate change conditions over its operational life - Assess the resilience benefits of the infrastructure and ensure it does no harm to the resilience of the defined system it operates within - Ongoing monitoring and evaluation Refer to the CBS **Grids and Storage Criteria** for further details. Where applicable, the Hydropower Sector CBI criteria should apply to pumped hydro storage facilities. Two key components that must be satisfied under this sector-specific criteria are: 1. **Mitigation Component** – Generation facilities that become operational during 2020 or after must have a GHG footprint of less than 50g CO_2e/kWh or power density greater than 10W/m^2. For pumped storage facilities, additional criteria apply to address whether the facility has been purposefully built in conjunction with intermittent renewables. 2. **Adaptation and Resilience Component** – assessment under the ESG Gap Analysis Tool must be completed and an approved CBS verifier must verify the assessment meets the required standards. Refer to the CBS **Hydropower Criteria** for further details. Use of proceeds to include any related ancillary or financing costs incurred pursuant to the Green Assets.
Energy Efficiency	Businesses, assets or projects that develop processes and products/technology that reduce energy consumption of the underlying asset. For example, technologies in new and refurbished buildings, district heating, smart grids, appliances and products.

3.1.2 Excluded categories

AGL is committed to not knowingly using the proceeds of its Green Debt to finance or refinance projects and assets included in the following exclusionary criteria:

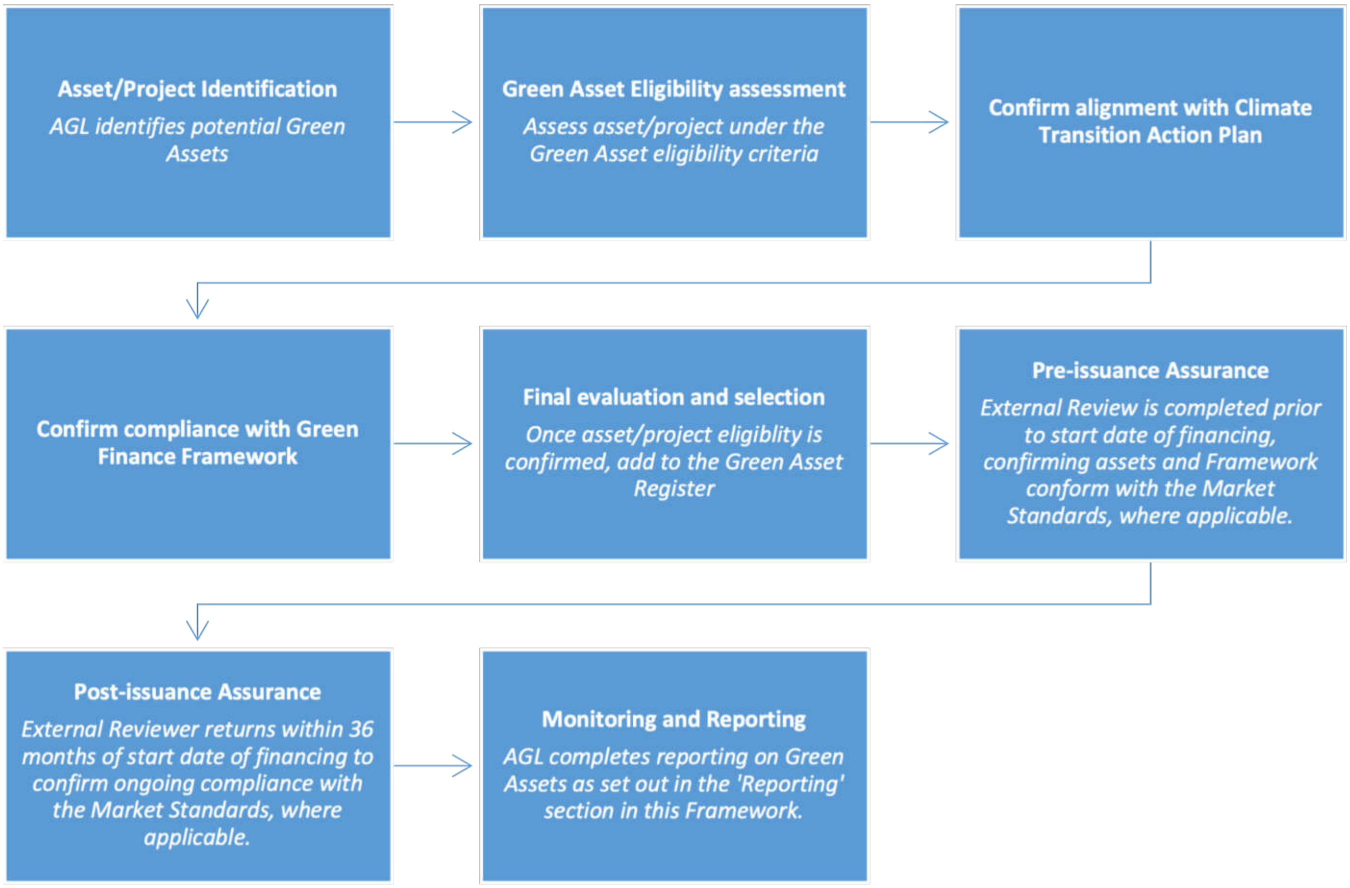
1. Extraction or refining of fossil fuels;
2. Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated; and
3. Restricted by CBS requirements as detailed in the section on Management of Proceeds below.

3. Green Debt – Use of Proceeds Instruments (continued)

3.2 Due diligence: Process for Project Evaluation and Selection:

AGL has established processes to ensure that Green Assets are properly identified and assessed to ensure compliance with this Framework.

The stages of the process by which AGL will evaluate and select assets/projects is as follows:



These processes include the formation of a Sustainable Debt Committee (the **"Committee")** which is responsible for compliance with this Framework and the Market Standards and will carry out the evaluation and selection process.

The Committee is chaired by the head of Sustainability at AGL and comprises of senior representatives including the Treasurer and Financial Controller. Membership of the Committee is designed to ensure there is sufficient subject matter expertise to meet the obligations set out in this Framework. The Committee may be supplemented from time to time, or expanded, by representatives from other divisions.

In determining eligibility of AGL's projects, assets or activities for inclusion, AGL will assess those assets against the eligibility criteria set out above. Once the criteria are met, those projects, assets or activities will be included as Green Assets.

3. Green Debt – Use of Proceeds Instruments (continued)

3.3 Allocation Procedures: Management of Proceeds

AGL commits to tracking the receipt and allocation of net proceeds from the Green Debt and maintain the Green Asset Register, including the notional allocation of net proceeds against each Green Asset. This will ensure that Green Assets are appropriately identified and included in annual monitoring reports provided to the Committee.

In the unlikely event that the net proceeds from the Green Debt are unallocated, AGL will ensure that any unallocated proceeds are applied to any of: temporary cash or cash equivalent instruments with a Treasury function, temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy or to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Green Assets.

AGL intends to allocate the net proceeds immediately following issuance of any Use of Proceeds Instruments and, in any event, will ensure funds are allocated and committed to Green Assets within 36 months of the issuance of the Use of Proceeds Instrument and will not invest unallocated proceeds in Excluded Categories detailed above.

The period for funds allocation, 36 months, supports AGL's CTAP which sets out the future pipeline and continual investment required in renewable energy and firming capacity over the next decade. Where the Green Debt is used to finance the development of Green Assets/Projects with long lead times and continual capex requirements over the construction period (e.g. batteries storage units which typically have lead times of >24 months from Project Commencement Date to Commercial Operations Date), AGL may commit net proceeds to specific Green Assets/Projects where an estimated project cost is available and spend it gradually as required over the course of the development of the Green Asset/Project but within the specified Green Debt tenor.

AGL intends to maintain a balance of Green Assets that have a project cost which is larger than the sum of the net proceeds from the Green Debt. Net Proceeds will not exceed 80% of the estimated or actual project cost.[1]

Proceeds derived from the Use of Proceeds Instruments will be allocated, tracked and reported separately from the proceeds generated from CBS certified products.

3.4 Reporting

AGL recognises the importance of transparency and disclosure relating to Green Debt and therefore intends to make items 1 to 4 available on its website:

#	Item	Frequency
1	Framework	Once off: At (or prior to) issuance of the first Green Debt under this Framework (or for subsequent issuances if the Framework is amended).
2	Pre-Issuance External Review	Once off: Sought prior to issuance of the first Green Debt under this Framework (external review may be sought again if the Framework changes or if an issuance requires it).
3	Climate Bond Certification (if applicable)	At issuance of any CBS certified Green Debt and after allocation of proceeds.
4	Post-Issuance External Review	Annually for all outstanding Use of Proceeds Instruments.
5	Green Asset Register Report	Updated annually for all outstanding Green Debt and provided to Green Debt lenders.

AGL also intends to disclose annual Green Asset Register Report to the Green Debt lenders, which will be in line with the Market Standards, and at a minimum include the following information:

- **Allocation Reporting**: A list of the Green Assets being financed or refinanced utilising the Green Debt, including a description of the Green Assets and the amounts disbursed or invested.
- **Eligibility Reporting:** Confirmation that the Green Assets meet the relevant eligibility requirements and include information on the characteristics and performance of the Green Assets.
- **Impact Reporting:** Additionally, where relevant to the Green Asset/s**,** AGL will endeavour to provide qualitative and/or quantitative reporting in relation to the sustainability performance of the Green Assets which have been funded by the Green Debt. Subject to the nature of Green Assets, and availability of information, AGL will look to utilise the impact reporting guidelines as detailed within the Market Standards as may be updated from time to time. This reporting may be made through AGL's existing annual disclosure framework (e.g. ESG Data Centre, Annual Report) provided that specific data in relation to the Green Assets is available, or via additional/stand-alone mechanisms. Data for individual assets may be grouped together with other similar assets, as appropriate. Refer to Appendix 3 for a summary of initial example impact reporting indicators.

AGL may remove Green Assets from its Allocation Reporting when no allocations to eligible disbursements have taken place in the reporting period for that Green Asset, or if the underlying loans have been repaid.

1. Estimated project cost to be used where the Green asset remains under construction. Actual project cost to be used once the Green Asset is operational.

4. External Review

For its Green Debt transactions, AGL will seek assurance in the form of external review from an independent recognised verifier (**External Reviewer**) as per reporting commitments described above. AGL is committed to transparency and will make assurance reports publicly available.

5. Climate Transition Finance

When issuing or managing Green Debt, AGL may align with the CTFH. The CTFH provides guidance to issuers on how AGL might credibly issue Green Bonds and/or Loans to achieve its emission reduction goals and CTAP.

In Appendix 2, AGL has outlined how its CTAP aligns to the key elements of the CTFH:

- Climate transition strategy and governance;
- Business model environmental materiality;
- Science-based transition with targets and pathways; and
- Implementation transparency

6. Continuous Improvement

As the Market Standards and the global sustainable finance markets continue to evolve, so too will AGL's approach as it seeks to adapt to the changing environment. AGL may update this Framework over time, to remain in line with market best practice.

For the ongoing enhancement of AGL's Green Debt, we welcome feedback and input from stakeholders as this will support AGL to deliver on its CTAP and meets the needs of investors and stakeholders.

7. Important Notice

For the avoidance of doubt, if AGL fails to comply with the Framework or satisfy the Market Standards, then this does not (1) constitute an event of default or any other breach in relation to the Green Debt, and (2) neither investors nor AGL have any right for the Green Debt to be repaid early. This means there is no legal obligation on AGL to comply with the Framework or Market Standards on an ongoing basis. However, the Green Debt may cease to be labelled as green.

Appendix 1: Summary Green Assets Register

Full register to be provided to Green Debt lenders only.

Project	Class	Country
Torrens Island BESS		
Broken Hill BESS	Electrical Grids and Storage	Australia
Liddell BESS		
Loy Yang BESS		

Appendix 2: Alignment with ICMA's Climate Transition Finance Handbook

<table>
<tr><th>Key Elements</th><th>CTFH Recommendation</th><th>AGL's Disclosures and Alignment</th></tr>
<tr><td>Issuer's climate transition strategy and governance</td><td>• Transition strategy to address climate related risks and contribute to alignment with the goals of the Paris Agreement.
• Relevant interim targets on the trajectory towards long-term goal.
• Governance of transition strategy.</td><td rowspan="2">• Long-term target to align with the goals of the Paris Agreement. AGL's emissions reduction target aligns to a well below two degrees Celsius scenario with interim targets established to support achievement of this. This includes the closure of Liddell, Baywater and Loy Yang A power stations in FY23, FY34 and FY35 respectively and investment into new renewable and firming capacity of up to 5 GW by 2030 and 12 GW by 2036.
• The Climate Action 100+ Net Zero Company Benchmark and the Investor Group on Climate Change (IGCC) Corporate Transition Plans: A guide to investor expectations were used to structure disclosures in AGL's CTAP.
• The Task Force on Climate-Related Financial Disclosures (TCFD) Framework is used to report on governance, risk management, strategy and metrics and targets in relation to climate change. Greenhouse gas emissions data and details of climate-related risks are publicly disclosed.
• Decarbonisation strategy is outlined in AGL's CTAP. This strategy centres around achieving Net Zero for operated Scope 1 and 2 emissions and the ambition of being Net Zero for Scope 3 by 2050 via emission reduction targets and investment into renewable generation and firming technologies. The climate transition focus is relevant to AGL's material environmental impacts and Core Business Activities.
• Progress reports against commitments made in AGL's CTAP will be provided annually with independent assurance on material operated Scope 1 and 2 emissions
• Oversight and governance of AGL's CTAP is a key responsibility assigned to the AGL Board, Audit and Risk Management Committee and the Safety and Sustainability Committee. Climate transition metrics are linked to AGL's executive team's long-term incentives (LTI) plans.
• CTAP is subject to a non-binding shareholder vote every three years at AGL's Annual General Meeting. Where there are material changes to CTAP within the three-year timeframe, a revised plan will be put to shareholder vote at the following Annual General Meeting.
• CTAP will contribute to the UN SDGs (13 Climate Action and 7 Affordable and Clean Energy)</td></tr>
<tr><td>Business model environmental materiality</td><td>• Transition trajectory should be relevant to the environmentally-material parts of the issuer's business model.</td></tr>
<tr><td>Climate transition strategy to be 'science-based' including targets and pathways</td><td>• Transition strategy should reference science-based targets and transition pathways.</td><td>• Reduction targets aligned to a well below two degrees Celsius scenario. Net Zero by 2050 covering operated Scope 1 and 2 with the ambition to include Scope 3 and measured on an absolute basis.• Credible and clear decarbonisation pathway.• Independent limited assurance on baseline year.</td></tr>
<tr><td>Transparency of climate transition implementation</td><td>• Disclosure of CAPEX and OPEX plans.
• Climate-related outcomes and impacts that expenditures are intended to result in.</td><td>• Disclosure on forecast investment into renewable and firming capacity over the short to medium term as per AGL's CTAP. Disclosures will be regularly reviewed and updated as necessary.
• Indicative capex will support AGL's delivery of CTAP
• AGL is committed to a just transition as outlined in its CTAP. AGL's approach is to treat people fairly and respectfully as the business navigates its energy transition and will work closely with impacted employees to explore the best outcome for them
• The safety of people and communities are AGL's top priority with safe and efficient management processes in place to manage the lifecycle of AGL's assets.</td></tr>
</table>

Appendix 3: Impact Reporting

AGL intends to implement annual impact reporting based on contemporary market practice and consistent with the guidance maintained and developed by the ICMA GBP **Impact Reporting Working Group**.

AGL intends to report against indicators to show the impact of the projects covered by the green debt and to show progress against our Climate Transition Action Plan. Note that not all metrics may be applicable to all of its Green Debt and will be subject to availability of information and confidentiality requirements.

Examples of relevant metrics include:

Reporting Metrics or Impact Criteria
• Annually report AGL's total Scope 1 and 2 operational GHG emissions reduction from an FY19 baseline in CO_2e and/or %.
• Annually report AGL's renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy).
• Annual total Scope 1 and 2 GHG emissions from the project in tonnes of CO_2e.
• Capacity of renewable energy plant(s) constructed or supported in MW.
• Capacity of electricity storage plant(s), such as batteries and pumped hydro, constructed or supported in MW.
• Total capacity of additional renewable and firming capacity constructed or supported from an FY22 baseline in MW.

Appendix 4: Corporate Directory & More Information

More information on AGL's approach to sustainability can be found:

On our website:
https://www.agl.com.au/

In our annual reports:
https://www.agl.com.au/about-agl/investors/annual-reports

In our Climate Transition Action Plan:
https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/sustainability/ctap.pdf

Directory

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Appendix 5: Disclaimer

The certification of the Debt as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation, or give any assurance with respect to any other matter relating to the Debt or any Nominated Project, including but not limited to the Information Memorandum, the transaction documents, the Issuer or the management of the Issuer.

The certification of the Debt as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the Debt and such certification does not address the market price or suitability of the Debt for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the Debt and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Debt and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.