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ASX Release

Notice of Meeting – 2014 Annual General Meeting



17 September 2014

AGL Energy Limited is about to commence dispatch of the Notice of Meeting in respect of the Annual General Meeting to be held on 23 October 2014. Attached are a copy of the Notice of Meeting, the shareholder voting form and the shareholder question form.

A handwritten signature in black ink, appearing to read 'P. McWilliams', is centered on the page.

Paul McWilliams
Company Secretary

Further inquiries:

Investors

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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is taking action toward creating a sustainable energy future for our investors, communities and customers.



Solutions. Today & Tomorrow.

NOTICE OF ANNUAL GENERAL
MEETING OF SHAREHOLDERS 2014

DATE : THURSDAY 23 OCTOBER 2014
TIME : 10.30 AM
VENUE : CITY RECITAL HALL, ANGEL PLACE, SYDNEY

Energy in
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Since 1837

AGL

AGL Energy Limited
ABN 74 115 061 375
Level 22, 101 Miller Street
North Sydney NSW 2060

Location of AGM

How to find the City Recital Hall, Sydney

You can use the map below to find the nearest transport routes and the location of the AGM – the City Recital Hall, Angel Place, Sydney.



By Train

The City Recital Hall is a short walk from Wynyard Station



By Car

There are many car parks located within walking distance



By Taxi

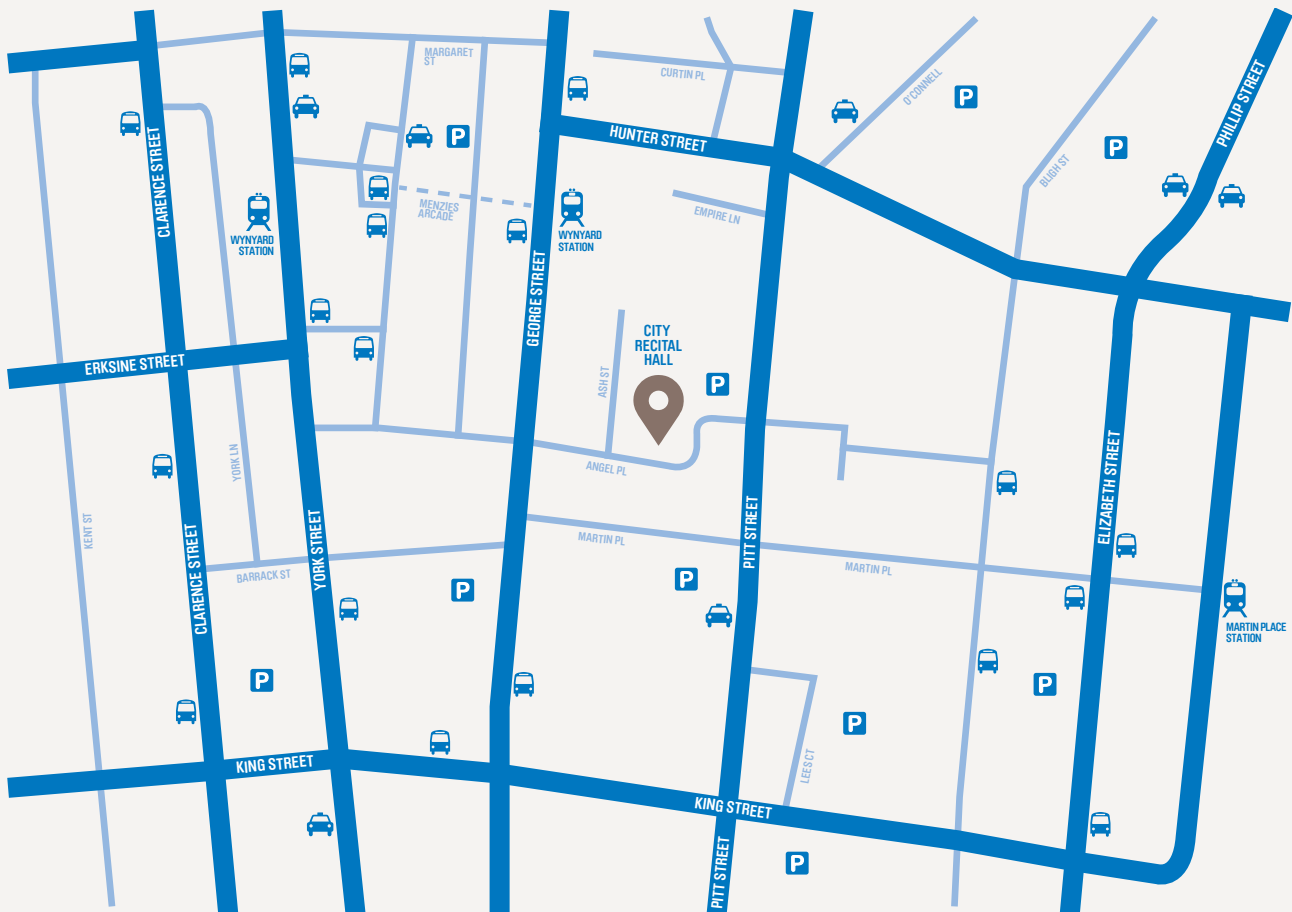
Your taxi can enter from George Street



By Bus

Major bus interchanges are nearby at George and York Streets

For more specific information about public transport routes and timetables, contact the State Transit Authority on 131 500 or visit 131500.com.au



Chairman's Letter

Dear Shareholder

I am pleased to invite you to attend the 2014 Annual General Meeting of Shareholders, which has been scheduled as follows:

Date: Thursday, 23 October 2014

Time: 10.30am

Venue: City Recital Hall, Angel Place, Sydney

The business to be dealt with at the AGM is provided on page 4 of this Notice of Meeting.

If you are able to attend the AGM, please bring the enclosed Shareholder Voting Form with you to facilitate registration at the AGM.

If you do not plan on attending the AGM, you are encouraged to appoint a proxy to attend and vote on your behalf by lodging your proxy appointment online at www.linkmarketservices.com.au, or by completing the enclosed Shareholder Voting Form and returning it in the envelope provided, or by using an enabled mobile device to scan the enclosed QR code.

Instructions on how to appoint a proxy are detailed on the back of the Shareholder Voting Form. Proxies must be received no later than 10.30am (Sydney time) on 21 October 2014 to be valid for the AGM. Proxies may be lodged online or returned by mail or by fax on +61 2 9287 0309.

You are encouraged to let us know of any questions you may have before the AGM. Details of how to lodge those questions prior to the AGM are on page 15 of this Notice of Meeting.

We look forward to seeing you at the AGM.

Yours sincerely



Jeremy Maycock
Chairman

17 September 2014

Business of the AGM

ORDINARY BUSINESS

- 1 To receive and consider the Financial Report of AGL and the consolidated entity and the Reports of the Directors and Auditor for the financial year ended 30 June 2014.
- 2 To adopt the Remuneration Report for the financial year ended 30 June 2014, as set out in the Directors' Report section of the Annual Report. (Note – the vote on this resolution is advisory only and does not bind the Directors or AGL).

Voting Exclusion

As required by the Corporations Act, no member of AGL's key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member may vote on the resolution in Item 2 of Ordinary Business unless the vote is not cast on behalf of any such member or closely related party of any such member and:

- (i) the person voting votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 2 of Ordinary Business; or
- (ii) the person voting is the Chair of the AGM who votes as a proxy appointed by writing that does not specify the way the Chair of the AGM is to vote on Item 2 of Ordinary Business and which expressly authorises the Chair of the AGM to vote on Item 2 of Ordinary Business even though Item 2 of Ordinary Business is connected directly or indirectly with the remuneration of a member of the key management personnel of AGL and even though the Chair of the AGM is a member of the key management personnel of AGL.

3 To elect Directors:

- (a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Jeremy Maycock, a Director who retires by rotation at the close of the AGM in accordance with Clause 58 of AGL's Constitution and being eligible, is re-elected as a Director of AGL."

- (b) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Sandra McPhee, a Director who retires by rotation at the close of the AGM in accordance with Clause 58 of AGL's Constitution and being eligible, is re-elected as a Director of AGL."

SPECIAL BUSINESS

4 Approval of Termination Benefits for Eligible Senior Executives:

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for AGL and any relevant superannuation fund to give benefits to each current and future eligible senior executive, as described in the Explanatory Notes to this Notice of Meeting, in connection with the retirement of that person from any office in AGL or a related body corporate of AGL referred to in section 200B of the Corporations Act."

Voting Exclusion

As required by the Corporations Act, no votes on Item 4 of Special Business may be cast (in any capacity) by or on behalf of an eligible senior executive who may, as a retiree, receive a benefit approved by Item 4 of Special Business, or any associate of such a person, except where there is a permitted proxy vote. A vote is a permitted proxy vote where it is:

- (i) cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; and
- (ii) not cast on behalf of the retiree or an associate of the retiree.

As required by the Corporations Act no member of AGL's key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member may vote on the proposed resolution in Item 4 of Special Business unless the vote is not cast on behalf of any such member or closely related party of any such member and:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 4 of Special Business; or
- (ii) the person voting is the Chair of the AGM who votes as a proxy appointed by writing that does not specify the way the Chair of the AGM is to vote on Item 4 of Special Business and which expressly authorises the Chair of the AGM to vote on Item 4 of Special Business even though Item 4 of Special Business is connected directly or indirectly with the remuneration of a member of the key management personnel of AGL and even though the Chair of the AGM is a member of the key management personnel of AGL.

5 Renewal of Proportional Takeover Provisions:

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That AGL renew the proportional takeover provisions contained in clause 12 of the Constitution for a period of three years from the date of this meeting."

By Order of the Board



Paul McWilliams
Company Secretary
17 September 2014

Explanatory Notes

These Explanatory Notes have been prepared to provide Shareholders with important information regarding the items of business proposed for consideration at the AGM. Capitalised terms in this Notice of Meeting are defined in the Glossary on page 6.

Determination of Entitlement To Vote

For the purpose of the AGM, the Directors have determined that shares will be taken to be held by persons registered as Shareholders as at 7.00pm (Sydney time) on Tuesday 21 October 2014.

Shareholder Voting

Each Shareholder who is entitled to vote at the AGM may appoint a proxy, who need not be a Shareholder, to attend and vote at the AGM on the Shareholder's behalf. A Shareholder who is entitled to attend and cast two or more votes at the AGM may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll.

Each Shareholder who is entitled to vote at the AGM may appoint a proxy and specify the way that the proxy is to vote in relation to a resolution and indicate that the specification is to be regarded as a direct vote. Except where the Directors have determined, prior to the AGM, that direct voting will not be permitted in relation to a particular resolution, a direct vote on a resolution by a Shareholder will, if a poll is demanded (but not on a show of hands), be effective to cast, at the AGM, the votes of the Shareholder as specified in the Shareholder Voting Form without the need for, or regardless of, any further action by the proxy and the proxy will therefore have no authority to vote on a poll on the resolution on the Shareholder's behalf.

A Shareholder Voting Form and, if the Shareholder Voting Form is not signed by the Shareholder, the Power of Attorney or other authority (if any) under which the Shareholder Voting Form is signed (or a certified copy of that Power of Attorney or other authority) must be received by AGL at least 48 hours before the time for holding the AGM – that is, by 10.30am (Sydney time) on Tuesday 21 October 2014. Documents may be lodged with AGL by:

- (i) appointing a proxy online at the AGL Share Registry's website: www.linkmarketservices.com.au
or
- (ii) posting them in the accompanying reply-paid envelope to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
or
- (iii) sending them by fax to the AGL Share Registry on
+61 2 9287 0309
or
- (iv) delivering them to the AGL Share Registry located at:
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Corporate Representatives

A company wishing to appoint a person to act as its representative at the AGM must provide that person with a letter executed in accordance with the company's constitution and the Corporations Act authorising him or her to act as the Shareholder's representative.

Explanatory Notes

Glossary

In this Notice of Meeting, the following terms have the respective meanings unless the context otherwise requires:

AGL means AGL Energy Limited ABN 74 115 061 375.

AGL Annual Report 2014 means the Annual Report of AGL for the financial year ended 30 June 2014.

AGL Share means a fully-paid ordinary share in AGL.

AGM means the 2014 Annual General Meeting of Shareholders convened pursuant to the Notice of Meeting.

Annual Growth Condition means annual growth in earnings before interest and tax divided by funds employed.

ASX means ASX Limited ABN 74 115 061 375.

Board means the Board of Directors of AGL.

Company means AGL Energy Limited ABN 74 115 061 375.

Constitution means the Constitution of AGL.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a Director of AGL.

FR means Total Fixed Remuneration.

LTIP means AGL's Long-Term Incentive Plan arrangements as varied from time to time.

Meeting means the 2014 Annual General Meeting of Shareholders convened pursuant to the Notice of Meeting.

Notice of Meeting means the notice pursuant to which the AGM is convened.

Remuneration Report means the section of the Directors' Report contained in the AGL Annual Report 2014 entitled 'Remuneration Report'.

SPR means a Share Performance Right granted under the LTIP.

TSR means Total Shareholder Return.

VWAP means Volume Weighted Average Price.

ORDINARY BUSINESS

Item 1

To receive and consider the Financial, Directors' and Auditor's Reports for the financial year ended 30 June 2014

Shareholders have been notified that the AGL Annual Report 2014 can be found on AGL's website (www.agl.com.au) under 'Investor Centre' and have been given the option of having a printed copy of the Report sent to them. The AGL Annual Report 2014 has been sent to those Shareholders who have requested it. During the discussion of this Item, there will be an opportunity for Shareholders to ask questions about, or comment on, the Report and the management and performance of AGL.

Item 2

Adoption of the Remuneration Report for the financial year ended 30 June 2014

AGL is required under the Corporations Act to include, in the business of its AGM, a resolution that its Remuneration Report for the financial year ended 30 June 2014 be adopted. The resolution is advisory only and does not bind the Directors. However, the Directors will take into account the outcome of the vote when reviewing remuneration policies and practices. During discussion of this Item, there will be an opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report.

The Remuneration Report which forms part of the Directors' Report is set out on pages 53 to 70 of the AGL Annual Report 2014.

Directors' Recommendation

Acknowledging that each Director has a personal interest in his or her own remuneration from AGL, as described in the Remuneration Report, the Directors unanimously recommend the adoption of the Remuneration Report.

Item 3

Election of Directors

(a) Jeremy Maycock

Jeremy Maycock, BEng (Mech) (Hons), FAICD, FIPENZ, Age 62

Term: Non-executive Director since October 2006 and Chairman since October 2010

Independent: Yes.

Committees: Chair of the Nominations Committee.

Directorships: Chairman of Port of Brisbane Pty Ltd and a Director of Nuplex Limited (commenced in 2011), The Smith Family (commenced in January 2013) and of Arrium Limited (commenced on 19 August 2014).

Experience: Jeremy's commercial experience spans 41 years, in senior executive and non-executive roles in significant Australian and international companies.

The Directors (excluding Mr Jeremy Maycock) recommend that Shareholders vote in favour of the proposed resolution in Item 3(a).

(b) Sandra McPhee

Sandra McPhee AM, Dip Ed, FAICD, Age 68

Term: Non-executive Director since October 2006

Independent: Yes

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee, a member of the Audit and Risk Management Committee, and the Nominations Committee.

Directorships: A Director of Fairfax Media Limited (commenced in 2010), Kathmandu Holdings Limited (commenced in 2009), Scentre Group Limited (commenced 30 June 2014) and Tourism Australia.

Experience: Sandra has extensive experience as a non-executive Director and senior executive in a number of consumer oriented industries including retail, aviation and tourism. She was previously a Director of Westfield Retail Trust (commenced in 2010 and ceased on 30 June 2014), Australia Post, Coles Group Limited, Perpetual Limited, Primelife Corporation Limited, St Vincent's & Mater Health Sydney, CARE Australia and Vice President of The Art Gallery of New South Wales.

The Directors (excluding Ms Sandra McPhee) recommend that Shareholders vote in favour of the proposed resolution in Item 3(b).

Explanatory Notes

SPECIAL BUSINESS

Item 4

Approval of Termination Benefits for Eligible Senior Executives Summary

- 1 At the 2011 Annual General Meeting, AGL's Shareholders approved AGL giving termination benefits to certain senior executives. In relation to executives participating in AGL's LTIP, the approval only related to the period to 30 June 2014. AGL is now seeking further Shareholder approval for the grant of SPRs in respect of the financial years ending 30 June 2015 to 30 June 2017.
- 2 The Board has recently reviewed and determined to change the treatment of banked SPRs in circumstances of an executive retiring. For future participants, in the event of retirement, SPRs will vest over two financial years (whereas currently all SPRs vest automatically at the time an executive ceases employment in specified limited circumstances, including retirement). The change will apply to all executives appointed or promoted on or after 1 September 2014 to or within the executive positions in AGL.
- 3 AGL is again seeking approval from its Shareholders in relation to the benefits it can provide to key executives when they cease employment with AGL. The categories of benefits AGL is seeking approval in respect of are:
 - (a) the vesting of SPRs banked under the LTIP (see further detail at paragraphs 4 to 14 below);
 - (b) payments in lieu of notice and termination payments (see further detail at paragraphs 15 to 17 below); and
 - (c) superannuation benefits (see further detail at paragraphs 18 to 22 below).

Details of benefits for which Shareholder approval is sought LTIP entitlements on termination of employment

- 4 AGL has developed unique LTIP arrangements for its eligible senior executives to incentivise and reward performance on an ongoing basis.
- 5 Certain eligible senior executives participate in the LTIP for the financial years ending 30 June 2010 and onwards. The Board has an absolute discretion to invite any eligible senior executive to participate in the LTIP.
- 6 Details of the operation of the LTIP are set out in AGL's Remuneration Report in AGL's Annual Report 2014 a copy of which is available at www.agl.com.au. In essence, under the LTIP:
 - (a) at the end of each financial year, SPRs are 'banked' for an eligible senior executive (ie, recorded in his or her notional SPR bank account established for each performance measure) if (and to the extent that) AGL satisfies the applicable performance conditions for that financial year (as determined by the Board). This ensures there is a 'real time' correlation between any incentive received by the executive and AGL's performance. Similarly, the executive is 'penalised' if AGL does not perform to the expectations set in the performance conditions (see paragraph 2 above). SPRs do not carry dividend or voting rights;
 - (b) on or about 1 September following the end of the relevant financial year, 40% of any SPRs 'banked' at that time will vest and be converted into one AGL Share per SPR (at no cost to the eligible senior executive); and
 - (c) the balance (if any) of each bank account at the end of that financial year is carried forward and may vest or be clawed back in future years, depending upon AGL's performance against the applicable performance conditions in those years.
- 7 For the financial years ending 30 June 2010 to 30 June 2013, the two performance conditions used as performance measures were annual growth in earnings before interest and tax divided by funds employed (Annual Growth Condition) and annual TSR. Each performance measure has a 50% weighting. Some years ago, at the introduction of the LTIP, it was acknowledged that the performance measure of annual growth in earnings before interest and tax divided by funds employed would have a finite life because it was not possible to achieve the Annual Growth Condition in perpetuity.
- 8 As a result, the Board has recently reviewed the current LTIP performance measures and determined that the LTIP for the financial year ending 30 June 2014 was a logical time to transition away from the Annual Growth Condition performance measure and replace it with the measure of relative TSR (which is explained in the Remuneration Report). For this reason, no future SPRs will be banked into an executive's bank account in relation to the Annual Growth Condition.

- 9 At the time of cessation of the eligible senior executive's employment, all the SPRs banked in the executive's notional SPR bank account will lapse (ie, the executive will not receive any of the SPRs that have been banked) **unless** the eligible senior executive's employment ceases in the following limited circumstances:
- death;
 - total and permanent disablement;
 - redundancy;
 - retirement; or
 - cessation of employment with AGL in such other circumstances as the Board in its absolute discretion may determine. The Board would only exercise this discretion in exceptional circumstances.
- 10 As outlined in paragraph 2 above, the Board has reviewed and changed the treatment of banked SPRs, for executives who are appointed or promoted to or within the executive positions in AGL on or after 1 September 2014 and whose employment ceases as a result of retirement.
- 11 Consequently, if an eligible senior executive's employment ceases in one of the limited circumstances in paragraph 9, their banked SPRs will vest at the time of cessation of their employment and be distributed to the eligible senior executive as AGL Shares, provided that for eligible senior executives who retire from their role and were:
- appointed or promoted to an eligible senior executive role on or after 1 September 2014; or
 - employed by AGL prior to 1 September 2014, but who were promoted to or within the executive positions in AGL on or after 1 September 2014 (and who may have previously been an eligible senior executive – although the new arrangement will only apply to SPRs banked after the date of promotion),

their banked SPRs will vest as follows:

- at the time of cessation of employment, 50% of the SPRs banked at that time will vest and be distributed to the eligible senior executive as AGL Shares;
- on the first anniversary of the cessation of employment, the remainder of the SPRs banked, will vest and be distributed to the eligible senior executive as AGL Shares.

The Board did not consider it was equitable to change the treatment of SPRs in circumstances of retirement for eligible senior executives who were in that role prior to 1 September 2014 (and who remain in that role). This was particularly the case given the unique nature of AGL's LTIP in that performance hurdles are applied on an annual basis – and they are either credited (or clawed back) annually to a participant.

- 12 If the eligible senior executive's employment ceases in any of the limited circumstances outlined in paragraph 9 above, the resulting vesting of their SPRs (in any of the circumstances above) and the conversion of those SPRs into AGL Shares (at no cost to the eligible senior executive) may constitute AGL giving a termination benefit regulated by the Corporations Act.
- 13 In this context, AGL is seeking advance Shareholder approval for the potential vesting and conversion of SPRs granted to an eligible senior executive under the LTIP in the limited circumstances contemplated in paragraph 9 above.
- 14 For the purposes of section 200E of the Corporations Act, detailed information about the value of any such benefits that may be provided to or in respect of an eligible senior executive is set out in Annexure A to these Explanatory Notes under the heading 'LTIP entitlements on termination of employment' (see page 13).

Payment in lieu of notice and termination payment

- 15 The Service Contracts for AGL's eligible senior executives generally provide for notice (or a payment in lieu of notice) and a termination payment as set out in the table below.

Notice by AGL	Notice by Executive	Termination Payment
3 months*	Up to 6 months**	9 months FR***

* AGL is not required to give an executive notice in circumstances of termination for serious and wilful misconduct.

** An eligible senior executive is usually only required to give 3 months' notice in circumstances of material diminution of duties, status or responsibilities.

*** This payment is only made if AGL terminates (other than in circumstances of termination by AGL for unsatisfactory performance or serious and wilful misconduct – where no payment is made) or the eligible senior executive terminates their employment in circumstances of a material diminution of their duties, status or responsibilities. Any termination payment would be in addition to any payment in lieu of notice made to an eligible senior executive (the maximum combined amount being 12 months' FR).

- 16 Any termination payment or payment in lieu of notice made by AGL will be calculated based on the eligible senior executive's FR at the date of cessation of employment. The value of an eligible senior executive's FR:
- includes the eligible senior executive's base salary, the amount of any superannuation contributions paid to a complying superannuation fund on the eligible senior executive's behalf and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments; and
 - is reviewed at least annually having regard to the eligible senior executive's performance in the prior financial year and market conditions (among other things). Generally, any FR increase will take effect on 1 September. The maximum FR for an eligible senior executive for the performance year commencing 1 September 2014 is \$2,225,700 (which relates to the Managing Director).
- 17 Making a payment in lieu of notice or a termination payment to an eligible senior executive may constitute a termination benefit regulated by the Corporations Act. AGL is seeking advance Shareholder approval to permit it to make a payment in lieu of notice of the termination payment.

Explanatory Notes

Superannuation benefits

- 18** AGL makes compulsory superannuation contributions required by Australian law (currently at a rate of 9.50% subject to an annual cap of \$18,783) on behalf of eligible senior executives into their nominated superannuation funds so as not to incur the superannuation guarantee charge. Additional superannuation contributions may also be made by AGL at the request of the eligible senior executive on a salary sacrifice basis.
- 19** Payment by a superannuation fund of all or part of the eligible senior executive's accrued superannuation benefits (by way of a lump sum or pension) could (to the extent that they are referable to the contributions made by AGL or a related body corporate in respect of the eligible senior executive) be regarded as a benefit provided in connection with their retirement from a relevant office, and may therefore be regulated by the Corporations Act.
- 20** AGL is seeking advance Shareholder approval for the future payment by any Australian complying superannuation fund of the accrued superannuation benefits of an eligible senior executive to the extent that they are referable to the contributions made by AGL or a related body corporate.
- 21** For the purposes of section 200E of the Corporations Act, detailed information about the value of any accrued superannuation benefit that may be made to an eligible senior executive are set out in Annexure A to these Explanatory Notes under the heading 'Superannuation benefits' (see page 14).
- 22** AGL is not seeking Shareholder approval for any eligible senior executive who is a member of a defined benefits superannuation benefit, to which a different regime applies.

Operation of the Corporations Act

- 23** The Corporations Act limits the termination benefits (which are broadly described) AGL can provide to eligible senior executives (including the Managing Director and each executive disclosed in the Remuneration Report) in connection with them ceasing to hold their position with AGL (or a related body corporate of AGL).
- 24** So that AGL and any relevant superannuation fund is able to deliver current and future eligible senior executives the termination benefits provided for in the LTIP or their Service Contract, AGL is seeking advance Shareholder approval for the purposes of sections 200B and 200E of the Corporations Act. While there is no time limit on approvals obtained under the Corporations Act, if Shareholder approval is obtained, in the interests of good governance the Board considers it appropriate to return the matter to Shareholders in three years time. The approval is sought in relation to the termination benefits which may be provided during the three year period between the date Shareholders give approval at this AGM and the 2017 AGM.
- 25** Eligible senior executives are those executives who hold or may hold a 'managerial or executive office' (as that term is used in the Corporations Act) in AGL or a related body corporate of AGL. Eligible senior executives include:
- (a) Directors of AGL or any related body corporate of AGL; and
 - (b) executives whose details are included in AGL's Remuneration Report,
- and any executive who held such an office in the three years prior to the executive ceasing to hold office (or a lesser period in some circumstances).
- 26** Approval is being sought from Shareholders as in the absence of approval AGL may be unable to provide the benefits described above if an eligible senior executive ceases to hold a relevant office or position of employment with AGL or any related body corporate of AGL. If Shareholders do not approve these arrangements, issues will arise with the competitiveness of the executives' total remuneration package and potentially AGL's ability to honour its contractual obligations. The Board would then need to consider alternative arrangements which are consistent with AGL's remuneration principles, to provide equivalent entitlements in an alternative form that is permitted by the Corporations Act.

Directors' recommendation

The Directors of AGL (other than Mr Fraser) recommend that Shareholders vote in favour of the proposed resolution in Item 4.

Item 5**Renewal of Proportional Takeover Provisions****Takeover approval provisions**

Clause 12 of AGL's Constitution contains proportional takeover approval provisions that prohibit AGL from registering a transfer of shares under a proportional takeover bid unless the bid is approved by resolution passed by Shareholders in general meeting.

Under the Corporations Act takeover approval provisions must be renewed every three years or they will cease to have effect. The current provisions will automatically cease to have effect after 23 October 2014. If the proposed resolution is approved by Shareholders, the proportional takeover provisions will be renewed and have effect on exactly the same terms as the existing provisions until 23 October 2017.

The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid?

A proportional takeover bid is a takeover bid where an offer is made to each shareholder of a company to acquire a specified proportion only of that shareholder's shares (that is, less than 100%). The specified proportion must be the same in the case of all shareholders.

The Corporations Act allows a company to provide in its constitution that if a proportional takeover bid is made shareholders must vote on whether to accept or reject the proportional takeover bid and that decision will be binding on all shareholders. This provision allows shareholders to decide collectively whether a proportional takeover bid is acceptable in principle.

The effect of the proportional takeover provisions

The effect of the proportional takeover provisions in clause 12 are that if a proportional takeover bid is made for AGL, AGL must refuse to register a transfer of shares giving effect to any acceptance of the bid unless the takeover bid is approved by Shareholders in general meeting.

The Directors must convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover bid. For the resolution to be approved, it must be passed by a simple majority of votes at the meeting, excluding votes of the bidder and its associates.

If no such resolution is voted on at least 14 days before the last day of the takeover bid period, the resolution will be deemed to have been approved. This effectively means that Shareholders may only prohibit a proportional takeover bid by passing a resolution rejecting the proportional takeover bid.

If the resolution is approved or deemed to have been approved, a transfer of shares under the proportional takeover bid may be registered provided it complies with the other provisions of the Corporations Act and the Constitution.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid is prohibited and the proportional takeover bid is deemed by the Corporations Act to have been withdrawn.

The proportional takeover provisions do not apply to full takeover bids and, if renewed, will only apply until 23 October 2017, unless again renewed by Shareholders by passing a special resolution.

Reasons

Without the proportional takeover approval provisions, a proportional takeover bid may result in control of AGL passing without Shareholders having the opportunity to dispose of all of their shares to the bidder. This could result in control of AGL passing to the bidder without the payment of an adequate control premium and with Shareholders left as a minority interest in AGL.

The proportional takeover provisions lessen this risk because they allow Shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed. The Directors consider that it is appropriate for Shareholders to have this right.

No knowledge of any acquisition proposals

At the date of this notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in AGL.

Review of proportional takeover provisions

The Corporations Act requires a shareholder to be given a statement which retrospectively examines the advantages and disadvantages, for directors and shareholders, of the proportional takeover provisions proposed to be renewed. A statement of potential advantages and disadvantages is set out below.

While the proportional takeover provisions in clause 12 of the Constitution have been in effect there have been no takeover bids for AGL, either proportional or otherwise. Accordingly, there are no actual examples against which to review the advantages or disadvantages of the existing proportional takeover provisions for Directors and Shareholders of AGL. The Directors are not aware of any potential takeover bid that was discouraged by the proportional takeover provisions.

Potential advantages and disadvantages

The Corporations Act requires that shareholders be given a statement of the potential future advantages and disadvantages of the provisions in addition to retrospectively reviewing the provisions proposed to be renewed.

The renewal of the proportional takeover provisions will allow Directors to ascertain Shareholders' views on a proportional takeover bid. Apart from that the Directors consider that the proposed renewal of the proportional takeover provisions has no potential advantages or potential disadvantages for Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved or rejected.

Explanatory Notes

The potential advantages of the renewal of the proportional takeover provisions for Shareholders are:

- (a) they give Shareholders a say in determining whether a proportional takeover bid should proceed;
- (b) they may discourage the making of a proportional takeover bid which may be considered to be opportunistic and may prevent control of AGL passing without the payment of an appropriate control premium;
- (c) they may assist Shareholders in not being locked in as a minority interest;
- (d) they increase Shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) knowing the view of the majority of Shareholders may assist each individual Shareholder in assessing the likely outcome of the proportional takeover bid and whether to approve or reject that bid.

Some potential disadvantages of the renewal for Shareholders are that the proportional takeover provisions may:

- (a) discourage the making of proportional takeover bids in respect of AGL and may reduce any speculative element in the market price of AGL's shares arising from the possibility of a takeover bid being made;
- (b) depress the share price or deny Shareholders an opportunity of selling some of their shares at a premium;
- (c) reduce the likelihood of a proportional takeover bid being successful; and
- (d) be considered to constitute an unwarranted restriction on the ability of Shareholders to deal freely with their shares.

However, the Directors of AGL do not perceive those or any other possible disadvantages as a justification for not renewing the proportional takeover provisions for a further three years and in any event consider that the potential advantages of the proportional takeover provisions for Shareholders outweigh these possible disadvantages.

The Directors unanimously recommend that Shareholders vote in favour of the proposed resolution in Item 5.

Annexure A

This Annexure sets out additional information relevant to the proposed resolution in Item 4 of Special Business. This information should be read in conjunction with the Explanatory Notes to the proposed resolution, set out on pages 8 to 10.

This additional information is provided for the purposes of section 200E of the Corporations Act.

LTIP entitlements on termination of employment

- 1 The money value of any benefit constituted by the vesting of SPRs banked under the LTIP, and their conversion into AGL Shares, cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined below.
- 2 The value of any such benefit given to eligible senior executives on cessation of their employment will be calculated as equal to the aggregate value of all SPRs that vest to the eligible senior executive, where the value of each SPR is determined as the closing market price on the ASX of an AGL Share on the day before the date of issue or transfer of AGL Shares on the vesting of the SPRs.
- 3 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance	Detail
<p>The total number of SPRs that are banked (ie, recorded in a notional SPR bank account) for the eligible senior executive under the LTIP, at the time of cessation of their employment.</p> <p>This will depend on the number of SPRs granted to the eligible senior executive for each of the financial years ending on or after 30 June 2010, and AGL's performance against the performance conditions that apply to the grant of SPRs for each relevant financial year.</p>	<ul style="list-style-type: none"> > For the financial year ending 30 June 2015, each eligible senior executive (other than Michael Fraser who has a slightly different arrangement) is entitled to receive a notional grant of the number of SPRs calculated by dividing their long-term incentive opportunity amount by the VWAP of AGL Shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year. The long-term incentive opportunity amount is determined by reference to a specified percentage of FR. The maximum relevant percentage for the eligible senior executives for the financial year ending 30 June 2015 is up to 50%. Effective 1 September 2014, the current maximum FR for the eligible senior executives (excluding Michael Fraser) is up to \$905,500 per year. The same methodology (using the relevant FR and VWAP) will apply for the financial years ending 30 June 2016 and 30 June 2017. > The maximum number of SPRs that may ultimately be 'banked' for an eligible senior executive under the LTIP for each of the financial years ending 30 June 2015 to 30 June 2017 will be determined by reference to AGL's performance against performance conditions determined by the Board from time to time. The current applicable performance conditions and the number of SPRs that are banked for specified levels of performance against these conditions are set out in the Remuneration Report. > For the financial years ending 30 June 2015 to 30 June 2017, where AGL achieves the highest performance targets, the maximum number of SPRs that will be banked for an eligible senior executive will be two times the number of SPRs notionally granted for the relevant financial year. > Information about the performance conditions for SPRs under the LTIP will be included in the AGL Annual Report for the relevant year. > The total number of SPRs that are banked for an eligible senior executive under the LTIP at the time of cessation of their employment will also depend on whether (and the extent to which) any SPRs banked for a prior financial year are subsequently clawed back (by deductions from their notional SPR bank account) as a result of AGL's performance against the performance conditions in a later year.

The closing market price of an AGL Share on the ASX trading day immediately before the date of issue or transfer of the AGL Shares on the vesting of the SPRs following the eligible senior executive ceasing employment.

Annexure A

Superannuation benefits

- 4 The money value of any such payments cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in paragraph 6 below.
- 5 The value of each such payment will be calculated as being equal to the amount of the benefit (before tax) to which the eligible senior executive (or their estate, legal personal representative or other nominated beneficiary) is entitled under the governing rules of the superannuation fund making the payment. Typically, the value of the payment (before tax) would be referable to the total of all contributions made by AGL (or any related body corporate) in respect of the eligible senior executive, and all contributions made by the eligible senior executive or on their behalf, to the relevant fund (or to a fund from which any of the benefit has been transferred or rolled over) and any additional amounts that may be credited to the eligible senior executive's account by the trustee of the fund at the request of AGL (or a related body corporate), adjusted to reflect any earnings or capital growth or loss attributable to those contributions, less any fees, taxes, charges and expenses deducted by the fund in respect of the eligible senior executive's relevant superannuation account, and plus the amount of any insurance proceeds paid to the fund in respect of the eligible senior executive.
- 6 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance

The total amount of superannuation contributions made by AGL or a related body corporate in respect of the eligible senior executive for each year (or part year) of service with AGL or a related body corporate. This will, in turn, depend on the:

- > rate at which AGL or a related body corporate makes and has made superannuation contributions in respect of the eligible senior executive and their base salary for each year of service; and
- > total amount (if any) of contributions under a 'salary sacrifice' arrangement.

The total contributions made in respect of the eligible senior executive to the relevant superannuation fund by the eligible senior executive or any person other than AGL or a related body corporate.

The investment performance of the relevant superannuation fund.

The fees, taxes, costs and expenses deducted from the relevant senior executive's account in the relevant fund.

Any insurance policies held by the trustee of the fund referable to the relevant senior executive and the circumstances insured under, and other terms applicable to, such policies.

The circumstances giving rise to a payment of superannuation benefits.

Depending on the governing rules of the particular fund, whether AGL or a related body corporate requests the trustee of the fund to increase the eligible senior executive's benefit by crediting an additional amount to the eligible senior executive's account, and the amount of any such increase.

The manner in which the governing rules of the fund provide for calculation of the relevant superannuation benefit.

Other contributions to the fund made by or on behalf of the relevant senior executive.

Questions from Shareholders

AGL aims to ensure that Annual General Meetings and the Annual Report meet Shareholders' expectations. Your views are essential to this.

If you would like further information on AGL, or would like to ask a question of AGL or the Auditor at this AGM, you may lodge your questions online by visiting the AGL Share Registry's website at www.linkmarketservices.com.au or by completing the enclosed form and returning it in the enclosed reply paid envelope.

Questions for the AGM (including written questions to the Auditor) must be received at any of the addresses below by 5.00pm on Wednesday 15 October 2014.

The Chairman of the AGM will answer as many of the frequently asked questions as possible.

The AGM will be webcast live at www.agl.com.au and a copy of the Chairman's address to the AGM will be available on the AGL website.

In accordance with the Corporations Act, Shareholders will also be given a reasonable opportunity at the AGM to ask:

- > questions about, or make comments on, the management of AGL and the Remuneration Report; and
- > the Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by AGL and the independence of the Auditor.

If you would like to make a suggestion or comment on the Annual Report, please advise AGL in one of the following ways (this will allow us to incorporate your views into the content and design of future Annual Reports):

- > Online at the AGL Share Registry's website:
www.linkmarketservices.com.au
- > Write to the AGL Share Registry or the Company Secretary by completing the enclosed form and sending it to the Share Registry in the enclosed reply paid envelope to:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

or post to:

Company Secretary
AGL Energy Limited
Locked Bag 1837
St Leonards NSW 2065

or fax to:

the AGL Share Registry on +61 2 9287 0309

agl.com.au



By mail:
AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to telephone: +61 1800 824 513 (free call within Australia)



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SHAREHOLDER VOTING FORM

STEP 1 Please mark either **Box A** or **Box B**

I/we being a Shareholder(s) of AGL Energy Limited and entitled to attend and vote hereby:

<p>A VOTE DIRECTLY</p> <p><input type="checkbox"/> elect to lodge my/our vote(s) directly (<i>mark box</i>)</p> <p>i in relation to the Annual General Meeting of AGL to be held at 10:30am on Thursday, 23 October 2014, and at any adjournment or postponement of the Meeting. You should mark either “for” or “against” for each item. Do not mark the “abstain” box.</p>	<p>OR</p> <p>B APPOINT A PROXY</p> <p><input type="checkbox"/> the Chairman of the Meeting (<i>mark box</i>)</p> <p>OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered Shareholder) you are appointing as your proxy below.</p> <p>_____</p> <p>Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of AGL to be held at 10:30am on Thursday, 23 October 2014 at the City Recital Hall, Angel Place, Sydney (the Meeting) and at any postponement or adjournment of the Meeting.</p> <p>I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.</p>	
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The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business. Voting Directions will only be valid and accepted by AGL if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2 **VOTING DIRECTIONS**

	For	Against	Proxy Only Abstain*		For	Against	Proxy Only Abstain*
Resolution 2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 4 Approval of Termination Benefits for Eligible Senior Executives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(a) Re-election of Jeremy Maycock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 5 Renewal of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3(b) Re-election of Sandra McPhee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

i * If you are voting under Box B and mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 **SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED**

Shareholder 1 (Individual) _____	Joint Shareholder 2 (Individual) _____	Joint Shareholder 3 (Individual) _____
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the Shareholder. If a joint holding, either Shareholder may sign. If signed by the Shareholder’s attorney, the Power of Attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company’s constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

Your Name and Address

This is your name and address as it appears on AGL's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Voting under Box A - Direct Voting

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Shareholder Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

Voting under Box B - Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Box B. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Box B. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Shareholder Voting Form may be obtained by telephoning AGL's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Shareholder Voting Form and the second Shareholder Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either Shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from AGL's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Shareholder Voting Form

This Shareholder Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Tuesday, 21 October 2014**, being not later than 48 hours before the commencement of the Meeting. Any Shareholder Voting Form received after that time will not be valid for the scheduled Meeting.

Shareholder Voting Forms may be lodged using the reply paid envelope or:



ONLINE

vote.linkmarketservices.com/AGK

Login to the Link website using the holding details as shown on the Shareholder Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Shareholder Voting Form).



by mail:

AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by mobile device:

Our voting website for mobiles is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the AGL Energy Limited voting link vote.linkmarketservices.com/AGK into your phone. Login using the holder number and postcode for your shareholding.

QR Code



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.



By mail:
 AGL Energy Limited
 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

All enquiries to telephone: +61 1800 824 513 (free call within Australia)



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Please use this form to submit any questions about AGL Energy Limited (“AGL”) that you would like us to respond to at AGL’s 2014 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Notes. If your question is for AGL’s Auditor it should be relevant to the content of the Auditor’s Report, or the conduct of the audit of the Financial Report.

This form must be received by AGL’s share registrar, Link Market Services Limited, by **Wednesday, 15 October 2014**.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised Shareholder topics as possible and, where appropriate, will give a representative of AGL’s Auditor, the opportunity to answer written questions submitted to the Auditor. However, there may not be sufficient time available at the Meeting to address all topics raised. Please note that individual responses will not be sent to Shareholders.

Question(s)

My question relates to *(please mark the most appropriate box)*

<input type="checkbox"/> Performance or financial reports	<input type="checkbox"/> A resolution being put to the AGM	<input type="checkbox"/> General suggestion
<input type="checkbox"/> Remuneration Report	<input type="checkbox"/> Sustainability/Environment	<input type="checkbox"/> Other
<input type="checkbox"/> My question is for the Auditor	<input type="checkbox"/> Future direction	

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