AGL Energy Limited
ABN: 74 115 061 375

Locked Bag 3013
Australia Square NSW 1215
Australia

Level 24, 200 George St
Sydney NSW 2000
Australia

T: +61 2 9921 2999
F: +61 2 9921 2552
www.agl.com.au

ASX & Media Release

AGL – Results for Announcement to the Market

19 August 2022

Attached are the following documents relating to AGL Energy Limited's results for the year ended 30 June 2022:

- Appendix 4E
- AGL Energy Limited 2022 Annual Report.

Authorised for release by AGL's Board of Directors.

Investor enquiries

James Thompson
Head of Investor Relations
M: +61 403 183 163
E: jthompson5@agl.com.au

Media enquiries

Brett Cox
Head of Media Relations
M: +61 498 074 613
E: media@agl.com.au

About AGL Energy

Proudly Australian for 185 years, AGL supplies around 4.2 million[1] energy and telecommunications customer services. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

For more information visit agl.com.au

[1] Services to customers number is as at 30 June 2022 and excludes approximately 300,000 services to customers of ActewAGL.

Appendix 4E

AGL Energy Limited

ABN 74 115 061 375

Preliminary Final Report

Results for announcement to the market
for the year ended 30 June 2022

				30 June 2022 $A million	30 June 2021 $A million
Revenue	**Up**	**20.8%**	to	**13,221**	10,942
Statutory profit/(loss) after tax attributable to shareholders		**NM[1]**	to	**860**	(2,058)
Underlying Profit after tax attributable to shareholders	**Down**	**58.1%**	to	**225**	537
				30 June 2022 cents	**30 June 2021 cents**
Statutory Earnings per share		**NM[1]**	to	**131.6**	(330.3)
Underlying Earnings per share	**Down**	**60.0%**	to	**34.4**	86.2
				30 June 2022 $A	**30 June 2021 $A**
Net tangible asset backing per share	**Up**	**37.0%**	to	**4.85**	**3.54**
				Amount cents	**Franked amount cents**
Final dividend per ordinary share				10.0	0.00
Interim dividend per ordinary share				16.0	0.00

[1] Not Meaningful

Record date for determining entitlements to the final dividend:
2 September 2022 and payable 27 September 2022.

Brief explanation of Underlying Profit after tax and Underlying Earnings per share:
Statutory Profit after tax and Statutory Earnings per share are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Statutory profit after tax of $860 million included a gain of $486 million after tax treated as significant items and a gain of $149 million after tax from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit after tax was $225 million, 58.1% down on the prior corresponding period.

Underlying Profit after tax is reported to give information to shareholders that provides a greater understanding of the performance of AGL Energy Limited's (AGL's) operations. AGL believes Underlying Profit after tax is useful as it removes significant items and timing mismatches between the fair value of derivatives and the underlying asset being hedged thereby facilitating a more representative comparison of financial performance between financial periods.

This report should be read in conjunction with the 2022 Annual Report incorporating AGL Directors' Report (including the Operating & Financial Review) and the Financial Report released to the market on 19 August 2022.

The consolidated financial statements contained within the 2022 Annual Report, of which this report is based upon, have been audited by Deloitte Touche Tohmatsu.

Annual Report

2022

agl

Progress for life

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About this report

Report structure

This report is designed to be read in its entirety. The required elements of the Directors' Report, including the Operating and Financial Review (OFR) as required by ASIC Regulatory Guide 247, are covered on pages 8 to 84. Commentary on AGL's financial performance specifically is contained on pages 8 to 50 and references information reported in the Financial Report (pages 84 to 183). The Financial Report includes AGL Energy Limited (the Company or Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2022. Throughout the report, the consolidated entity is referred to as AGL or the Group.

The Directors' Declaration forms part of the Financial Report under the *Corporations Act 2001 (Cth)* (Corporations Act).

Voluntary reporting frameworks

This report has been prepared with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework. This framework provides a useful basis for disclosing how sustainable value is created for our shareholders and other stakeholders over time. We have used the framework to demonstrate how consideration of risks and opportunities (both those arising from our business and those that exist in a broader operational context), our purpose and our values drive our strategy. We have also considered how the execution of our strategy creates value, applying a lens that is broader than financial performance alone.

AGL follows the guidance provided by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures voluntary disclosure framework (TCFD Framework). This year, we have not produced a separate TCFD report. A TCFD Index is included in the ESG Data Centre on our website which describes where elements of the TCFD framework are addressed in this report and other disclosures, noting that we expect to release updated scenario analysis of different decarbonisation pathways for the National Electricity Market (NEM) later in 2022 following the review of strategic direction which AGL is currently completing.

The disclosures in this report and the accompanying **ESG Data Centre** are aligned to the Sustainability Accounting Standards Board (SASB) standards for 'Electrical Utilities and Power Generators' and 'Gas Utilities'. A **SASB index** is included in the ESG Data Centre which identifies the extent to which each SASB disclosure requirement has been applied. In addition, we have referenced the GRI Standards in the preparation of this report. The ESG Data Centre includes a **GRI index** that outlines which topic-specific GRI standards have been referenced in our disclosures.

Assurance

The Remuneration Report (page 59 to 82) and the Financial Report (page 84 to 183) have been audited by Deloitte. Deloitte was also engaged to undertake limited assurance of selected key performance indicators included in the Business Value Driver scorecards (page 19 to 29) in accordance with the Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board (ASAE 3000). The key performance indicators are to be read in conjunction with the definitions in the Glossary (page 178). Full details of the assurance scope, process and outcome are included in the assurance statement on page 172.

Business Value Drivers

The International Integrated Reporting Framework describes six forms of capital (financial, manufactured, intellectual, human, social and relationship and natural) but encourages organisations to adopt a categorisation and terminology appropriate to their business.

In this report, AGL has grouped and defined these capitals into the seven distinct Business Value Drivers outlined below.

CUSTOMERS
Social and relationship capital

Effective and trusted relationships with residential, business and wholesale customers.

COMMUNITIES & RELATIONSHIPS
Social and relationship capital

The strength of working relationships and trust with key stakeholders; brand and reputation.

PEOPLE
Human capital

The competencies, experience, behaviours, engagement and wellbeing of AGL's people.

ENVIRONMENT
Natural capital

Access to and stewardship and use of scarce natural resources, and AGL's impact on the natural environment, both directly and as a result of the products and services provided.

INFRASTRUCTURE
Manufactured capital

Effective and efficient use of assets throughout the value chain that AGL uses, owns or has control of, to enable delivery of energy to the market and to customers.

SYSTEMS & PROCESSES
Intellectual capital

Availability and development of processes, knowledge, insights, systems and data, including energy portfolio management and customer analytics, to support and enhance business activities.

FINANCE
Financial capital

Access to and management of financial capital to support execution of strategy and investment in growth opportunities through retaining financial market support.

Information about performance in relation to each Business Value Driver is included in Section 3.2 of this report.

Forward looking statements

This report includes information about AGL's performance for the period 1 July 2021 to 30 June 2022. Any forward-looking statements are based on AGL's current expectations, best estimates and assumptions as at the date of preparation, many of which are beyond AGL's control. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, which may cause actual results to differ materially from those expressed in the report.

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 interconnected goals that form a global benchmark for achieving a sustainable future for all. While many of the SDGs intersect with our operations, the three SDGs that were most material to the strategy and operations of AGL over FY22 comprised SDG 13 – Climate Action; SDG 7 – Affordable and Clean Energy; and SDG 9 – Industry, Innovation and Infrastructure.

SDG	Business Value Driver			
13 CLIMATE ACTION	Page 24			
7 AFFORDABLE AND CLEAN ENERGY	Page 26	Page 24	Page 20	Page 21
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Page 26	Page 28	Page 30	

Letter from the Chairman

I am pleased to present AGL Energy's Annual Report for the financial year ended 30 June 2022 (FY22).

Peter Botten
Chairman

Resetting for the future

The 2022 financial year was a challenging time for AGL Energy Limited (AGL) for a number of reasons, including unprecedented energy industry and market conditions and the withdrawal of AGL's Demerger Proposal.

> Within this operating environment, our priority remains to ensure this great Australian company, continues to evolve and lead through Australia's transition building on our record of innovation and investment for a low-carbon future.

Our FY22 result, while down on previous years, reflects the underlying resilience of the business against this backdrop of very difficult and complex energy industry and market conditions. This has included both the geopolitical instability and international supply constraints driving higher global coal and gas prices, as well as the interventions required to manage system security issues.

I am proud that throughout significant change and challenges, the AGL team has stayed focused on keeping our power stations running safely as they progress towards accelerated closure dates, developing our pipeline of renewable and storage projects, and keeping customers, communities and our people at the centre of what we do. I would like to thank our people for everything they have done over the past year to look after our business and customers.

Withdrawal of Demerger Proposal

On 30 May 2022, AGL announced that it had withdrawn the Demerger Proposal to separate AGL into two industry-leading companies: AGL Australia and Accel Energy. Although the Board believed that the Demerger Proposal would have been supported by a majority of shareholders, we made this difficult decision as the anticipated voter turnout and stated opposition from a small number of investors made it clear that the Demerger Proposal would not receive the necessary 75% support.

At the same time as announcing the decision to withdraw the Demerger Proposal, we committed to undertaking a review of AGL's strategic direction, renewing the composition of the Board, including the CEO, and determining the best way to deliver long-term shareholder value in the context of Australia's energy transition.

Review of Strategic Direction

The review of strategic direction is being overseen by a Board sub-committee co-chaired by Vanessa Sullivan and Graham Cockroft with fellow Non-Executive Director, Mark Bloom also forming part of the sub-committee.

> The review will consider how the company moves forward in a way that will create long-term shareholder value in an environment where pressure on decarbonisation, renewable development and energy affordability is accelerating.

In particular, the process will include a reassessment of decarbonisation pathways, analysis of the scale and mix of technologies required to meet these accelerated pathways and AGL's role in providing the energy and capacity required today and into the future. It will also consider how the strategies developed in preparation for the proposed demerger can be leveraged in an integrated model as well as AGL's capital structure and providers.

AGL will report initial outcomes in late September 2022 in conjunction with FY23 guidance.

Committed to decarbonisation

Australia is at a pivotal moment in the transition of our energy system and the Board remains committed to ensuring we play a leading role. This means responsibly transitioning our coal generators, while ensuring energy system stability, energy affordability for customers, support for our people and communities through the transition, and appropriate shareholder outcomes.

> In the past two decades AGL has invested more than $4.8 billion in renewable and firming generation, the most of any ASX-listed company, and has delivered more than 2,350 MW of new generation capacity to the grid since 2003.

Next year, we will complete the closure of the Liddell Power Station which alone will deliver an emissions reduction equivalent to almost 5% of FY21 emissions from Australia's electricity sector – a significant step forward in Australia's decarbonisation journey. As we close that power station, we will be progressing our plans for the site to be converted into an integrated, low-carbon industrial Energy Hub, which will deliver both energy and jobs for the future.

We are also working towards our previously announced closure dates for the Bayswater and the Loy Yang A power stations. We believe the closure of coal-fired power stations will continue to be accelerated and that public policy settings, market conditions and the growing expectations of stakeholders will all play a role in determining what this pathway to closure looks like.

AGL's decarbonisation pathway will continue to be reviewed as part of the review of strategic direction that is currently underway. AGL will release a Climate Transition Action Plan following this review, and shareholders will have the opportunity to vote on the Climate Transition Action Plan as part of the 'Say on Climate" resolution at the 2022 Annual General Meeting (AGM).

Board and CEO renewal

As part of the Board and CEO renewal process some of our Directors – myself included – and our Managing Director and CEO, Graeme Hunt, will step down when replacements have been appointed. Jacqueline Hey resigned as a Non-Executive Director effective 30 May 2022. Diane Smith-Gander has also advised that she will resign from the Board following the conclusion of the 2022 AGM on 15 November 2022.

It was originally intended that Diane Smith-Gander would resign from the Board following the release of AGL's FY22 full year results on 19 August 2022. However, given Diane's role as Chair of the People & Performance Committee, the Board considered it was important that Diane continue in this capacity until the 2022 AGM to oversee the delivery of the Remuneration Report.

> On behalf of the Board, I would like to thank Graeme, Diane and Jaqueline for their contribution and service to AGL.

The selection process for a new Chair is well advanced and we expect to announce a new Chair before the 2022 AGM in November. We have also commenced a global search for the Managing Director and CEO and a search process to identify potential new Non-Executive Directors of AGL is also well advanced. We are committed to ensuring that these processes are thorough and timely to ensure new leadership is in place to take AGL forward as soon as possible.

For more information about our Board visit **agl.com.au/about-agl/who-we-are/our-people.**

Dividend

AGL has declared a final unfranked dividend for FY22 of 10 cents per share. The final dividend is consistent with AGL's dividend policy to target a payout ratio of 75 percent of Underlying Profit after tax. The final FY22 dividend will be paid on 27 September 2022.

Given the status of the review of AGL's strategic direction, in order for AGL to manage its ongoing continuous disclosure obligations the Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final FY22 dividend. It is our intention to reinstate the DRP when circumstances allow.

The Board recognises that the past year has been a challenging time for our business and you, our shareholders. On behalf of the Board, I would like to thank you for your ongoing support.

AGM

Our 2022 AGM will be held on Wednesday, 15 November 2022. Further details about the event will be released in the Notice of Meeting in October.

Outlook

Despite the challenges of the energy industry and broader market, AGL's underlying business remains resilient, underscored by the strength of our low-cost baseload generation position, large and loyal customer base and robust risk management processes.

AGL is largely hedged for FY23, however, from FY24 AGL is well positioned to benefit from sustained higher wholesale electricity pricing as hedge positions progressively roll off.

It has been my privilege to be the Chair of the AGL Board over the past year and to have been an AGL Director for the past five years. I firmly believe AGL is a strong company that is well positioned to lead during Australia's energy transition, and I am optimistic about what the future holds for the company.

Managing Director & CEO's Report

Graeme Hunt
Managing Director & CEO

The 2022 financial year has been a difficult time across the energy industry and for energy customers, as global and domestic market conditions have culminated in rapid increases in energy prices and a suspension of the market. At the same time, the disruption of the COVID-19 pandemic continues, there have been floods in New South Wales and Queensland and the expectations for faster action on climate change are continuing to rise.

Against this unprecedented backdrop, AGL's FY22 result reflects the underlying strength and resilience of our business, and the commitment of our people to keep the lights on for the millions of households and businesses that depend on us.

In May the AGL Board made the difficult decision to withdraw the Demerger Proposal that would have seen AGL separate into two industry-leading companies. At the same time, we also announced a review of the company's strategic direction and a Board and CEO renewal process.

While the decision to withdraw the Demerger Proposal represented a significant change in the company's direction, it does not change the vital role AGL is committed to playing in Australia's transition to a low-carbon future. As Australia's largest electricity generator and a leading multiservice energy retailer with more than 4.2 million customer services, there is an enormous opportunity for AGL and our shareholders to share in the value that will be created as Australia decarbonises over the next few decades.

Throughout the year the AGL team has remained committed to our purpose, *Progress for Life*, taking action to shape a better future for our people, customers, shareholders and communities. The team has stayed focused on operating our assets safely and reliably, serving our customers and communities, and supporting each other through a period of significant market disruption and change.

Let's now turn to our FY22 performance and reflect on some of the achievements of the year, which demonstrate the strength and resilience of our business.

Safety

I am pleased to share that our safety performance has improved this year. This is illustrated by a reduction in our Total Injury Frequency Rate (TIFR) to 2.1 per million hours worked for employees and contractors from 2.3 in FY21.

This year-on-year improvement in safety performance continues the material improvement we saw in the FY21 safety performance compared to the previous two years. It is also important to note that a high volume of critical work was undertaken throughout the year without any serious injury.

Customers

Despite unprecedented market volatility our customer services have remained stable this year at 4.2 million and we have seen continued growth in telecommunications customers. A sustained focus on improving our customer experience has led to strong strategic Net Promoter Scores relative to historical results and a further reduction in customer complaints. We also have more than one million customers interacting regularly with us online through the AGL Mobile App and MyAccount services.

We have also seen strong growth in our energy solutions business as the demand for services to help customers decarbonise continues to rise. Our commercial solar credentials have strengthened over the past year, and we continue to hold the number one position in the market. In April 2022, we acquired Energy360, a provider of biogas plants for commercial and industrial customers, extending the ways we can help our customers reduce their carbon emissions and manage their energy costs.

Generation and trading performance

Despite a good start to the year, our generation volume remained broadly flat in FY22, and our thermal fleet's commercial availability was down two percentage points year-on-year largely due to a confluence of planned and unplanned outages in the fourth quarter.

There were three key causes of the unplanned outages – an earth fault in Loy Yang Unit 2 generator rotor which we expect to return to service in late September, COVID-19 related delays to planned outages at Bayswater; and a rise in boiler tube leaks across Liddell, Bayswater, and Loy Yang A power stations. Action is underway to address these issues and improve availability in the year ahead.

Amidst the challenging second half of the year, it is important to recognise the performance of the AGL trading team to manage the organisation's risk position and mitigate further downside.

FY22 results

AGL's FY22 Underlying Profit after tax was $225 million, down 58% from FY21.

The result was largely driven by lower realised contracted and wholesale customer prices, increased costs of capacity to cover periods of peak electricity demand, generation performance, and the non-recurrence of the Loy Yang Unit 2 insurance proceeds received in FY21. This was partly offset by decreased operating costs.

> The strength of AGL's underlying business - our low-cost baseload generation; our large and loyal customer base; and our effective portfolio management - has enabled us to manage one of the most challenging and complex periods in the 20-plus-year history of the National Electricity Market (NEM).

It is this underlying strength, combined with strong fuel supply arrangements, robust risk management and prudent margin management that will ensure the resilience of our FY23 earnings amidst the continuing challenging conditions.

While AGL is largely hedged for FY23, we are well positioned from FY24 to benefit from sustained higher wholesale electricity prices as hedge positions progressively roll-off. We expect to provide guidance for FY23 in late September in conjunction with the initial outcomes of the review of AGL's strategic direction.

People

It has been a challenging 12 months and the associated disruption has had an understandable impact on our people, with employee engagement falling by five percentage points to 57%. I want to recognise our people for their resilience and persistence through what has been a difficult period. We are continuing to work with our people leaders to support them as we address the destabilisation related to the uncertainty of the past 12 months.

Committed to decarbonisation

As Australia's largest electricity generator, and operator of the largest portfolio of renewable generation and storage assets of any ASX-listed company, AGL is committed to decarbonisation and supporting Australia's energy transition.

An important part of this is progressing our 2.9 GW renewable and storage development pipeline and building the low-carbon industrial Energy Hubs of the future. Current projects underway include the 250 MW Torrens Island grid-scale battery, which is expected to be operating by mid-2023, the 50 MW Broken Hill battery, the 500 MW Liddell battery and the 200 MW Loy Yang battery. Through our memorandum of understanding with Fortescue Future Industries, announced in November 2021, we're also exploring the development of a green hydrogen facility in the Hunter Valley, with potential for domestic and export opportunities.

We're also empowering our customers to join the transition to a decarbonised world. More than 100,000 customers have enrolled in our multi-asset Virtual Power Plant services across a range of asset types and our Peak Energy Rewards program continues to be the largest behavioural demand response program in Australia. In addition, the popularity of our carbon-neutral offerings continues to grow.

We are committed to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. This year, we have not produced a stand-alone TCFD report. A TCFD Index is included in the ESG Data Centre on our website which describes where elements of the TCFD framework are addressed in this report and other disclosures. AGL will release updated scenario analysis of different decarbonisation pathways for the NEM following the review of AGL's strategic direction which we are currently completing.

Supporting the Community

We understand that energy affordability continues to be a major issue for our customers and that FY22 has been another year of COVID-19 related disruption. Many of our customers were also impacted by the floods in the first half of 2022.

We're continuing to support customers with a range of assistance including payment extensions, instalment plans and our hardship program, Staying Connected. Recognising the impact of floods on households and businesses we proactively contacted 300,000 of our customers in flood-affected parts of New South Wales and Queensland to advise them of emergency support options.

We also donated $100,000 to the Salvation Army 2022 Flood Appeal and matched employee donations to this fund. This was part of the $3.76 million we contributed to communities in FY22.

In October 2021 we launched our Reconciliation Action Plan (RAP) to help deliver our vision for reconciliation. Since launching our RAP, we have made good progress against our planned actions, including enhancing the cultural capability of our organisation and reviewing our people policies to ensure they are culturally appropriate and inclusive for our Indigenous employees.

Board and CEO renewal

As mentioned earlier, a Board and CEO renewal process is underway and as a result, I will be stepping down once a new Managing Director and CEO is appointed.

It has been a privilege to be involved with AGL for the past nine years, firstly as a member of the Board, then as Chairman, and more recently to lead the company as Managing Director and CEO. I have thoroughly enjoyed my time with the business, from working with our people across our corporate and operational sites, to talking to our customers and sharing the AGL story with all our stakeholders, including you, our valued shareholders.

Looking ahead

The 2022 financial year was challenging for us and many others in the energy industry. However, the resilience and underlying strength of the business remains and AGL is well positioned to succeed in the future.

Thank you for reading this report.

Five Year Summary

Key financial metrics

		FY22	FY21	FY20	FY19	FY18
Income						
Revenue	$m	13,221	10,942	12,160	13,246	12,816
Underlying EBITDA	$m	1,218	1,666	2,026	2,285	2,236
Underlying EBIT	$m	501	959	1,306	1,660	1,668
Statutory Profit/(Loss) after tax	$m	860	(2,058)	1,007	905	1582
Underlying Profit after tax	$m	225	537	808	1,040	1018
Financial position						
Total assets	$m	19,270	15,450	14,607	14,821	14,633
Net debt	$m	2,662	2,997	2,723	2,600	2,491
Gearing (net debt/net debt + equity)	%	29.2	35.1	25.3	23.5	22.9
Cash flow						
Capital expenditure	$m	646	707	685	939	778
Operating cash flow before interest, tax and significant items	$m	1,498	1,606	2,476	2,013	2,474
Cash conversion	%	123	96	122	88	111
Shareholder value						
Statutory earnings per share	cents	131.6	(330.3)	157.2	138.0	241.2
Underlying earnings per share	cents	34.4	86.2	126.1	158.6	155.2
Dividends declared	cents	26.0	75.0	98.0	119.0	117.0
Payout ratio	%	75.0	87.0	75.0	75.0	75.0
Return on capital invested	%	4.8	7.6	8.6	10.7	10.6
Return on equity	%	3.7	8.1	10.0	12.5	13.1

Key operating metrics

		FY22	FY21	FY20	FY19	FY18
Total services to customers	million	4.215	4.208	3.954	3.708	3.641
Customer churn	%	15.6	14.3	14.3	17.6	18.9
Pool generation volume	GWh	40,755	41,137	43,828	43,723	43,065
Customer demand: Electricity	TWh	39.0	40.6	40.3	39.2	39.2
Customer demand: Gas	PJ	153.1	158.4	155.5	167.1	180.0
Wholesale electricity prices (realised spot price)	$/MWh	115.0[1]	58.0	75.2	103.1	90.1
Fuel costs	$/MWh	(20.9)	(20.8)	(23.1)	(24.3)	(21.8)
Operating costs and capital expenditure	$m	(2,142)	(2,326)	(2,336)	(2,487)	(2,337)

1. Refer to Operating & Financial Review - Section 6.2 Electricity Portfolio - Net Portfolio Management for further information.

Five Year Summary

Business Value Driver key performance indicators

For more information about each key performance indicator, refer to the scorecards in Section 3.2. The key performance indicators should also be read in conjunction with the Glossary to the Business Value Drivers on page 178.

		FY22	FY21	FY20	FY19	FY18
Customers						
Net Promoter Score (NPS)		+6	+5	+2	-11	-23
Ombudsman complaints		4,873	5,973	7,731	11,138	11,413
Number of customers on Staying Connected		15,964	26,263	28,051	30,083	26,657
Average level of debt of customers on Staying Connected	$	2,973	2,768	2,293	2,301	2,502
Total average debt across mass market customer portfolio	$	241	292	319	331	501
Communities & Relationships						
RepTrak score		65.8	66.7	68.3	61.4	61.4
Community contribution	$m	3.8	5.2	4.3	4.5	4.3
Underlying effective tax rate	%	23.2	27.0	28.3	29.1	29.5
People						
TIFR employees		1.5	1.7	2.6	2.1	1.2
TIFR (employees + contractors)		2.1	2.3	3.3	3.6	2.4
Fatalities (employees + contractors)		0	0	0	0	0
Employee engagement	%	57	62	73	68	Not measured[1]
Gender mix in senior leadership pipeline	% female	35	36	38	38	42
Material breaches of Code of Conduct		0	0	0	0	Not reported
Attrition (total workforce)	%	22	10	9	12	11
Key talent retention	%	76	95	98	80	81
Environment						
Operated scope 1 + 2 emissions	$MtCO_2e$	40.1	40.8	42.7	43.2	43.6
Controlled generation intensity	tCO_2e/MWh	0.938	0.95	0.93	0.95	0.96
Controlled renewable and battery capacity	%	24.2	23.0	22.5	19.6	18.4
Emissions intensity of total revenue	$ktCO_2e/\$m$	3.0	3.7	3.5	3.3	3.4
Revenue from green energy and carbon neutral products	%	15.3	13.4	11.5	10.8	Not reported
Environmental Regulatory Reportable incidents		13	11	9	12	14
Infrastructure						
Equivalent Availability Factor	%	74.5	73.7	76.9	78.4	79.6
Grid-scale batteries installed and managed	MW	30	30	30	Not reported	Not reported
Decentralised assets under orchestration	MW	215	130	72	Not reported	Not reported
Systems & Processes						
Major IT incidents		50	52	33	47	84
Digitally active services to customers	%	53.8	50.4	43.7	Not reported	Not reported
Reportable privacy incidents		1	0	1	0	Not reported

1. No engagement survey was undertaken in FY18, however an engagement pulse survey was undertaken in early FY19, measuring engagement at 62%. This is considered a reflection of FY18 employee sentiment.

Operating & Financial Review

For the year ended 30 June 2022

1. About AGL

Proudly Australian for 185 years, AGL supplies energy and other essential services to residential, small and large businesses and wholesale customers. AGL is committed to making the supply of energy, alongside other essential services, simple, fair and transparent.

AGL's purpose - Progress for life - recognises our proud history of delivering innovative outcomes for customers, as well as our contribution to transforming how Australians produce, share and consume energy. To us, progress means helping customers achieve better ways of living day-to-day by enabling them to take greater control over their energy and other essential services. It also means investing in new ideas, partnerships and infrastructure – renewing and expanding our portfolio of energy sources and other products to make them more sustainable, reliable, affordable and useful. At an enterprise level, AGL's purpose provides our company, our Directors and our employees and contractors with the foundations for actions and, together with our values, guides our thinking and decision-making.

OUR VALUES

- **Care in every action:** physical and psychological safety first; responsible and sustainable in all our actions; always considering our environment; putting yourself in other people's shoes.
- **Integrity always:** doing the right thing; being open and accountable; having courageous conversations; keeping our promise.
- **Better together:** breaking down silos; being respectful and inclusive of all; seeking out diverse perspectives; building collaborative partnerships.
- **Deliver your best:** going the extra mile for our customers; constantly looking to improve; staying resilient when setbacks happen; making excellence part of every day.
- **Shape tomorrow:** having courage to explore new possibilities; embracing opportunities to grow; approaching challenges with a can-do attitude; keeping the future in focus.

The principal activities of AGL as of the reporting date comprised the operation of energy businesses and investments, including electricity generation, gas storage, the sale of electricity and gas to residential, business and wholesale customers and the retailing of broadband and mobile services. In June 2021, AGL announced its intention to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange (Demerger Proposal). On 30 May 2022, AGL announced that it had withdrawn the Demerger Proposal, and committed to undertaking a review of strategic direction, renewing the composition of the Board and management, and determining the best way to deliver long-term shareholder value in the context of Australia's energy transition. Further details are available in Section 2.1.

On 3 August 2021, AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables. In April 2022 AGL acquired Energy360, a provider of biogas plants for commercial and industrial customers in Australia. In December 2021, AGL completed the disposal of its investments in Energy Impact Partners US and Ecobee. In June 2022, AGL completed the disposal of its investment in Activate Capital Partners.

AGL manages its business in three key operating segments:

- **Customer Markets** – Customer Markets is responsible for the retailing of electricity, gas, telecommunications (broadband/ mobile/voice), solar and energy efficiency products and services to residential, small and large business customers.
- **Integrated Energy** – Integrated Energy operates AGL's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects. Integrated Energy manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products.
- **Investments** – Investments comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe, Solar Analytics Pty Limited, Sunverge Energy Inc, RayGen Resources Pty Ltd, Honey Insurance Pty Ltd and Ovo Energy Australia Pty Ltd.

Refer to Section 5 for further details and financial performance information for each operating segment, and for centrally managed expenses.

Operating & Financial Review

For the year ended 30 June 2022

1.1 Our operations

The map below shows the energy assets which we operate or invest in as at 30 June 2022.

4.2m
Total services to customers (excluding ActewAGL)

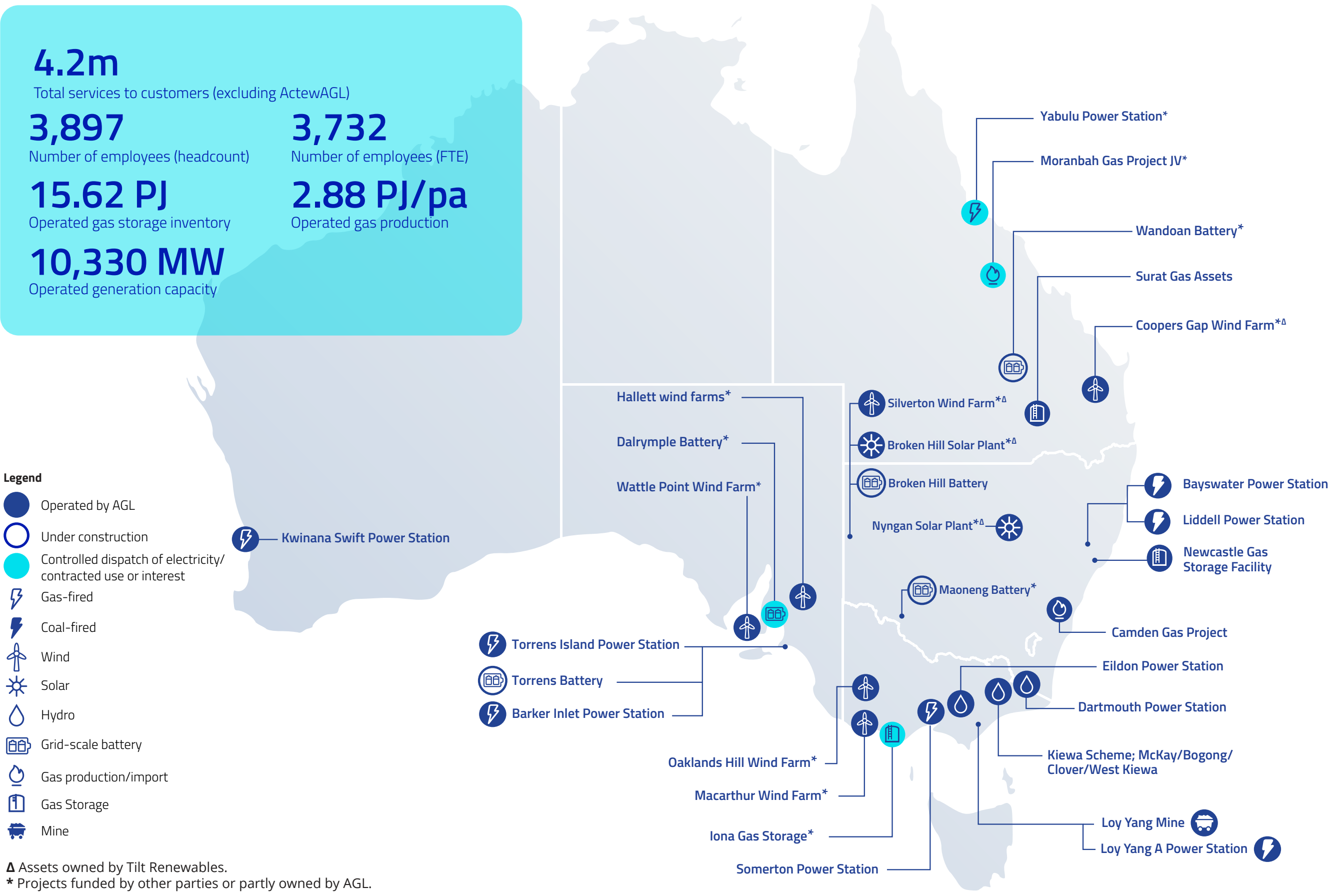
3,897
Number of employees (headcount)

3,732
Number of employees (FTE)

15.62 PJ
Operated gas storage inventory

2.88 PJ/pa
Operated gas production

10,330 MW
Operated generation capacity



Δ Assets owned by Tilt Renewables.
* Projects funded by other parties or partly owned by AGL.

Map reflects assets as at 30 June 2022. Generation assets operated or controlled by AGL which have an installed capacity of less than 50 MW are not shown on this map.

1.2 How we create value

AGL's value creation model depicts how the business creates value through seven Business Value Drivers, by identifying key inputs, core activities, and the resulting outputs and outcomes in terms of value creation.

Inputs

We use a range of resources and relationships (or 'capitals') to create value and deliver on our strategy and business purpose. These are grouped under seven Business Value Drivers, and the inputs are summarised as follows:

CUSTOMERS
Customer accounts and relationship quality

COMMUNITY & RELATIONSHIPS
Brand and reputation and quality of relationships with stakeholders

PEOPLE
Culture, leadership, capability, diversity and inclusion and safety

ENVIRONMENT
Black and brown coal, gas, water and land

INFRASTRUCTURE
Operated electricity generation assets, gas storage assets and other gas infrastructure

SYSTEMS & PROCESSES
Processes, innovation, knowledge, insights and systems, and energy supply contracts

FINANCE
Liquid assets (cash, investments), debt facilities, credit rating, shareholders and the ability to raise equity

Activities

BROWN COAL | BLACK COAL | GAS | RENEWABLES AND STORAGE | DECENTRALISED ENERGY | ENERGY AND OTHER ESSENTIAL SERVICES

Outputs

We generate over 40 TWh of energy annually, and in turn supply around 40 TWh of electricity and 150 PJ of natural gas as well as telecommunication and energy-related products and services to residential, small and large business and wholesale customers.

Value creation outcomes

We maximise the value created for shareholders and other stakeholders by operating our business and assets efficiently and effectively; managing risks; investing in people, systems and processes; securing efficient financing; minimising our environmental footprint; developing and delivering the right products and services; engaging with stakeholders and ensuring we maintain our licence to operate. These outcomes are disclosed on each Business Value Driver scorecard.

2. Strategy

2.1 Demerger Proposal and review of strategic direction

In June 2021, AGL announced its intention to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange: AGL Australia and Accel Energy (Demerger Proposal).

On 30 May 2022, AGL announced that it had withdrawn the Demerger Proposal. While we believe that the Demerger Proposal would have been supported by a majority of shareholders, anticipated voter turnout and stated opposition from a small number of investors made it clear that the Demerger Proposal would not receive the required 75% approval threshold for a scheme of arrangement.

At the same time as announcing the withdrawal, we committed to undertaking a review of AGL's strategic direction, renewing the composition of the Board, and determining the best way to deliver long-term shareholder value in the context of Australia's energy transition.

AGL's focus for the review of strategic direction will be to answer some of the most substantial strategic questions facing an integrated AGL to create value for shareholders while ensuring AGL takes a responsible and leading role in helping Australia meet its future energy requirements in the energy transition. AGL has the opportunity to play our part in helping Australia achieve net zero and will do so by leveraging our extensive energy and innovation expertise to serve our large-scale customer base.

The review is focusing on four key areas:

- **Review of existing strategies** – advance the strategic initiatives developed before and during the proposed demerger process and consider how AGL will continue to meet needs of customers and communities through the energy transition.
- **Decarbonisation objectives** – review decarbonisation pathways for AGL and determine how best to participate in and lead the energy transition.
- **Optimal energy mix** – determine the asset portfolio that will be required to meet decarbonisation objectives and allow AGL to provide the energy and capacity required today and into the future.
- **Capital structure** - preliminary assessment and review of options to fund AGL's existing business and its future energy transition ambitions as an integrated entity.

2.2 Update on FY24 strategic targets

At the end of FY20, AGL set five strategic targets for FY24. Progress made against these targets over FY22 is summarised below.

Focus area	FY24 target	FY22		FY21	FY20
Total services to customers	4.5m	4.2m[1]	Over FY22, AGL's total services to customers was stable at 4.2 million.	4.2m	3.954m
Services per customer	1.6	1.5	Services per customer remained flat from prior year largely driven by the increase in telecommunication customers offsetting the decline in energy customers from prior year.	1.5	1.4
RepTrak score	>70	65.8	AGL's RepTrak score was 65.8, 0.9 points lower than the result from FY21. Growing concerns about increased costs of living and rising energy prices, along with the withdrawal of AGL's proposed demerger and subsequent leadership changes, dampened some of the positive momentum made in FY21. AGL's FY22 scores have remained consistent with pre-pandemic levels and reflect broader trends in the utilities sector.	66.7	68.3
Grid-scale batteries installed and managed	850 MW	30 MW	While the capacity of grid-scale batteries currently installed and managed remains at 30 MW, construction of the Torrens Island 250 MW grid-scale battery commenced in late 2021, with construction of the 50 MW Broken Hill battery scheduled to commence in late 2022. Development approval has been confirmed for the 200 MW Loy Yang battery and the 500 MW Liddell battery (150 MW in Phase 1), with both projects subject to final investment decision. Additionally, the 100 MW Wandoan Battery, over which AGL has a 15-year agreement with Vena Energy for full operational dispatch rights, commenced commercial operation in July 2022. AGL and specialist independent power producer Neoen have also signed a seven-year agreement to enable AGL to virtually charge and discharge up to 70 MW of Neoen's 100 MW Capital Battery.	30 MW	30 MW
Decentralised assets under orchestration	350 MW	215 MW	Our multi-asset virtual power plant (VPP) is made up of residential and business customer assets including batteries, solar, demand response, electric vehicles and back-up generation. The majority of this capacity reflects curtailable load and behind-the-meter generation at our commercial and industrial customer sites and was primarily contracted for the peak summer period to assist managing our position. Over the FY22 period the multi-asset VPP provided over 1 GWh of flexible energy from our residential as well as commercial and industrial customers across all NEM States in which we retail electricity.	130 MW	72 MW

1. Excluding ActewAGL customers.

2.3 Risk management

AGL's enterprise-wide risk management program, which is aligned with the principles and requirements of the international standard for risk management (ISO 31000), is detailed in the 2022 Corporate Governance Statement at **agl.com.au/corporategovernance**. Through this program, we identify factors that are critical to the successful delivery of our strategy and our ability to create value into the future.

We undertake a comprehensive process throughout the year to identify, assess and report on the key risks to achieving our strategic priorities over the medium term to long term. We define these as Tier 1 Strategic Risks. Risk mitigation strategies are in place for each of these risks, and the risks have been monitored throughout FY22 by the Audit & Risk Management Committee.

2.3.1 FY22 Tier 1 Strategic Risks

Various aspects of the Australian energy system, and as a consequence AGL's business operations, have become increasingly challenging over the past 12 months, leading to a significantly heightened risk profile for AGL across FY22.

Rapidly rising wholesale electricity prices observed across FY22 have led to disruptions to energy markets, and are creating increasing affordability challenges for AGL's customers as these higher input costs flow on to consumer energy bills. The rising wholesale energy prices, and the increasing volatility of these prices, are also placing pressure on energy retailers as liquidity requirements increase, with financial stress being observed by some retailers.

Community expectations relating to Australia's energy transition also continue to rise, with broad implications across AGL's risk profile. As Australia's largest energy generator, operator of the largest portfolio of renewable generation and storage assets of any ASX listed company, and a leading retailer of energy solutions, as well as being Australia's largest direct emitter of greenhouse gases, AGL has a critical role to play in a just transition while helping to ensure energy system stability, affordability and appropriate shareholder value outcomes.

Since the FY21 Annual Report, the cyber-security threat landscape has also significantly increased. Increasing rates of ransomware attacks are being observed in Australia and globally, with this trend likely to continue in the current geopolitical environment.

As a result of these factors, the majority of AGL's strategic risks are increasing, and have increased when compared to FY21. The key changes identified in AGL's strategic risk profile across FY22 are as follows:

- Reflecting the rapidly rising wholesale electricity prices and the likely flow on of these prices to energy customers, the **wholesale market pricing and volatility** risk and the **market disruption** risk are increasing.
- As a result of ongoing increases to the cyber threat landscape, the **cybersecurity and resilience risk** has increased.

The Tier 1 Strategic Risks for FY22 are summarised below.

Tier 1 Strategic Risk	Risk level compared to FY21	Relevant Business Value Driver
Wholesale market pricing and volatility: AGL may be unable to effectively manage the impact of wholesale price changes and market volatility.		
Government intervention: AGL may be unable to effectively anticipate, plan or respond to increasing uncertainty regarding government policy.		
Climate change response: AGL may be unable to meet expectations and/or deliver on its commitments to transition to a low-carbon future within an acceptable timeframe.		
Regulatory intervention: AGL may not effectively anticipate or plan for regulatory intervention, or added restrictions and diversion of resource puts wider business objectives at risk.		
Resilience of generation/critical infrastructure: AGL is unable to generate and maintain a resilient energy supply from generation assets and related critical infrastructure.		
Organisational culture and capability: AGL is unable to foster a resilient, agile organisation that is built on strong and ethical behaviours, talented people, a focus on safety, and a customer-centric mindset.		
Market disruption: AGL does not (or cannot) adequately or appropriately respond to changing customer expectations and preferences regarding energy sources, prices and related products and services.		
Stakeholder trust: AGL's strategy to deliver on its social licence and environmental, social and governance (ESG) obligations to all stakeholders is unclear, inconsistent, and/or poorly executed.		
Access to gas: AGL is unable to source sufficient quantities of gas to meet its future demand.		
Cybersecurity and resilience: AGL's critical systems, platforms and technology infrastructure are compromised by a cyber, vendor or internal event.		
Investment planning and execution: AGL's major investment decisions do not deliver on their intended benefits or outcomes for shareholders, customers and the community.		
Compliance and privacy: AGL fails to comply with laws, regulations or other commitments made, including its privacy obligations.		

Legend

Significant increase in risk level compared to FY21

Increase in risk level compared to FY21

Stable risk level compared to FY21

On 30 May 2022, AGL announced the withdrawal of its Demerger Proposal, a Board renewal process and a review of AGL's strategic direction. Any material changes to AGL's strategic direction determined through this process are likely to have impacts on the Tier 1 Risk Profile. As a result of this announced decision, AGL's **separation execution** risk is no longer relevant, and a new emerging risk, relating to the **review of strategic direction**, has been added to the Tier 1 Risk profile for FY23.

2.3.2 Climate-related risks

AGL has used the Task Force on Climate-related Financial Disclosures (TCFD) framework since 2018 to report on governance, strategy, risks and opportunities and performance in relation to climate change. As indicated above, our response to climate change is one of AGL's Tier 1 Strategic Risks. At a more granular level, AGL's climate-related risks can be categorised into two main areas: transition risks (arising from the changes to systems and business functions which are necessary to address climate change) and physical risk. A summary of these risks is included below.

TCFD Category of climate-related risk		Implications for AGL	Mitigation Approach
Transition	**Policy & Legal** Risks arising from policy or legal interventions that attempt to constrain actions that contribute to the adverse effects of, or seek to promote adaption to, climate change.	• Government policies and/or other interventions designed to limit the impacts of climate change or manage the impacts of Australia's transitioning energy system may be implemented in a disorderly or unplanned manner, increasing uncertainty for AGL's strategic direction and in the allocation of resources. • Increased resourcing may be required to anticipate, understand and comply with new regulatory requirements. Any new regulations that place further restrictions or limitations on greenhouse gas emissions are likely to increase the cost of operating thermal plants. *Time horizon: short to medium term*	AGL engages productively and transparently with all levels of government and regulatory bodies on energy and climate policy and regulations.
	Technology Risks arising from technological changes which are occurring to support the transition to a low carbon economy and the disruption they can cause to markets and businesses.	• As low-carbon, renewable and behind-the-meter technology increase electricity supply to the NEM and change the profile of Australia's electricity supply, some energy assets and investments may no longer provide a viable economic return, and could therefore see their economic life curtailed. • AGL may fail to identify and/or appropriately invest in new technologies that support the transition and are aligned to its business objectives, impacting on financial performance. *Time horizon: medium to long term*	AGL's leading renewable generation position will be further advanced through the continued development of our pipeline of renewable and low-carbon firming projects including batteries, wind, pumped hydro and other storage. AGL also continues to develop innovative behind-the-meter products and services for customers.
	Market Risks associated with changing supply and demand for commodities and other products and services.	• AGL's existing energy generation sources and inputs may not reflect the preferences of some of our current and prospective customers, leading to the risk of reducing market share over time. • Rapidly increasing energy input costs are likely to create further disruption in the energy market, and affordability challenges for customers. • AGL's access to capital markets, including debt, equity investors and insurance, may become further constrained where our energy transition timing does not meet the expectations of these markets. *Time horizon: short term*	While maintaining our low-cost generation position in the NEM, AGL also continues to develop innovative behind-the-meter products and services for our customers. In addition, all AGL products and services are provided with an option to be carbon neutral. AGL continues to assess decarbonisation pathways, taking into consideration our Climate Commitments in addition to factors including energy network reliability and customer affordability. AGL is committed to maintaining an investment grade balance sheet, and currently maintains a Baa2 (negative outlook) investment grade credit rating from Moody's.
	Reputation Risks arising from changing customer and community perceptions of an organisation's contribution or detraction from the transition to a lower carbon economy.	• AGL's success is dependent on the ongoing support of our key stakeholders, including our people, customers, shareholders and the communities where we operate. Where AGL is unable to anticipate and/or respond to changing expectations, our ability to achieve our objectives could be significantly challenged. *Time horizon: short to medium term*	AGL continues to engage with stakeholders on climate change in a transparent manner. AGL's Climate Commitments aim to strike a balance between Australia's current and future energy needs, and the need to responsibly decarbonise, and include clear targets towards net zero to enable a responsible transition for Australia's energy market. AGL's decarbonisation pathway will continue to be reviewed as part of the review of strategic direction announced to the market on 30 May 2022.

TCFD Category of climate-related risk		Implications for AGL	Mitigation Approach
Physical	**Acute** Event-driven risks, including increased severity of extreme weather events.	• Key risks facing AGL's thermal coal fleet include direct impacts from extreme heat and fire events, and potential storm surge risks at Torrens Island. • Extreme heat, fire and wind events also present risks to the effective operation of AGL's wind and solar assets. • Major flooding events could cause disruption to AGL generation sites if these events occurred in areas such as the Hunter Valley. • Impacts resulting from physical hazards affecting other areas of the electricity system (such as transmission and distribution systems) may also have a material impact on AGL's operations. *Time horizon: medium to long term*	AGL continues to improve our understanding of potential future physical impacts of climate change on our assets and is investing in greater operational flexibility to support the ongoing reliability of our generation assets. Geographic and technological diversification (including through the development of a pipeline of new renewable generation and firming projects), and physical risk management plans are also utilised as mitigation strategies.
	Chronic Risks arising from longer-term shifts in climate patterns.	• Water security at thermal and hydro assets may be compromised during extended drought periods, impacting asset availability. *Time horizon: long term*	

3. Key Operating Metrics and Business Value Drivers

The following sections summarise the performance of AGL's business during FY22. Performance is considered through two dimensions:

- **Key Operating Metrics** – These performance measures have a direct influence on AGL's FY22 financial performance. The six key operating metrics comprise:
  - Customer numbers and churn;
  - Customer energy demand;
  - Wholesale electricity prices;
  - Generation volumes;
  - Fuel costs; and
  - Operating costs and capital expenditure.
- **Business Value Drivers** – These performance measures are critical to long-term value creation, however may have a less direct relationship to annual performance, and/or may influence financial performance over the longer term. The performance measures are divided into scorecards for each of AGL's identified Business Value Drivers.

3.1 Key Operating Metrics performance

3.1.1 Customer numbers and churn

Total services to customers increased 0.2% to 4.215 million, from 4.208 million as at 30 June 2021. This increase was largely driven by the growth in telecommunication services, offset by anticipated churn related to Click Energy services (acquired on 30 September 2020).

Consumer Electricity decreased by 22,000 services primarily as a result of anticipated churn relating to Click Energy services and heightened competition in the market particularly in Victoria, offset by growth in Queensland. Consumer Gas services decreased by 20,000 services partly related to Click Energy services and competition impacting New South Wales and Victoria, offset slightly by growth in Queensland and Western Australia.

Total telecommunication services increased 25.5% to 246,000 services due to the continued growth in this service post the launch of AGL Telecommunications in FY21.

Services to customers	FY22 ('000)	FY21 ('000)
Consumer Electricity	**2,443**	2,465
New South Wales	**908**	916
Victoria	**737**	759
South Australia	**361**	369
Queensland	**437**	421
Consumer Gas	**1,510**	1,530
New South Wales	**618**	634
Victoria	**582**	601
South Australia	**136**	136
Queensland	**88**	86
Western Australia	**86**	73
Total Consumer energy services	**3,953**	3,995
Dual fuel services	**2,304**	2,249
Average consumer energy services	**3,963**	3,947
Total Large Business energy services	**16**	17
Total energy services	**3,969**	4,012
Total Telecommunication services	**246**	196
Total services to customers[1]	**4,215**	4,208

1. Excluding approximately 300,000 services to ActewAGL customers.

AGL churn increased 1.3 ppts to 15.6% from 14.3% reported as at 30 June 2021, and Rest of Market churn increased 2.1 ppts to 19.6%, from 17.5% at 30 June 2021. Rest of Market churn at 30 June 2021 has been normalised to reflect the removal of Click Energy churn and was previously reported as 19.7%. AGL churn has increased predominately due to anticipated churn of Click Energy customers and heightened competition, which has also resulted in the increase in Rest of Market churn. The gap between AGL and Rest of Market was 4.0 ppts, an improvement from 3.2 ppts at 30 June 2021.

3.1.2 Customer energy demand

Total electricity customer sales volumes were 38,956 GWh, down 1,611 GWh or 4.0%.

- Consumer customer electricity sales volumes were 14,371 GWh, down 237 GWh or 1.6%, due to lower average demand as a result of milder weather and increased solar volumes.
- Large Business customer electricity sales volumes were 10,543 GWh, up 336 GWh or 3.3% due to growth in Perth Energy driven by acquisition and retention performance.
- Wholesale customer electricity sales volumes were 14,042 GWh, down 1,710 GWh or 10.9%, driven by the re-contracting of Alcoa at lower volumes.

Customer energy demand	FY22 GWh	FY21 GWh
Consumer customers electricity sales	**14,371**	14,608
Large Business customers electricity sales	**10,543**	10,207
Wholesale customers electricity sales	**14,042**	15,752
Total customer electricity sales volume	**38,956**	40,567

Total gas customer sales volumes were 153.1 PJ, down 5.3 PJ or 3.3%.

- Consumer customer gas sales volumes were 54.1 PJ, down 1.8 PJ or 3.2%, due to lower average demand as a result of milder weather.
- Large Business customer gas sales volumes were 17.9 PJ, down 1.5 PJ or 7.7%, due to increased competition.
- Wholesale customer gas sales and internal gas volumes for power generation were 81.1 PJ, down 2.0 PJ or 2.4%, driven by lower internal gas volumes used for power generation in South Australia, partly offset by new customers and higher volumes from AGL's existing customer base.

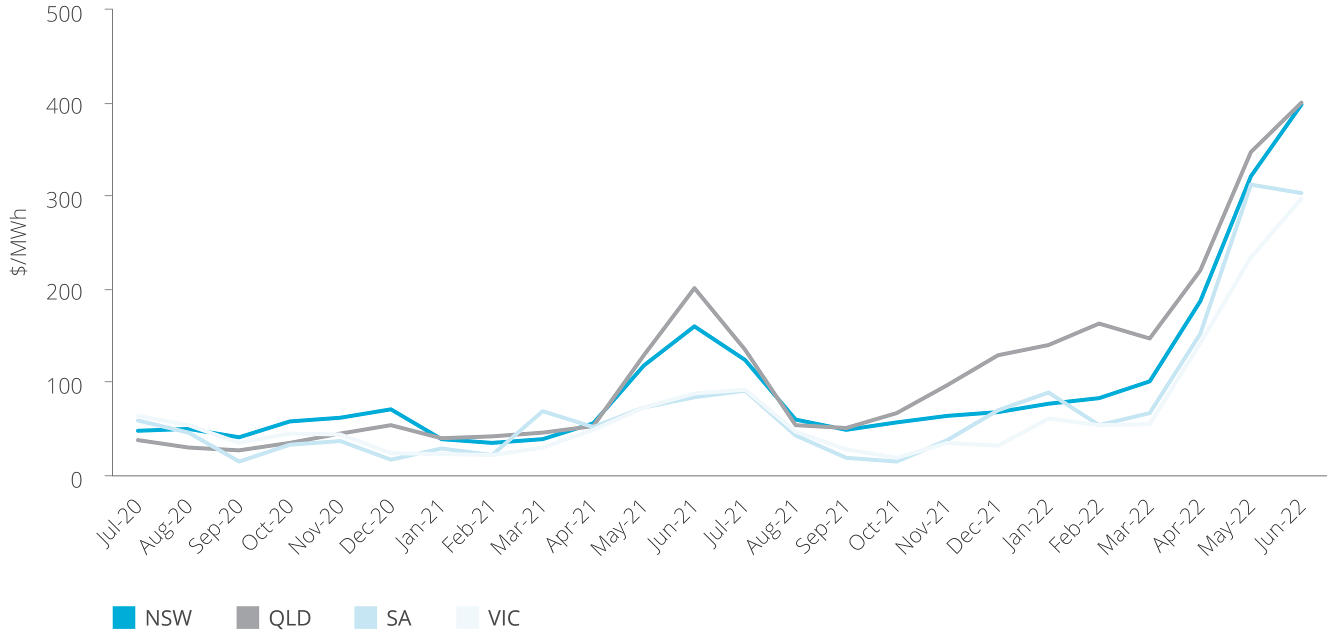
	FY22 PJ	FY21 PJ
Consumer customers gas sales	**54.1**	55.9
Large Business customers gas sales	**17.9**	19.4
Wholesale customers gas sales and generation	**81.1**	83.1
Total customer gas sales volume	**153.1**	158.4

3.1.3 Wholesale electricity prices

Wholesale electricity spot prices were higher across all states compared with the previous year. The increase has been more pronounced towards the last quarter due to various factors, including the Russia-Ukraine conflict and the subsequent impact on international coal and gas prices, and overall supply chain delays due to ongoing COVID-19 impacts and flooding affecting coal haulage. Prices have been further affected by a number of coal-fired plant outages across the NEM. In mid June 2022, AEMO intervened in the NEM spot market in response to sustained high prices, initially triggering administered pricing followed by market suspension in response to challenges in market operation.

AGL's approach to managing energy price risks reflects the need to provide price certainty to customers. The exposure to electricity spot prices is hedged via a combination of customer load, generation fleet and financial derivatives. AGL's largely hedged position when wholesale prices were lower, and with customer pricing rolling over a 24-month time frame, resulted in the average wholesale prices realised in FY22 being lower than the prior year. As these lower priced historical hedge positions progressively roll off, AGL will see the recent higher market prices translate into higher realised prices beyond FY23.

Wholesale electricity prices (AEMO spot prices)



3.1.4 Generation volumes

Generation sold to the pool decreased by 0.9%, driven by lower generation at AGL Loy Yang due to the Unit 2 outage and lower gas-fired generation at AGL Torrens driven by lower contract and consumer volumes, partly offset by higher generation at the Liddell Power Station due to improved unplanned outage performance as well as higher output at the Bayswater Power Station due to a higher utilisation factor. Higher renewable generation was driven by the Coopers Gap Wind Farm located in Queensland and the Macarthur Wind Farm located in Victoria.

Pool generation volumes	FY22 GWh	FY21 GWh
AGL Macquarie (Bayswater Power Station)	**13,574**	13,056
AGL Loy Yang Power Station	**13,417**	14,626
AGL Macquarie (Liddell Power Station)	**7,336**	6,610
Gas Generation	**1,457**	2,159
Renewable generation	**4,971**	4,686
Total pool generation volumes	**40,755**	41,137

3.1.5 Fuel costs

Total fuel costs for the electricity generation portfolio were $(852) million, down 0.5%.

- Coal costs were $(647) million, up 3.2%. On a per MWh basis, costs increased by $0.5 per MWh or 2.7%. This was driven by higher coal prices which were partly offset by the proportion of coal delivered from legacy contracts, as well as reduced reliance on coal purchases at spot price. Coal prices have been significantly impacted by the global economic environment and the Russia-Ukraine conflict, however AGL was effectively hedged during FY22.
- Gas fuel costs were $(205) million, down 10.9%, due to lower generation volumes driven by lower contract volumes in South Australia combined with higher gas input costs in the second half of the year impacting the running profile of AGL Torrens. On a per MWh basis, costs increased by $34.2 per MWh or 32.1%. This was driven by the impact of higher cost supply contracts due to the roll off of lower cost legacy gas contracts and increases in gas transportation costs.

Generation fuel costs	FY22 $m	FY21 $m	FY22 $/MWh	FY21 $/MWh
Coal	**(647)**	(627)	**(18.8)**	(18.3)
Gas	**(205)**	(230)	**(140.7)**	(106.5)
Total generation fuel costs	**(852)**	(857)	**(20.9)**	(20.8)

Total wholesale gas costs were $(1,446) million, up 10.0% largely due to the roll off of lower cost legacy gas contracts and higher oil prices. On a per GJ basis, costs increased by $1.1 per GJ or 13.3%, driven by increases in fixed haulage and storage costs. The impact of higher gas purchase costs driven by the roll off of legacy supply contracts maturing was offset by lower oil prices, with several of AGL's mid to long-term contracts indexed to oil.

Total wholesale gas costs	FY22 $m	FY21 $m	FY22 $/GJ	FY21 $/GJ
Gas purchases	**(1,104)**	(967)	**(7.2)**	(6.1)
Haulage, storage & other	**(342)**	(347)	**(2.2)**	(2.2)
Total wholesale gas costs	**(1,446)**	(1,314)	**(9.4)**	(8.3)

3.1.6 Operating costs and capital expenditure

Total operating costs (excluding depreciation and amortisation) were $(1,496) million, down 7.6%. Cost out initiatives, in response to market conditions, resulted in a decrease of labour and related on-cost, recruitment, IT and consulting spend across AGL business units combined with non-recurring benefits comprising employee provision movement and labour vacancy benefit. Within the Customer Markets segment, operating costs were lower due to a decrease in net bad debt expense, and campaigns and advertising spend was lower due to cost reductions achieved via digital and marketing campaign efficiencies. Within the Integrated Energy segment, operating costs were lower due to operational efficiencies and organisational restructuring, lower maintenance resulting from the AGL Torrens A station and Liddell Unit 3 closures, the lower turbine repair costs at Kwinana Swift Power Station, and a reduction of insurance premiums.

Operating costs	FY22 $m	FY21 $m
Customer Markets	**(491)**	(517)
Integrated Energy	**(725)**	(790)
Investments[1]	**(21)**	(2)
Centrally Managed Expenses	**(259)**	(310)
Total operating costs (excluding depreciation and amortisation)	**(1,496)**	(1,619)

1. Includes $(7) million (FY21: $(1) million) attributable to the 49% non-controlling interest in Ovo Energy Pty Limited.

Total capital expenditure was $646 million, a decrease of $61 million:

- Sustaining capital expenditure was $460 million, a decrease of $74 million. This comprised $342 million of expenditure on AGL's coal-fired plants, down $21 million, due to absence of major outages at the Liddell Power Station as the site progresses the planned closure and transitions to the Hunter Energy Hub. This was partly offset by the deferral of outage works from FY21 into FY22 at AGL Loy Yang due to COVID-19 related personnel restrictions on site. Other sustaining capital expenditure was down, due predominately to a deferred Gas Generation outage.
- Growth and transformation capital expenditure was $186 million, an increase of $13 million, due to the Torrens Island Battery and Broken Hill Battery projects, partly offset by the non-recurrence of the cancelled LNG Crib Point project.

Capital expenditure	FY22 $m	FY21 $m
Customer Markets	**77**	87
Integrated Energy	**538**	556
Centrally Managed Expenses	**31**	64
Total capital expenditure	**646**	707
Sustaining	**460**	534
Growth and transformation	**186**	173
Total capital expenditure	**646**	707

3.2 Business Value Driver performance

A summary of our performance in relation to each of AGL's Business Value Drivers is provided in the following sections. Time series data for the Business Value Driver key performance indicators as well as performance data for an extended range of non-financial metrics is available in the **ESG Data Centre.** The key performance indicators included in each scorecard should be read in conjunction with the Glossary to the Business Value Drivers on page 178.

As identified in AGL's FY21 Annual Report, FY22 targets for each key performance indicator were not set due to the proposed demerger. Performance against the FY24 strategic targets which were set in FY20 has been noted for relevant key performance indicators. Key performance indicators that are linked to the FY22 remuneration outcomes for the CEO and key management personnel are also identified as outlined in the legend below.

Legend KPI linked to FY22 remuneration outcomes for CEO and key management personnel

3.2.1 Customer scorecard

Customers

Over FY22, AGL's total services to customers was stable at 4.2 million[1]. Energy consumer churn was 15.6%, below the rest of market at 19.6%. Refer to Section 3.1.1 for more details.

Strengthening customer relationships

AGL has maintained a positive level of customer advocacy, with our Net Promoter Score increasing for the fourth consecutive year, despite continuing COVID-19 restrictions and increasing cost of living pressures. This demonstrates the positive impact of our strategic focus on improving the moments that matter most to customers.

We have continued to invest in digital experiences and the self-service capabilities of our digital channels and tools, particularly our sales funnel, MyAccount and the AGL Mobile App. We have over one million active AGL Mobile App and MyAccount users, with the AGL Mobile App rated number one amongst its Australian peers with a 4.7 out of 5 star rating in the App Store. Refer to Section 3.2.6 for examples of some of the initiatives we have implemented over FY22 to demonstrate our focus on enhancing our digital capabilities for our customers.

Ombudsman complaints reduced for the seventh consecutive year, with an 18% reduction achieved in FY22. In FY19 we set a goal to reduce Ombudsman complaints by 50% (based on FY18 volumes) over FY20-FY22. We exceeded this goal, finishing FY22 with a total reduction of 57% compared to FY18. AGL has the least number of consumer electricity customer complaints of any Tier 1 retailer (based on FY21 AER and ESC complaint volumes).

	FY22	FY21
Net Promoter Score (NPS)	+6	+5
Ombudsman complaints	4,873	5,973

Energy affordability and supporting customers experiencing vulnerability

AGL recognises that recent energy price increases will be challenging for some customers, particularly in the context of broader cost of living pressures. AGL has a broad range of support options available to customers, including access to our 'Staying Connected' residential hardship program which provides tailored assistance including advice on energy efficiency, pathways to government support and dedicated financial counselling services. Staying Connected continues to provide support beyond our regulatory obligations, and we have put in place measures to help offset the impact of energy price rises for our hardship customers over the coming year. We also continue to focus on undertaking proactive monitoring utilising our data and analytics capabilities to identify and engage customers at risk of payment difficulties.

The number of customers on the Staying Connected program reduced in FY22, through a combination of improved customer support measures, improvements in debt performance and government support. This was largely driven by delivery of $26 million of debt relief to assist customers who were participating in the Staying Connected program. This allowed customers to focus on managing the affordability of their ongoing energy costs rather than debt and enabled them to graduate from the program. As a result, the profile of customers remaining on the program shifted to primarily those with long-term payment difficulties who are continuing to pay below the cost of their ongoing consumption, contributing to accumulation of debt. This has resulted in the average debt per Staying Connected customer increasing by 7% in FY22 to $2,973.

Since the end of last year, AGL's Customer Council, with a membership panel that includes some of Australia's most experienced consumer advocates and industry representatives, has been discussing in depth the issue of energy affordability and wrote an open letter (available **online**) to articulate its shared views on some key structural and equity issues regarding the energy transition. It notes the industry trend of growing consumer debt levels, compounded by an increase in the number of individuals experiencing entrenched and enduring affordability issues. It canvasses a framework for success to ensure energy fairness for all Australians, calling upon governments, policymakers, regulators, industry, consumer advocates and peak bodies to work together to ensure that the energy transition provides just outcomes for all consumers.

	FY22	FY21
Number of customers on Staying Connected	15,964	26,263
Average level of debt of customers on Staying Connected	$2,973	$2,768
Total average debt across mass market customer portfolio	$241	$292

1. Excluding ActewAGL customers.

Helping our customers decarbonise

AGL continues to provide leadership in helping both our residential and commercial customers transition to a low carbon future, providing innovative offerings in e-mobility, decentralised energy resources and green financing. AGL now provides 390,000 carbon neutral services (up from 260,000 in FY21), including more than 140,000 residential and small business carbon neutral energy services and 60 commercial and industrial customers (up from 65,000 and 35 in FY21, respectively).

Combined sales grew across our solar battery hardware and bring-your-own battery products with a 41% increase compared to FY21. Peak Energy Rewards continues to be the largest behavioural demand response program in Australia. In FY22, we had a record number of enrolments with consistently high levels of customer engagement, satisfaction and advocacy, and rewarded customers for over 200 MWh of energy reduction through the program.

AGL continues to be the leading commercial solar and decarbonisation services partner for business with the acquisition in FY22 of Energy360, a provider of biogas plants for commercial and industrial customers, and the integration of Epho and Solgen (both acquired in FY21). AGL now has more than 140 MW of commercial solar under monitoring and management, an increase of 33% compared to FY21.

3.2.2 Communities & Relationships scorecard

Communities & Relationships

Brand and reputation

AGL's RepTrak score was 65.8, 0.9 points lower than the result from FY21, reflecting broad trends in the utilities sector. Growing concerns about increased costs of living and rising energy prices, along with the withdrawal of AGL's proposed demerger and subsequent leadership changes, dampened some of the positive momentum made in FY21 and into the first part of FY22. Despite this drop from FY21, AGL's FY22 quarterly scores remained consistently above 65 points, an improvement on historical performance. Results for the key drivers of reputation were comparable to those in FY21.

	Target	FY22	FY21
RepTrak score	FY24: >70	65.8	66.7

Transparent policy and industry engagement

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. Submissions to government processes are published on AGL's online channel, **the Hub**. Further, the community expects that corporations should not have an undue level of influence on government policy by providing financial contributions to political parties that could result in, or could be perceived to result in, preferential treatment. We adopted a Political Donations Policy in August 2015, which prohibits AGL from making political donations. No political donations (monetary or in-kind) were made during FY22, nor were any political donations made through third parties.

AGL's Industry Association Membership Policy formalises our commitments to monitor the policy positions and public advocacy of industry associations of which we are a member and to disclose all memberships, membership fees, and areas where our policy positions differ materially from the associations of which we are a member. These disclosures are available in the **ESG Data Centre**.

We continue to engage with all levels of government as we progress plans for both the closure of Liddell Power Station and the potential redevelopment of the site. In addition, AGL Macquarie has a Community Dialogue Group consisting of stakeholders from local councils, business and industry groups, Traditional Owners and local residents, to ensure there is a formal voice for the community during the Liddell transition.

Community contribution and investment

We invest in the communities in which we operate through a structured program of community investment. Overall community contributions for FY22 were $3.8 million[2]. This represented a 28% reduction compared to FY21. This reduction in community investment is due to a number of factors including our focus on the proposed demerger over FY22, the Crib Point Jetty Project not proceeding, and lower management costs compared to FY21.

During FY21, we commenced a review of our community investment programs, with the aim of aligning our investments more closely to AGL's purpose, capabilities and stakeholder expectations, and focusing on fewer areas of investment so we can have greater impact. The review was put on hold during FY22 due to the focus within AGL on the proposed demerger. During FY23 we will recommence the review to ensure that our investments in the community are focused and aligned with AGL's future direction and community needs.

We continue to engage proactively with the communities where we operate and have increased our engagement with the Traditional Owners of lands where our sites are located. In FY22, AGL received endorsement for our inaugural Innovate Reconciliation Action Plan (RAP) from Reconciliation Australia. Since the public launch of our RAP in October 2021, we have made good progress against our planned actions, including partnering with BlackCard and Evolve Communities to enhance the cultural capability of our organisation; reviewing our people policies to ensure our policies and procedures are culturally appropriate and inclusive for our Aboriginal and Torres Strait Islander employees; partnering with Clontarf Foundation to help improve school attendance and completion rate for Aboriginal and/or Torres Strait Islander boys; awarding our third annual Jungarra Wannik scholarship; and continuing our support of the Waiwa Mudena Cadetship program by sponsoring two Aboriginal and/or Torres Strait Islander law students.

We are committed to meeting all our tax compliance obligations, and to providing our stakeholders with information about the taxes we pay. In this regard we have adopted the Board of Taxation's voluntary **Tax Transparency Code**. The effective tax rate on Underlying Profit is below its long-term average (around 28-29%) and the Australian corporate tax rate of 30% due to adjustments for prior years including research and development benefits, amplified by an overall lower net profit after tax compared to the prior year.

	FY22	FY21
Community contribution	$3.8 m	$5.2 m
Underlying effective tax rate	23.2%	27.0%

3.2.3 People scorecard

People

Safety and wellbeing

AGL's Total Injury Frequency Rate (TIFR) for employees and contractors has decreased by 9% compared to FY21. While this decrease represents an improvement in safety performance, we recognise there is still more to do to keep improving our safety performance. Contractor injuries have made a significant contribution to AGL's TIFR. This has resulted in a review of the Customer Market's end-to-end contractor management processes, including contractor engagement at job start.

The Serious Injury or Fatality (SIF) potential to recordable incident ratio, which provides a measure of incidents with a potential serious outcome against incidents where an injury has occurred, has improved from 2.7:1 in FY21 to 2.8:1. The initiatives that have driven this improvement include the SIF prevention program, which has resulted in an improved, robust incident review process coupled with learning and sharing from incidents. Additionally, proactive critical control checks continue to identify actions for improvement across high-risk areas.

The highest frequency SIF events are dropped/ fallen objects and falls from heights. Asset integrity issues continue to account for the majority of the dropped/fallen object incidents, with plant age being a key contributing factor. AGL continues to implement programs to improve site safety including through planned maintenance.

Fall from heights SIF potential incidents have been associated with contractors across our assets. As a result, we are working closely to understand and address the contributing factors which include job preparation and on the job supervision.

	FY22	FY21
TIFR employees	1.5	1.7
TIFR (employees + contractors)	2.1	2.3
Fatalities (employees + contractors)	0	0

2. AGL reports community contribution based on Business for Societal Impact's (B4SI) reporting guidelines. Approximately $1.07 million of management costs are included in line with B4SI guidelines. Management costs relate to costs incurred in making our community contributions including salaries of community affairs staff, and professional advice on our community program and social impact.

Operating & Financial Review

For the year ended 30 June 2022

Culture and values

AGL's FY22 employee engagement score was 57%, down five percentage points from 62% in FY21. The decline in employee engagement is reflective of the amount of change and disruption experienced by our people over the past 12 months, both in relation to the proposed and subsequently withdrawn demerger plans as well as due to challenges facing the wider energy industry.

The proportion of females in AGL's senior leadership pipeline (SLP) was 35%, down from 36% last year. Organisational restructuring ahead of the planned demerger and as part of broader resourcing rationalisation has impacted the overall composition of our workforce. We reviewed gender pay equity during FY22, closing the average pay gap in like-for-like roles to zero in September 2021. While a gender pay equity review is normally completed twice yearly, due to demerger activities, this will next be conducted in the second quarter of FY23.

We have maintained our focus on building a diverse and inclusive workplace, concentrating on six key dimensions: gender; LGBTQ+ inclusion; First Nations, parents and carers; disability; and cultural identity. During FY22, AGL was accredited with Platinum Qualifying Employer Status for LGBTQ+ Inclusion in the Australian Workplace Equality Index. We were also named one of the first companies in Australia to be certified as a Family Inclusive Workplace under new national standards.

We supported a cultural competency uplift delivering programs to build understanding of Aboriginal and Torres Strait Islander histories and culture and improve support for culturally diverse people, and we created new opportunities for people to volunteer as mentors through the Australian Network on Disability's Positive Action towards Career Engagement mentoring programs.

	Targets	FY22	FY21
Employee engagement		57%	62%
Gender mix in SLP (% female)	FY23: Meet gender diversity objectives outlined in AGL's Corporate Governance Statement	35%	36%
Material breaches of Code of Conduct		0	0

Talent and leadership

AGL continues to focus on developing leaders at all levels. During FY22 we simplified our leadership capability framework and related tools to provide accessible learning pathways at all levels of leadership. We also continued to deliver foundational programs for critical management skills and shaping hybrid working, as well as delivering executive level coaching and advisory support.

Key talent retention was challenging during FY22. AGL attributes this to a number of factors, including the uncertainty caused by the proposed demerger, the highly competitive external job market and the increasing changes and challenges experienced across the energy industry. During FY22, senior appointment and promotion decisions were made to appropriately staff the proposed demerged companies, both of which would be smaller and with different talent and capability requirements to AGL, and aspects of organisational redesign were implemented over the year. The withdrawal of the proposed demerger had implications on the retention of some key talent. Despite the acknowledged loss of skilled executives, AGL enters FY23 confident in the capabilities of its extended leadership team.

AGL Macquarie is committed to having no forced employee redundancies as a result of the closure of the Liddell Power Station. The Liddell Transition Team and executive-led functional working groups continued to support AGL's goals for the transition of the Liddell site and workforce over FY22. Employee and contractor support and advice services are delivered from the 'Future U Hub' on-site at Liddell and include training and development services; financial planning support; personal, family and career counselling; and individual transition planning such as career transition and outplacement services.

	FY22	FY21
Attrition (total workforce)	22%	10%
Key talent retention	76%	95%

3.2.4 Environment scorecard

Environment

We are committed to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. This year, we have not produced a stand-alone TCFD report. A **TCFD Index** is included in the ESG Data Centre on our website which describes where elements of the TCFD framework are addressed in this report and other disclosures. AGL will also release updated scenario analysis of different decarbonisation pathways for the NEM following the review of AGL's strategic direction which we are currently completing.

As announced in February 2022, we committed to responsibly transitioning our operations by closing our thermal coal power stations in the following time frames to reduce our environmental footprint:

- Liddell Power Station: April 2023
- Bayswater Power Station: 2030-2033
- Loy Yang A Power Station: 2040-2045

The above closures will deliver a reduction in Scope 1 and 2 emissions from our operated electricity generation fleet of between 18-27% during FY25-FY34 and between 55-60% during FY35-FY46 compared to a FY19 baseline, after which AGL will achieve net zero for its electricity generation portfolio[3].

We have been in ongoing discussions with key stakeholders regarding our path to decarbonisation, and believe that the dates for closure of coal-fired power stations will continue to accelerate. However we also know that with this scale of change, these closures must not happen outside of a co-ordinated plan across governments, industry, regulators and the community, and we are committed to working with our stakeholders to achieve this.

AGL's decarbonisation pathway will continue to be reviewed as part of the review of strategic direction that is currently underway. AGL will release a Climate Transition Action Plan following this review, and shareholders will have the opportunity to vote on the Climate Transition Action Plan as part of the 'Say on Climate' resolution at the 2022 AGM.

Greenhouse gas emissions

AGL's total greenhouse gas emissions decreased relative to FY21 levels, primarily as a result of reduced generation from Loy Yang A Power Station due to the major Unit 2 outage and reduced generation from Torrens Island Power Station due to the mothballing of the A3 and B1 units during FY22. This was partly offset by an increase in generation from Liddell and Bayswater power stations.

The decrease in controlled emissions intensity was driven by reduced generation from Loy Yang A Power Station as well as increased generation from Bayswater and Liddell power stations and increased renewable output from AGL's generation portfolio, partially offset by decreased gas-fired generation.

The proportion of AGL's controlled generation capacity that is renewable or electricity storage increased in FY22, largely as a result of Liddell Power Station Unit 3 being retired. As noted in Section 3.2.5 several grid-scale batteries are currently in development.

The emissions intensity of total revenue has primarily decreased as a result of increasing wholesale electricity prices which has driven revenue up. The increase in revenue from green energy and carbon neutral products was driven by residential solar revenue, carbon neutral products and pool revenue from renewable generation. Further information in relation to carbon neutral products is available in Section 3.2.1.

	Targets	FY22	FY21
Operated scope 1 & 2 emissions ($MtCO_2e$)	FY50: Net zero	40.1	40.8
Controlled generation intensity (tCO_2e/MWh)	FY24: 0.845	0.938	0.951
Controlled renewable and battery capacity (%)	FY24: 34%	24.2	23.0
Emissions intensity of total revenue ($ktCO_2e/\$m$)	-	3.0	3.7
Revenue from green energy and carbon neutral products (%)	FY24: 20%	15.3	13.4

Rehabilitation and site transition

AGL is committed to providing ongoing, transparent disclosure in relation to our approach to the progressive and final rehabilitation of assets at the end of their operational lives. On 10 February 2022, AGL announced that we are bringing forward the closure date of Bayswater Power Station to no later than 2033 (previously 2035) and Loy Yang A Power Station to no later than 2045 (previously 2048). The cash flow timing

3. Emissions comprise Scope 1 and 2 greenhouse gas emissions for all electricity generation assets, as reported under the National Greenhouse and Energy Reporting Act 2007. Offsets may be used to help achieve emissions reduction targets where necessary.

impacts of these changes have been reflected in the provision for environmental restoration, as detailed in Note 19 to the Consolidated Financial Statements. The discount rate used to derive the present value of the estimated cash flows was revised to reflect current interest rates and increased from 3% to 5.14%, consistent with standard accounting practice. The cash flow timing changes and increased discount rate have resulted in a decrease in the provision for environmental restoration of $311 million, which is reflected in AGL's financial statements for the period ended 30 June 2022.

AGL currently undertakes closure planning and progressive rehabilitation activities across a number of operational sites. These progressive rehabilitation activities cater for AGL's obligations to:

- progressively rehabilitate the parts of the Loy Yang Mine that do not impact ongoing production;
- manage and progressively cap ash dams and voids at AGL Macquarie; and
- progressively decommission gas wells that have ceased production in the upstream gas portfolio.

FY22 transition activities focused on:

- demolition planning, environmental impact studies and regulatory approvals, particularly for both Liddell and Torrens A power stations;
- safe retirement of Liddell Unit 3;
- progressive rehabilitation across the Liddell Ash Dam, including the capping of a 23 hectare emplacement cell;
- progressive plug and abandon of gas wells at Camden Gas Plant; and
- progressive rehabilitation works at Loy Yang Mine, Silver Springs, Moranbah and Bayswater Ash Dam.

During FY23, transition activities will focus on:

- full station retirement of Liddell Power Station in April 2023, and the commencement of station decommissioning;
- retirement of the last Torrens A mothballed unit in September 2022, and the completion of station decommissioning;
- progressive rehabilitation of the Liddell Ash Dam;
- replacement of Ravensworth ash line at Bayswater Power Station;
- progressive plug and abandon of gas wells at Camden Gas Plant and commencing the decommissioning of the Rosalind Park Gas Processing Facility following closure in April 2023;
- decommissioning of Cairn Curran Hydro Power Station; and
- continued progressive rehabilitation works at Loy Yang Mine, Silver Springs, Moranbah and Bayswater Ash Dam.

A summary of the updated provisions at 30 June 2022 is provided below. Progressive rehabilitation of ash dams and mines associated with AGL's coal generation assets, as well as decommissioning and rehabilitation of gas production wells undertaken in FY22, is outlined in the **ESG Data Centre**.

Asset	Planned closure date[1]	Provision amount ($m)	Rehabilitation costs Nominal FY22 ($m)	Rehabilitation costs Real FY22 ($m)
AGL Loy Yang	2040-2045	255	1,049	481
AGL Macquarie (Liddell and Bayswater)	2023-2033	559	905	687
AGL Torrens (A and B station)	2022-2035	71	90	78
Upstream gas assets	2023-2040	203	313	243
Other	Various	68	154	95
		1,156	2,511	1,584

1. Dates will continue to be reviewed as part of the review of strategic direction which is currently underway.

Other environmental risks

The number of environmental regulatory reportable (ERR) incidents in FY22 increased to 13 from 11 in FY21. Three of the 13 ERR events in FY22 were community complaints in relation to visible dust at Loy Yang Mine during periods of very high winds.

AGL received four official cautions for events that occurred in FY22, and one Penalty Infringement Notice for an event that occurred in FY21. AGL Macquarie Pty Limited entered an Enforceable Undertaking (EU) with the NSW Environmental Protection Authority (EPA) in FY21 for an event that occurred on 4 September 2019 (FY20). All key actions associated with this EU that are AGL's responsibility have been completed in FY22.

Further details relating to the cautions, as well as other EPA matters, are included in the Environmental regulation section.

		FY22	FY21
Environmental Regulatory Reportable incidents	-	13	11

3.2.5 Infrastructure scorecard

Infrastructure

AGL's operated generation capacity as of 30 June 2022 was 10,330 MW. A map of AGL's assets is available in Section 1.1. The output from our electricity generation portfolio is outlined in Section 3.1.4.

Generation efficiency and availability

The high performance of AGL's generation fleet during the first three quarters of FY22 was challenged by the confluence of planned and unplanned outages in Q4. In FY22, the overall fleet availability, (termed Equivalent Availability Factor), improved compared to FY21. The performance of Loy Yang A Power Station was ahead of the FY22 target despite the Unit 2 generator failure in Q4. Unit 2 will return to service in September 2022 with an improved design to ameliorate the failure mechanism. Bayswater Power Station's FY22 performance was on par with FY21. The extensive mid-life program for Unit 3 was completed in July 2022. This will provide improved generation capability and efficiency, together with upgraded design features. Liddell Power Station's FY22 performance improved compared to FY21. Unit 3 was removed from service in Q4 and a simplified operational regime has been implemented to ensure the continued safe operation of the remaining units until closure in Q4 FY23.

A Future Ready program is being implemented to ensure the fleet is optimised for future operational requirements. Thermal digital twins, which are digital models of the generating plant with live inputs from the control system, have been deployed at Bayswater and Loy Yang A power stations. This enables control system efficiency gains to be modelled and assessed, allowing implementation of initiatives to occur more quickly.

Programmed energy efficiency uplifts have been delivered at Bayswater Power Station as part of the FY22 planned outage schedule. This has included plant design modifications to enable online maintenance of feedwater heaters, ensuring generation performance and minimising site emissions intensity. Unit 3 generator turbine sections have been replaced with an improved design, which will provide an additional capacity of 25 MW, enabling additional generation with no additional fuel being required.

	FY22	FY21
Equivalent Availability Factor (EAF)[1]	74.5%	73.7%

1. Equivalent Availability Factor is strongly linked to commercial availability, which is currently a targeted remuneration outcome for some Key Management Personnel.

Market transformation and development

AGL is committed to continuing to invest in new sources of electricity supply through direct investment and offtake agreements. During FY22 we continued our strong track record of investing in renewable generation as well as energy storage projects:

- On 3 August 2021, AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables.
- Development activities continued as part of AGL's national roll-out of 850 MW of grid-scale batteries:
  - Construction of the Torrens Island 250 MW grid-scale battery commenced in late 2021, with construction of the 50 MW Broken Hill battery scheduled to commence later in 2022.
  - Development approval has been confirmed for the 200 MW Loy Yang battery and the 500 MW Liddell battery (150 MW in Phase 1), with both projects subject to final investment decision.
  - The 100 MW Wandoan Battery, over which AGL has a 15-year agreement with Vena Energy for full operational dispatch rights, commenced commercial operation in July 2022.
  - AGL and specialist independent power producer Neoen have also signed a seven-year agreement to enable AGL to virtually charge and discharge up to 70 MW of Neoen's 100 MW Capital Battery.
- AGL is leading a consortium of industry partners in a feasibility study to explore the commercial and technical feasibility of establishing a renewable hydrogen hub and the production of hydrogen-derived products at Torrens Island to serve both domestic users in South Australia and interstate, as well as wider export markets. AGL and Fortescue Future Industries have also signed a Memorandum of Understanding (MOU) to explore the development of a green hydrogen facility at the site of the Liddell and Bayswater power stations.

We also continue to invest in our orchestration platform for the management of decentralised assets. Our multi-asset virtual power plant (VPP) is made up of residential and business customer assets including batteries, solar, demand response, electric vehicles and back-up generation. The majority of this capacity reflects curtailable load and behind-the-meter generation at our commercial and industrial customer sites and was primarily contracted for the peak summer period to assist managing our position. Over the FY22 period the multi-asset VPP provided over 1 GWh of flexible energy from our residential as well as commercial and industrial customers across all NEM States in which we retail electricity.

	Targets	FY22	FY21
Grid-scale batteries installed and managed	FY24: 850 MW	30 MW	30 MW
Decentralised assets under orchestration	FY24: 350 MW	215 MW	130 MW

Thermal asset transition and Energy Hubs

We remain committed to not extending the technical life of our coal-fired power plants and have made a strong commitment to driving the decarbonisation of the energy sector. In February, AGL announced that it was bringing forward the closure windows for our thermal coal power stations (refer to Section 3.2.4). On 1 April 2022, AGL closed the first unit of the Liddell Power Station ahead of the full closure of the station in April 2023. In July 2021, AGL informed the Australian Energy Market Operator (AEMO) that we would mothball one of the four operational Torrens B power station units in October FY22, in response to challenging conditions that do not currently support the financial viability of operating all four generation units at the Torrens B power station. In August 2021, AGL also informed AEMO of the closure schedule for Torrens A. The first two Torrens A units were closed in September 2020. A third unit was closed in September 2021 and the final unit will be closed in September 2022.

AGL remains committed to repurposing its thermal generation sites into integrated energy hubs, which includes advancing projects that connect industrial partners into a low-carbon circular economy at the sites. Projects and feasibility studies are already underway at the three identified hubs of Latrobe Valley, Hunter and Torrens. These hubs will bring together energy production and energy-intensive industries around a shared infrastructure backbone to generate synergies and decarbonise the industry in innovative ways. Each of the sites present a rare and unique redevelopment opportunity with a range of valuable assets and resources including surplus land, road and rail access, materials unloading and transport facilities, and water treatment and storage infrastructure and are embedded in unique environments. Importantly, the strong grid locations with valuable existing grid connection infrastructure will help AGL progress and accelerate new renewable and low-carbon firming projects more quickly, as well as attracting complementary industry and partners to the hubs. The commercial reuse of these resources at each of our existing thermal generation sites will support the economic diversification of these regions while also growing local economies and new job and skills development opportunities.

During FY22 AGL commenced studies to explore the commercial and technical feasibility of establishing renewable hydrogen hubs at each of the Hunter and Torrens Island sites and the production of hydrogen and hydrogen-derived products at those hubs, as mentioned above. These studies are ongoing and will run until the end of the calendar year. During FY22 AGL also signed a MOU with waste site remediation company, Nu-Rock Building Products, to investigate the feasibility of utilising Nu-Rock's waste recycling technology to convert coal ash into construction bricks at Bayswater Power Station.

3.2.6 Systems & Processes scorecard

Systems & Processes

Analytics

AGL has grown our significant data assets across our generation, trading, retail, and commercial businesses. The use of advanced analytics and new techniques such as using thermal digital twins at our power stations (refer to Section 3.2.5) continues to increase, providing new and more rapid insights on how we can operate our business more efficiently and how we can best serve our customers.

As we continue to grow our use of data for machine learning and artificial intelligence, AGL recognises how important it is for data to be as simple as possible to access while maintaining strong levels of security. We are putting data at the core of our decisions and empowering our people to innovate based on common tools and frameworks.

We are currently using machine learning and artificial intelligence models to achieve outcomes such as:

- providing customers with insights on their energy usage and how it could be improved;
- delivering a 'Solar Status' feature in the AGL Mobile App which gives all eligible solar customers free monitoring and troubleshooting of their solar system's health; and
- improving our site operations and power generation by optimising supply chains and coal movement via trains and conveyors at our AGL Macquarie generation site.

Over FY22 AGL completed its Energy Trading & Risk Management (ETRM) Uplift, which commenced in 2019 and which is the largest and most ambitious investment that AGL has made in its energy trading systems and processes. The key driver for the program was the rapidly changing environment in which AGL operates, with the size, number and complexity of Australia’s energy markets increasing significantly over recent years, as well as the value of contracts traded by AGL. The objectives of the ETRM Uplift were to replace AGL’s ageing energy trading systems, automate manual processes, strengthen internal controls, address market changes such as 5-minute settlements, and provide a foundation to support business growth via the introduction of an integrated data platform, enabling better risk insights into the portfolio. With the systems for energy trading now strengthened, AGL can focus on delivering greater value through improved risk insights and enhanced market and portfolio analysis.

Technology enabled future

AGL continued our focus on technology transformation over FY22, supporting our overarching objective to deliver contemporary and resilient technology platforms and services that enable our business to: meet the changing needs of our customers; effectively compete in the market; and grow and innovate. Our focus continues to be delivering a lean energy core that lowers cost to serve while delivering effortless customer experiences. This will be enabled by a flexible and modular technology platform that preserves optionality for future investment and innovation.

We achieved substantial improvements through our drive to be 'Digital First', with the proportion of our customers who have accessed AGL's digital channels materially increasing. In addition, we completed vendor selection for critical ‘middle layer’ technology including our Customer Relationship Management (CRM) system, Product Catalogue and intelligent Business Process Management (iBPM) system. These technology changes form a critical part of AGL’s ‘Retail Next’ technology transformation program to dramatically simplify its technology architecture and deliver significant capability uplift.

Initiatives that were implemented over FY22 to improve digital adoption include:

- optimising digital origination and experience for telecommunications and energy customers;
- integrating systems to allow customer data to flow between digital assets and to further protect customer data through two-factor authentication for telecommunication products;
- growing features and functionality of the market-leading AGL Mobile App;
- delivering new features to help our customers better manage their services; and
- investing in our website platform to better respond to our changing business.

These investments supported AGL’s ability to achieve record milestones for digital active, digital sales and our customers’ use of service assets such as My Account and the AGL Mobile App over FY22.

We also continued to invest in our systems and platforms over FY22 to further enhance the digital experience for our business customers. AGL now has over 5,500 registered enterprises using our business customer portal. This year we added usage graphing and data visualisation capabilities to the services offered by the business customer portal, enabling customers to easily interpret their consumption patterns and trends to identify opportunities to reduce their energy costs and the greenhouse gas emissions associated with their energy use. In addition, we have expanded our commercial solar monitoring and management platform to support more than 140 MW of our business customers' solar assets, optimising asset performance to ensure customers are benefiting from maximum solar production, lowering costs and improving asset returns.

In October 2021 AGL won the Australia and New Zealand Best in Future of Intelligence award at the IDC Future Enterprise Awards. This year's Future Enterprise benchmarks were chosen based on an organisation's successful implementation of digital initiatives that address new customer requirements, development of new capabilities, deployment of new critical infrastructure, and pursuit of new industry ecosystems. Delivering on our customer-first ambition, AGL partnered with Tata Consultancy Services to inform intelligent customer insights using artificial intelligence and machine learning to automate collection and categorisation of customer data.

Overall our IT systems remained stable during FY22, despite ongoing challenges from the impacts of COVID-19 on team resourcing. Major incident numbers decreased from FY21. The cause of major incidents differed in that 'Software as a Service' (SaaS) represented the majority of major incidents over FY22, and the number of major incidents caused by production changes decreased. AGL's increased use of SaaS requires a focus on mitigating business impact during major incidents while awaiting technical resolution from the SaaS supplier. The reduction in major incidents caused by production changes can be attributed to an increased focus on service management process improvement, a maturing change management process, as well as driving increased permanent resolutions to reduce the likelihood of incident reoccurrence. Over FY22, AGL also continued with transformation of applications into the cloud to gain improved cybersecurity, flexibility, and end-of-life risk.

	Targets	FY22	FY21
Major IT incidents	-	50	52
Digitally active services to customers	FY24: 65%	53.8%	50.4%

Data security and process governance

AGL collects data from and about our customers to provide our products and services and to comply with the law. We recognise that customer data protection and privacy are critical to both our customers and our operations, and our **Privacy Policy** is designed to explain how we collect, use and protect customer data in the course of our business.

During FY22 one notifiable data breach was identified and reported to the Office of the Australian Information Commissioner, impacting one AGL customer. Since performing an assessment of the root cause of the incident, additional controls have been implemented to prevent similar occurrences.

AGL recognises that customer data protection and privacy are critical to both our customers and our operations. As such, we require all personnel to complete annual privacy training, and continue to invest in uplifting privacy practices to improve the manner in which customer data is collected and controlled.

	FY22	FY21
Reportable privacy incidents	1	0

Modern Slavery

As noted within AGL's Human Rights Policy, we understand that it is our responsibility to respect, uphold and contribute to the realisation of human rights, and to endeavour to avoid complicity in human rights abuse. Our second **Modern Slavery Act Statement** for the FY21 reporting period detailed how we continued to develop, enhance and embed initiatives across our business operations to better identity, assess and address the risk of modern slavery within our operations and supply chains. Our third Modern Slavery Act Statement for FY23 will be available on our website in early 2023.

4. Group Financial Performance and Position

4.1 Group results summary

Statutory Profit after tax attributable to AGL shareholders was $860 million, an increase of $2,918 million compared to the Statutory Loss of $(2,058) million in the prior year. The principal drivers of the increase were a lower value of asset impairments taken in FY22 compared to FY21, favourable movements on onerous contracts, offset by increased separation and restructuring costs and lower achieved wholesale energy prices.

Market Suspension by AEMO

A series of conditions affecting the National Electricity Market (NEM) between 12 and 23 June 2022 triggered administered pricing, spot market suspension and around 500 separate market interventions by the Australian Energy Market Operator (AEMO) under the National Electricity Rules. The nature and scale of these events was unprecedented in the NEM.

Market Participants[4], primarily electricity generators, adversely impacted by AEMO's market interventions can claim compensation under various mechanisms outlined in the National Electricity Rules. Those compensation payments will be recovered from Market Customers[4], including electricity retailers, in proportion to their share of electricity purchased during the period and regions the interventions occurred.

AGL will make claims for compensation as a Market Participant and will share in the aggregate of all claims paid as a Market Customer. AGL has not recognised any benefit in relation to claims it will make under the National Electricity Rules as a Market Participant for the interventions that occurred in June 2022 as the outcome of those claims is uncertain.

At 30 June 2022, AGL has recognised its share of the provisional compensation amounts published by AEMO including provisional amounts for directions compensation and payments made under Reliability and Emergency Reserve Trader contracts. It is not possible to reliably estimate the value of further compensation claims that may be made by Market Participants or approved by AEMO and the Australian Energy Market Commission (AEMC) under the National Electricity Rules for the market interventions made by AEMO in June 2022. Those claims may be significant. AGL expects updates to be provided by AEMO and AEMC from time to time however final positions may not be available until AEMO issues revision statements in November 2022, January 2023 or later.

It is probable that further claims will be approved by AEMO and the AEMC, and these will be recovered from Market Customers, including AGL, in a future period. Had those amounts been known or estimable, at 30 June 2022 AGL would have recognised additional liabilities associated with its proportionate share of the compensation claims net of amounts passed through to customers. The value of the unrecognised liabilities may be material to the financial performance or position of AGL at 30 June 2022.

4.1.1 Reconciliation of Statutory Profit/(Loss) to Underlying Profit

AGL uses Underlying Profit as a key measure of financial performance. Underlying Profit is derived from Statutory Profit, as measured in accordance with Australian Accounting Standards, by excluding significant items and movements in the fair value of financial instruments. The use of Underlying Profit enhances comparability of results by excluding non-recurring events and transactions that materially affect the financial results of AGL for the reporting period. The Remuneration Report Section 8.3.2 provides further information regarding the assessment of financial performance against performance incentive targets.

Underlying Profit after tax was $225 million, down 58.1% from the prior year. A description of the factors driving Underlying Profit is included in Section 4.1.5

	FY22 $m	FY21 $m
Statutory Profit/(Loss) after tax attributable to AGL shareholders	**860**	(2,058)
Adjust for:		
Significant items after tax[1]	**(486)**	2,929
Profit on fair value of financial instruments after tax[2]	**(149)**	(334)
Underlying Profit after tax	**225**	537
Earnings per share on Statutory Profit/(Loss)	**131.6 cents**	(330.3) cents
Earnings per share on Underlying Profit	**34.4 cents**	86.2 cents

1. Refer to section 4.1.2 for further information.
2. Refer to section 4.1.3 for further information.

Earnings per share (EPS) calculations have been based upon a weighted average number of ordinary shares of 653,324,767 (30 June 2021: 623,047,222). The weighted average number of ordinary shares was 30,277,545 higher than the prior year due to the underwriting of the FY21 final dividend and the FY22 interim dividend payments.

4. Refer to AEMC National Electricity Rules for Market Participant and Market Customer definitions.

4.1.2 Significant items

	FY22 $m		FY21 $m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Movement in onerous contracts	**1,019**	**713**	(1,931)	(1,348)
Impairments	**(232)**	**(162)**	(1,817)	(1,477)
Separation costs	**(125)**	**(89)**	(6)	(4)
Restructuring and integration costs	**(61)**	**(42)**	(60)	(45)
Sale of repowering option	**20**	**20**	–	–
Movement in rehabilitation provision	**65**	**46**	–	–
Contract termination payments	**–**	**–**	(55)	(55)
Total significant items	**686**	**486**	(3,869)	(2,929)

FY22

During the year AGL:

- Recorded a reduction in the valuation of onerous contracts of $1,019 million ($713 million post-tax) as a result of higher electricity and large-scale generation certificate forward prices along with higher discount rates.
- Recognised a pre-tax impairment of $246 million ($172 million post-tax) relating to Newcastle Gas Storage Facility, Newcastle Gas Peaker development rights and Collins street lease right-of-use assets. This was partially offset by the reversal of a previously recognised impairment of AGL's investment in Tilt Renewables of $14 million ($10 million post tax).
- Recognised $125 million pre-tax ($89 million post-tax) in separation costs related to the proposed demerger of AGL Australia.
- Recognised $61 million pre-tax ($42 million post-tax) in costs related to redundancies and restructuring to deliver future cost reductions, and the integration of acquired businesses including completion of the SEGH Pty Limited and Epho Holdings Pty Limited integrations and Phase 2 of the integration of Southern Phone Company.
- Recognised $20 million in other revenue related to AGL's sale of the purchase option to re-power 50% of the Macarthur Wind Farm following the completion of the existing lease in 2038.
- Recognised $65 million pre-tax ($46 million post-tax) due to the reduction in rehabilitation provision for certain assets that had previously been impaired. The reduction in rehabilitation provision was driven by an increase in the discount rate following market changes in base rates. In addition to this the estimated closure date of Camden was revised impacting the timing of cash flows.

FY21

During the year AGL:

- Recognised a $1,931 million pre-tax ($1,348 million post-tax) onerous contract provision related to various out of the money renewable asset PPAs.
- Recognised a pre-tax impairment of $1,817 million ($1,477 million post-tax) relating to the carrying value of the AGL Generation Fleet cash-generating unit, including goodwill, inventories and natural gas assets including Newcastle Gas Storage Facility, Silver Springs and Camden.
- Recognised pre-tax $6 million ($4 million post-tax) in separation costs related to the proposed demerger.
- Acquired 100% of the outstanding share capital of Click Energy Holdings Pty Ltd, SEGH Pty Limited, Epho Holdings Pty Limited and 51% of the outstanding share capital of Ovo Energy Pty Limited. As a result of these acquisitions, and other growth projects, AGL incurred pre-tax $60 million of acquisition, integration, and other project costs combined with redundancy costs to deliver cost reduction initiatives ($45 million post-tax).
- Recognised $55 million in contract termination payments related to the cancelled LNG import jetty at Crib Point. This was treated as a non-temporary capital loss.

4.1.3 Movement in fair value of financial instruments recognised in Profit or Loss

Movement in the fair value of financial instruments recognised in profit or loss (excluded from Underlying Profit) was $212 million ($149 million post-tax), down $265 million ($185 million post-tax). The net gain in the fair value of energy-related derivatives of $213 million reflected a positive fair value movement in net buy oil & gas derivative contract positions as a result of higher forward prices. Net movements on electricity derivative contracts were minimal during the year due to the offsetting nature of the buy and sell contract portfolio. The treasury related fair value movement of $(1) million recognised in profit or loss reflected hedge ineffectiveness mainly driven by credit adjustment and amortisation of the deals de-designated.

	FY22 $m		FY21 $m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Energy derivatives contracts	**213**	**149**	477	334
Cross currency and interest rate swap contracts	**(1)**	**–**	–	–
Fair value recognised in profit or loss	**212**	**149**	477	334

4.1.4 Earnings Before Interest and Tax (EBIT)

	FY22 $m	FY21 $m
Statutory EBIT	**1,399**	(2,433)
Significant items	**(686)**	3,869
Gain on fair value of financial instruments	**(212)**	(477)
Underlying EBIT	**501**	959
Customer Markets	**181**	203
Integrated Energy	**643**	1119
Investments	**11**	9
Centrally Managed Expenses	**(334)**	(372)
Underlying EBIT	**501**	959

Following the withdrawal of the proposed demerger, AGL reverted to preparing and reporting financial information on the basis of Customer Markets, Integrated Energy, and Investments segments. Refer to Note 1- Segment information within the Consolidated Financial Statements for further information.

4.1.5 Group financial performance

Underlying Profit after tax attributable to AGL shareholders was $225 million, down 58.1%. The principal drivers of the decrease were lower Trading and Origination electricity gross margin due to lower realised contracted and wholesale customer prices, the recent AGL Loy Yang Unit 2 unplanned outage, lower gross margin across Customer Markets due to margin compression driven by customers swapping to lower priced products and higher cost of energy associated with increased solar volumes, and the absence of AGL Loy Yang Unit 2 insurance proceeds recognised in the prior year. This was partly offset by increased generation at AGL Macquarie combined with decreased labour and maintenance costs as a result of operational efficiencies, organisational restructuring, and non-recurrence of COVID-19 response costs and cost out initiatives across business units. FY22 also benefited from non-recurring labour vacancies and employee provision movements.

	FY22 $m	FY21 $m
Revenue	**13,221**	10,942
Cost of sales	**(10,532)**	(7,788)
Other income	**25**	131
Gross margin	**2,714**	3,285
Operating costs (excluding depreciation and amortisation)	**(1,496)**	(1,619)
Underlying EBITDA	**1,218**	1,666
Depreciation and amortisation	**(717)**	(707)
Underlying EBIT	**501**	959
Net finance costs	**(217)**	(224)
Underlying Profit before tax	**284**	735
Income tax expense	**(66)**	(199)
Underlying Profit after tax	**218**	536
Non-controlling interests[1]	**7**	1
Underlying Profit after tax attributable to AGL shareholders	**225**	537

1. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

Refer to Section 5 for further analysis on the movement in gross margin for each operating segment and Section 3.1.6 for commentary on group operating costs.

Depreciation and amortisation of $(717) million was up 1.4%, driven by the impact of accelerated closure dates of Bayswater Power Station and AGL Loy Yang, the capitalisation of multi-product retailer assets and the acquisition of Energy 360, AGL's capitalisation of IT transformation costs and the full year impact of the prior year increase in environmental rehabilitation assets and the Solgen and Epho acquisitions. This was partly offset by the impact of the impairments recognised during the prior year across the coal generation fleet and other gas assets.

Net finance costs were $(217) million, down 3.1% largely driven by lower BBSW rates on facilities partly offset by higher onerous contracts and rehabilitation provision interest due to increased reference base rates.

The underlying effective tax rate was 23.2%, primarily due to prior year adjustments including research and development benefits.

4.2 Cash flow

4.2.1 Reconciliation of Underlying EBITDA to cash movement

Operating cash flow before significant items, interest and tax was $1,498 million, down $108 million. The rate of conversion of EBITDA to cash flow was 123%, up from 96% in the prior year. Adjusting for margin calls, the cash conversion rate was 108%, up from 97% in the prior year.

		FY22 $m		FY21 $m
Underlying EBITDA		**1,218**		1,666
Equity accounted income (net of dividends received)		**(9)**		14
Accounting for onerous contracts		**(158)**		(80)
Other assets/liabilities and non-cash items		**43**		(30)
Working capital movements				
(Decrease)/increase in receivables	**(330)**		12	
Increase in payables	**460**		150	
Decrease/(increase) in inventories	**49**		(1)	
Net derivative premiums (paid)/roll-offs	**(11)**		4	
Increase in financial assets (margin calls)	**180**		(17)	
Net movement in green assets/liabilities	**70**		(81)	
Other working capital movements	**(14)**		(31)	
Total working capital movements		**404**		36
Operating cash flow before significant items, interest and tax		**1,498**		1,606
Net finance costs paid		**(95)**		(120)
Income taxes paid		**0**		(114)
Cash flow relating to significant items		**(176)**		(122)
Net cash provided by operating activities		**1,227**		1,250
Net cash used in investing activities		**(885)**		(937)
Net cash used in financing activities		**(303)**		(366)
Net increase/(decrease) in cash and cash equivalents		**39**		(53)

Relative to prior year the principal reasons for lower operating cash flow were lower Underlying EBITDA partly offset by a positive working capital movement. Working capital movements were $404 million, compared with $36 million in the prior year. Components of working capital movement were:

- Receivables cash flow of $(330) million reflected the $(197) million increase in the AEMO security and deposit requirement driven by high electricity prices across May & June, higher wholesale revenue and favourable oil and LNG mark to market movements and the recognition of a receivable related to recovery of life to date mine rehabilitation costs.
- Payables cash flow of $460 million reflected the impact of high electricity prices across May and June on net derivative and AEMO balances, combined with increased market purchases and higher oil and LNG prices on gas supply agreements.
- Inventory cash flow of $49 million reflected the combination of higher net withdrawals from Silver Springs and Newcastle Gas Storage Facility, lower gas inventory as a result of increased generation, partly offset by increased solar inventory related to Solgen and Epho and higher inventory held in preparation for planned outages at Bayswater Power Station.
- Financial assets (margin calls) cash flow of $180 million reflected a roll-off of in the money FY22 derivative positions due to an increase in the forward curve on a open position.
- Green assets and liabilities cash flow of $70 million reflected a reduction of SREC certificates. The prior year reflected higher certificate purchases in response to anticipated increases in scheme compliance percentages.

The onerous contracts cash flow of $(158) million reflected the onerous portion of payments made to suppliers under legacy wind farm offtake agreements and Yabulu PPA and Gas Transport Agreements (GTAs), previously recognised as onerous. The prior year cash flow of $(80) million reflects the onerous portion of payments related to legacy wind farm agreements recognised part way through the prior year and Yabulu PPA and GTAs.

The movement in other assets/liabilities of $43 million related to unearned revenue and employee provisions, partly offset by payments for rehabilitation works. The prior year cash flow of $(30) million largely related to payments for rehabilitation works.

Cash tax paid during FY22 was lower than FY21, in line with lower profit before tax and utilisation of prior year tax losses.

Investing cash flow of $(885) million reflected capital expenditure, the acquisition of Tilt Renewables, and the sale of investments in Energy Impact Partners' Fund, Activate Capital Partners, and Ecobee Inc. The prior year Investing cash flow of $(937) million reflected capital expenditure and the acquisitions of Click Energy, Solgen and Epho. For further details on capital expenditure, see Section 3.1.6.

Financing cash flow of $(303) million reflected the net repayment of borrowings with $(317) million of dividend payments offset by $317 million proceeds from the issue of shares related to the fully underwritten dividend and DRP. The prior year cash flow of $(366) million included dividend payments of $(573) million and a net borrowings drawdown of $212 million.

4.3 Financial position

Summary Statement of Financial Position

At 30 June 2022 AGL's total assets were $19,270 million, an increase from $15,450 million at 30 June 2021, primarily due to a $3,661 million increase in energy derivatives and $1,253 million increase in trade receivables reflecting significant energy price increases affecting the closing balances. This was partly offset by a reduction in equity investments driven by the disposal of Activate Capital Partners and Energy Impact Partners' Fund and the impairment of the Newcastle Gas Storage Facility (refer to Section 4.1.2).

Total liabilities at 30 June 2022 were $12,753 million, an increase from $9,944 million at 30 June 2021, primarily reflecting a $3,466 million movement in energy derivatives and an increase in AEMO related trade payables, partly offset by a decrease in onerous contracts provisions and borrowings (refer to Section 4.1.2).

Total equity at 30 June 2022 was $6,517 million, up from $5,506 million, reflecting the Statutory Profit for the period and dividends paid. AGL's return on equity, calculated on a rolling 12-month basis was 3.7%, down from 30 June 2021.

	FY22 $m	FY21 $m
Assets		
Cash and cash equivalents	**127**	88
Other current assets	**8,504**	3,587
Property, plant and equipment	**6,013**	6,283
Intangible assets	**3,252**	3,302
Other non-current assets	**1,374**	2,190
Total assets	**19,270**	15,450
Liabilities		
Borrowings	**2,878**	3,185
Other liabilities	**9,875**	6,759
Total liabilities	**12,753**	9,944
Net assets/total equity[1]	**6,517**	5,506

1. Total equity includes $1 million attributable to non-controlling interests.

4.3.1 Movement in fair value of financial instruments

Approach to hedging

AGL's approach to managing energy price risks, through physical ownership of energy generation, contracting for energy supply and financial hedging, reflects the need to provide pricing certainty to customers and limit exposure to adverse wholesale market outcomes. AGL generates electricity or has contracted gas supply in excess of its customers' demand in some states. In other states, AGL has sources of supply less than its customers' demand.

AGL uses certain financial instruments (derivatives) to manage these energy price risks and to manage its exposure to interest and foreign exchange rates arising in the normal course of business, provided the overall AGL risk appetite is not exceeded. The majority of these financial instruments exchange a fixed price for a floating market-based price of a given commodity, interest rate, currency or a quoted asset, with the net differential being settled with the counterparty. AGL is exposed to price volatility on the sale and purchase of energy-related commodities in the normal course of business, and therefore enters into contracts that minimise the price risk to AGL on both sold and purchased forecast exposures.

AGL has in place a governance framework that establishes the policy guidelines under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, earnings-at-risk limits, compliance management and regular reporting to the Board. The risk policy represents the Board and Senior Management's commitment to an effective risk management function to ensure appropriate management and oversight of AGL's risks related to wholesale markets energy risk. The policy allows for commercial optimisation of the portfolio provided that AGL adheres to overall earnings-at-risk limits that reflect its risk appetite.

Energy price risk

AGL's energy-related derivatives recognised in profit or loss include sell and buy positions, where AGL receives or pays a fixed price from or to a counterparty in exchange for a floating price paid or received.

AGL is required to make margin payments in respect of futures contracts traded through the Australian Securities Exchange (ASX). Initial margin call payments are made at the time contracts are entered in order to manage intra-day credit exposure. The quantum of initial margin depends on the volume traded, the expected market volatility as well as forward electricity prices at the time. The initial margin call can move subsequently as forward prices move. AGL also receives or makes payments known as variation margin calls, which cover mark to market movements of AGL's open futures position. These typically reverse through future earnings as contract positions roll off.

Treasury related risk

AGL's treasury related risk primarily relates to interest and foreign currency rate fluctuations. Contracts to minimise the exposure to market-based fluctuations are executed pursuant to AGL's treasury risk management policy. These contracts primarily result in fixed interest and foreign currency rates. These contracts are designated in hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring.

In addition to the above, AGL is counterparty to cross-currency interest rate swap arrangements to convert its fixed interest rate US dollar private placement borrowing instruments to floating interest rate Australian dollar equivalent borrowing instruments. The cross-currency interest rate swap arrangements are designated as fair value and cash flow hedge relationships.

Movement in fair value

A movement in the fair value of financial instruments of $373 million compared with $367 million in the prior year. The net gain reflected a positive fair value movement in AGL's net buy oil & gas derivative contract position as a result of higher forward prices. Electricity sell and buy derivative contracts largely offset each other resulting in a relatively flat position.

The initial fair value of a derivative is the consideration paid or received (the premium). Fair value movements in any given period are a function of changes to underlying indices, market prices or currencies and the roll-off of realised contractual volumes or amounts. A reconciliation of the movements in financial instruments carried at fair value for FY22 is presented in the following table.

Net assets/(liabilities)	FY22 $m	FY21 $m	Change $m
Energy derivative contracts	**937**	711	226
Cross currency and interest rate swap derivative contracts	**219**	72	147
Total net assets for financial instruments	**1,156**	783	373
Change in net assets	**373**		
Premiums paid	**(56)**		
Premium roll off	**43**		
Equity accounted fair value	**(72)**		
Total change in fair value	**288**		
Recognised in equity hedge and other reserve	**149**		
Recognised in borrowings	**(14)**		
Recognised in profit or loss – pre-tax	**153**		
Total change in fair value	**288**		

The movement in net derivative assets in the period of $373 million is expanded on in the table below.

	FY21 $m	Unrealised fair value recognised in: Profit or loss	Hedge reserve	Borrowings	Currency basis	Premiums and roll offs paid	FY22 $m
Energy derivative contracts	**711**	213	-	-	-	13	**937**
Cross currency and interest rate swap contracts	**72**	(1)	157	(14)	5	-	**219**
Net asset/(liability)	**783**	**212**	**157**	**(14)**	**5**	**13**	**1,156**
Fair value recognised within equity accounted investments		(59)					
Profit or loss		**153**					
Realised fair value to be recognised in cost of sales		60					
Fair value recognised in profit or loss		**213**					

The fair value movement driving the change in the net derivative assets position reflected in unrealised fair value movements is as follows:

- An increase in the fair value of energy-related derivatives of $213 million was recognised in profit or loss (excluded from Underlying Profit). The net gain reflected a positive fair value movement in net buy oil and gas derivative contract positions as a result of higher forward prices. Net movements on electricity derivative contracts were minimal during the year due to the offsetting nature of the buy and sell contract portfolio.
- A currency related fair value loss of $(14) million recognised in borrowings was due to depreciation of the AUD/USD foreign exchange rate and an increase of AUD yield curve. The $157 million movement in hedge reserve was largely driven by an increase in the forward curve.

4.3.2 Net Debt Reconciliation

Net debt at 30 June 2022 was $2,662 million, down from $2,997 million at 30 June 2021 due to debt facility repayments driven predominately by favourable creditor closing balances on the high May and June energy prices.

AGL's gearing (measured as the ratio of net debt to net debt plus adjusted equity) at 30 June 2022 was 29.2% compared with 35.1% at 30 June 2021.

AGL maintained its credit rating of Baa2 (negative outlook) throughout the period as provided by Moody's Investors Service. Key metrics consistent with this credit rating at 30 June 2022:

- Interest cover: 9.8 times
- Funds from operations to net debt: 32.3%

AGL's funds from operations has been calculated with a similar methodology to Moody's whereby the movement in all current and non-current tax assets and liabilities is treated as working capital.

	FY22 $m	FY21 $m
Net debt reconciliation		
Borrowings	**2,878**	3,185
Less: Adjustment for cross currency swap hedges and deferred borrowing costs	**(89)**	(100)
Cash and cash equivalents	**(127)**	(88)
Net debt	**2,662**	2,997

5. Segmental Analysis

AGL manages its business in three key operating segments: Customer Markets, Integrated Energy and Investments. Further detail on the activities of each operating segment is provided below.

AGL manages and reports a number of expense items including Information Technology under Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

A reconciliation of segment results and Underlying Profit after tax is provided in the Consolidated Financial Statements Note 1 Segment information.

5.1 Customer Markets

Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

5.1.1 Underlying EBIT

Customer Markets Underlying EBIT was $181 million, down 10.8% due to lower gross margin across Consumer, Large Business and Perth Energy Portfolios, partially offset by lower operating costs. The decrease in Consumer gross margin was due to milder weather, higher cost of energy associated with increased solar volumes, and margin compression due to customers swapping to lower-priced products. Perth Energy margin was impacted by higher wholesale costs and capacity charges that were previously recognised under Integrated Energy, and Large Business margin was lower due to heightened market activity.

	FY22 $m	FY21 $m
Consumer Electricity gross margin	**471**	500
Consumer Gas gross margin	**259**	264
Large Business Electricity gross margin	**33**	34
Large Business Gas gross margin	**8**	10
Fees, charges and other gross margin	**12**	13
Telecommunications gross margin	**11**	9
Perth Energy gross margin	**2**	14
Sustainable Business Energy Solutions gross margin	**15**	10
Gross margin	**811**	854
Operating costs (excluding depreciation and amortisation)	**(491)**[1]	(517)
Underlying EBITDA	**320**	337
Depreciation and amortisation	**(139)**	(134)
Underlying EBIT	**181**	203

1. Includes $7 million Future Business operating costs, previously recognised in Centrally Managed Expenses.

- Consumer Electricity gross margin was $471 million, down 5.8%, driven by lower average demand due to milder weather, higher cost of energy associated with higher solar volumes, and margin compression due to customers swapping to lower-priced products.
- Consumer Gas gross margin was $259 million, down 1.9%, driven by lower average demand due to milder weather, and margin compression due to customers swapping to lower-priced products.
- Large Business Electricity gross margin was $33 million, broadly flat compared with prior year.
- Large Business Gas gross margin was $8 million, down 20.0% driven by increased competition.
- Fees, charges and other gross margin was $12 million, down 7.7%, due to the impacts of COVID-19 on movers resulting in lower real estate non energy revenue.
- Telecommunication gross margin was $11 million, up 22.2%, driven by growth in the customer base since the launch of AGL Telecommunications in the prior year, partially offset by increased costs associated with investment in network upgrades to support continued customer growth.
- Perth Energy gross margin was $2 million, down 85.7%, driven by power station capacity charges, which were reflected in Integrated Energy in the prior year, as well as margin compression as a result of higher wholesale costs with limitations to hedge in the first half of the year as a result of the forced outage at Kwinana Swift Power Station. This was partly offset by higher retail volumes.

- Sustainable Business Energy Solutions (SBES) is a newly formed business unit encapsulating the acquisition of Solgen, Epho, Energy 360 and AGL's Business Energy Solutions. SBES includes the sales of solar engineering, procurement, construction, asset maintenance services and distribution sales of wholesale solar components. Energy 360 was acquired by AGL in April 2022 and includes the sale of biogas plants for commercial and industrial customers. SBES gross margin was $15 million, up 50%, predominately due to the full year benefit following acquisition of Solgen and Epho.
- Depreciation and amortisation was $(139) million, up 3.7% driven by an uplift of depreciation from the capitalisation of multi-product retailer assets and the acquisitions of Solgen, Epho and Energy 360.

5.1.2 Operating costs

Customer Markets operating costs (excluding depreciation and amortisation) were $(491) million, down 5.0%, primarily due to a decrease in net bad debt expense following heightened repayment risk in the prior year and a reduction in campaigns and advertising spend due to cost reductions achieved through digital and marketing campaign efficiencies. This was partially offset by incremental opex following the acquisitions of Solgen, Epho and Energy 360, and operating costs associated with the growth of AGL Telecommunications and the Retail Next Program.

	FY22 $m	FY21 $m
Labour and contractor services	**(215)**	(191)
Net bad debt expense	**(80)**	(127)
Campaigns and advertising	**(88)**	(98)
Other expenditure	**(108)**	(101)
Operating costs (excluding depreciation and amortisation)	**(491)**[1]	(517)
Add: depreciation and amortisation	**(139)**	(134)
Operating costs (including depreciation and amortisation)	**(630)**	(651)

1. Includes $7 million Future Business operating costs, previously recognised in Centrally Managed Expenses.

- Labour and contractor services costs was $(215) million, up 12.6% driven by the acquisitions of Click Energy, Solgen, Epho and Energy 360, the growth of AGL Telecommunications, Future Business costs integrated into Customer Markets (previously recognised in Centrally Managed Expenses) and the Retail Next Program. Excluding the impact of Solgen, Epho and Energy 360, Future Business, growth of AGL Telecommunications and the Retail Next program, labour and contractor services costs were $(177) million, down 1.1% from prior year.
- Net bad debt expense was $(80) million, down 37.0% due to the reduction of repayment risk following the impact of COVID-19 in the prior year, strong collections performance, increased bad debt recoveries, and non-continuation of discounted settlements for impacted small business and large business customers in the prior year. Excluding the impact of the COVID-19 from the prior year, net bad debt expense was down 18.4% due to strong collection performance and higher bad debt recoveries.
- Campaigns and advertising costs were $(88) million, down 10.2% due to cost reductions achieved through digital and marketing campaign efficiencies.
- Other expenditure was $(108) million, up 6.9%, due to the full year impact following the acquisition of Solgen and Epho, the transfer of Future Business operating costs from Centrally Managed Expenses, growth of AGL Telecommunications and the Retail Next program.

5.1.3 Consumer profitability and operating efficiency

Net operating costs per consumer service was $(99), down 8.3% compared with the prior year due to improved net bad debt recoveries and lower campaign and advertising spend offsetting the increase in AGL Telecommunications operational costs due to its launch in November 2020. The continued focus on digital efficiencies (lower marketing, advertising and loyalty spend) in energy services have been partly offset by the increase in operating costs associated with the strong organic growth in telecommunications services.

	FY22	FY21
Gross margin ($m)	**741**	773
Net operating costs ($m)[1]	**(415)**	(444)
EBITDA ($m)	**326**	329
Average consumer services ('000)	**4,184**	4,121
Gross margin per consumer service ($)	**177**	188
Net operating costs per consumer service ($)	**(99)**	(108)
EBITDA per consumer service ($)	**78**	80
Net operating costs as a percentage of gross margin	**56.0%**	57.4%

1. Includes fees, charges, and recoveries. Excludes depreciation and amortisation, and the impact of digital uplift expenses (Software as a Service).

Average consumer services increased compared with the prior year largely due to growth in Telecommunications services offsetting the decline in energy services from prior year.

Gross margin per consumer service decreased compared with prior year driven by lower average demand in the consumer portfolio due to milder weather, higher cost of energy associated with higher solar volumes, margin compression due to customers swapping to lower-priced products, and growth in AGL Telecommunications services with associated lower margin relative to energy services.

5.2 Integrated Energy

The Trading and Origination components of Integrated Energy are responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. They also control the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.

- Trading and Origination - Electricity reflects the procurement of key fuel inputs and hedging of AGL's wholesale electricity requirements, and also includes Eco Markets, which reflects the management of AGL's liabilities relating to both voluntary and mandatory renewable and energy efficiency schemes.
- Trading and Origination - Gas reflects the sourcing and management of AGL's gas supply and transportation portfolio. Trading and Origination - Gas is also responsible for the management of the price exposures related to AGL's oil-linked wholesale gas contracts.
- Trading and Origination – Other reflects the Trading and Origination resourcing and support, in addition the Decentralised Energy Resources business responsible for the management of other growth initiatives in AGL's orchestration pathway.

The other components of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas Generation, Renewables, Natural Gas, and Other business units.

- Coal primarily comprises AGL Macquarie (Bayswater and Liddell power stations) and AGL Loy Yang.
- Gas Generation primarily comprises AGL Torrens, Barker Inlet Power Station, Kwinana Swift Power Station and Somerton Power Station.
- Renewables primarily comprises hydroelectric power stations, the operation of solar power as well as wind power generation. Operational costs to maintain the wind farms are reported within Trading and Origination – Electricity to align with the gross margin of the related power purchase agreements.
- Natural Gas includes the Silver Springs underground gas storage and production facility, the natural gas compression and LPG separation facility, the natural gas production assets at Camden in New South Wales, the Newcastle Gas Storage Facility which was classified as held for sale for the duration of the current financial year and subsequently impaired as at 30 June 2022, and the North Queensland gas assets, including the Moranbah Gas Project.
- Other primarily consists of the Energy Hubs business focused on the development and construction of greenfield growth opportunities, and technical and business support functions.

Refer to the map in Section 1.1 for asset locations and details.

5.2.1 Underlying EBIT

Integrated Energy Underlying EBIT was $643 million, down $476 million or 42.5% largely due to lower gross margin from Trading and Origination - Electricity. This was partly offset by reduced operating costs including a reduction in depreciation and amortisation.

	FY22 $m	FY21 $m
Gross margin	**1,871**	2,420
Operating costs (excluding depreciation and amortisation)	**(725)**	(790)
Underlying EBITDA	**1,146**	1,630
Depreciation and amortisation	**(503)**	(511)
Underlying EBIT	**643**	1,119

Gross margin was down largely due to the impact of lower realised contracted and customer prices, unplanned outages on availability at Loy Yang and the non-recurrence of $125 million of Loy Yang Unit 2 insurance proceeds recognised in the prior year, of which $120 million was recognised in gross margin and $5 million in operating costs. This was partly offset by increased generation at AGL Macquarie and higher gas revenue rates for customers.

Operating costs (excluding depreciation and amortisation) were $725 million, a decrease of $65 million compared with the prior year due to decreased labour and maintenance costs as a result of operational efficiencies and organisational restructuring, lower maintenance resulting from the AGL Torrens A station closure, lower Liddell expenditure following closure of one unit in April 2022, lower turbine repair costs at the Kwinana Swift Power Station and reduced insurance premiums. For further detail see Section 5.2.2.

The following table provides a breakdown of the contributors to Underlying EBITDA and Underlying EBIT:

	FY22 $m	FY21 $m
Trading and Origination - Electricity	**1,455**	2,014
Trading and Origination - Gas	**239**	241
Trading and Origination - Other	**(40)**	(45)
Coal	**(406)**	(436)
Gas Generation	**(43)**	(59)
Renewables	**(18)**	(24)
Natural Gas	**–**	(7)
Other	**(41)**	(54)
Underlying EBITDA	**1,146**	1,630
Depreciation and amortisation	**(503)**	(511)
Underlying EBIT	**643**	1,119

- Trading and Origination – Electricity gross margin was $1,455 million, down 27.8%. The decrease in gross margin was driven by lower contracted prices and customer prices, lower generation at Loy Yang driven partly by the recent Loy Yang Unit 2 unplanned outage, and the absence of Loy Yang Unit 2 insurance proceeds recognised in the prior year. This was partly offset by higher generation at AGL Macquarie during the first three quarters and a favourable contracted position in QLD at high prices.
- Trading and Origination – Gas gross margin was $239 million, down 0.8%, driven by higher supply cost and lower volumes largely offset by higher rates for customers. Consumer customer volumes were 1.8 PJ lower as per commentary in 3.1.2. The impact of lower cost legacy supply contracts maturing compressed gas customer margins which was partly offset by higher margin gas market sales.
- Trading and Origination – Other Underlying EBITDA was $(40) million, up 11.1% mainly due to expansion of the Decentralised Energy Resources business to develop future growth opportunities.
- Coal Underlying EBITDA was $(406) million, up 6.9%, driven by lower Liddell expenditure following closure of one unit in April 2022, higher Loy Yang cost recovery, decreased labour and maintenance costs as a result of operational efficiencies and organisational restructuring, and non-recurrence of COVID-19 response costs. This was partly offset by the absence of AGL Loy Yang Unit 2 insurance proceeds for material damages received in the prior year of $22 million and increased labour costs due to Enterprise Agreement wage escalations.
- Gas Generation Underlying EBITDA was $(43) million, up 27.1%, predominantly driven by lower operating costs resulting from the closure of two A station units at AGL Torrens in September 2020, a Kwinana Swift Power Station capacity charge to Customer Markets, and lower Kwinana Swift Power Station turbine repair costs.
- Renewables Underlying EBITDA was $(18) million, up 25.0% due to the non-recurrence of the commercial settlement of a historic legal dispute.
- Natural Gas Underlying EBITDA was up $7 million driven by an increase in Silver Springs oil and gas sales predominantly due to higher prices, and lower field development costs relating to the Moranbah Gas Project joint venture.
- Other Underlying EBITDA was $(41) million, up 24.1%, predominantly driven by cost efficiencies decreasing insurance premiums, technical support costs and discretionary spend.

5.2.2 Operating costs

Integrated Energy operating costs (excluding depreciation and amortisation) of $(725) million decreased by 8.2% compared with the prior year.

	FY22 $m	FY21 $m
Labour	**(374)**	(370)
Contracts and materials	**(247)**	(277)
Other	**(104)**	(143)
Operating costs (excluding depreciation and amortisation)	**(725)**	(790)

- Labour costs were $(374) million, up 1.1%, driven by increased labour costs due to Enterprise Agreement wage escalations primarily at AGL's coal operations. This has been partly offset by labour efficiencies driven by organisational restructuring and management of overtime across the fleet.
- Contracts and materials costs were $(247) million, down 10.8%, driven by maintenance efficiencies through process optimisation and supplier contract renegotiations, and lower maintenance costs due to the closure of two A station units at AGL Torrens in September 2020. This was partly offset by costs related to fully impaired assets which were capitalised before impairment and the non-recurrence of AGL Loy Yang Unit 2 insurance proceeds.
- Other operating costs were $(104) million, down 27.3% driven by cost efficiencies including lower insurance premiums, technical support costs and discretionary spend, the non-recurrence of COVID-19 responses costs, higher capitalisation of costs related to increased AGL Loy Yang major outage activity and the non-recurrence of the commercial settlement of a historical legal dispute.

5.2.3 Depreciation and amortisation

Integrated Energy depreciation and amortisation of $(503) million decreased by 1.6% compared with the prior year.

	FY22 $m	FY21 $m
Coal	**(392)**	(361)
Gas Generation	**(44)**	(70)
Renewables	**(35)**	(34)
Natural Gas	**(7)**	(29)
Other Integrated Energy	**(25)**	(17)
Depreciation and amortisation	**(503)**	(511)

- Coal depreciation and amortisation was $(392) million, up 8.6%, driven by an increase in environmental rehabilitation assets in the prior year and the impact of earlier closure dates of Bayswater Power Station and AGL Loy Yang in line with AGL's Climate Commitments announced in February 2022. This was partly offset by the impact of the impairments recognised during the prior year across the coal generation fleet.
- Gas Generation depreciation and amortisation was $(44) million, down 37.1%, due to the impact of the impairment recognised during the prior year at AGL Torrens.
- Renewables depreciation and amortisation was $(35) million, broadly flat compared with prior year.
- Natural Gas depreciation and amortisation was $(7) million, down 75.9%, due to the impact of Newcastle Gas Storage Facility being classified as held for sale and subsequently impaired, and the impairment recognised in the prior year at Camden.
- Other Integrated Energy depreciation and amortisation was $(25) million, up 47.1%, driven by a higher asset base following contract management and trading platform upgrades.

5.3 Centrally Managed Expenses

AGL manages and reports certain expense items including Information Technology under Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

Centrally Managed Expenses Underlying EBIT was $(334) million, an improvement of $38 million or 10.2% compared with the prior year. Non-recurring benefits included employee provision movement and lower labour and recruitment costs as a result of the proposed demerger. Additionally, cost out initiatives in response to market conditions, and a structural review due to the proposed demerger, resulted in a decrease of labour, IT, legal and consulting spend. Depreciation and amortisation increased due to AGL's capitalisation of IT transformation costs including the completion of migrating applications out of data centres and onto cloud hosting.

	FY22 $m	FY21 $m
Gross margin	–	–
Operating costs (excluding depreciation and amortisation)	**(259)**	(310)
Underlying EBITDA	**(259)**	(310)
Depreciation and amortisation	**(75)**	(62)
Underlying EBIT	**(334)**	(372)
Breakdown of operating costs (excluding depreciation and amortisation)		
Labour	**(115)**	(152)
IT hardware and software costs	**(98)**	(106)
Consultants and contractor services	**(14)**	(18)
Insurance premiums	**(9)**	(7)
Other	**(23)**	(27)
Operating costs (excluding depreciation and amortisation)	**(259)**[1]	(310)

1. Excludes $7 million Future Business operating costs, recognised in Customer Markets.

5.4 Investments

Investments comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables previously known as Powering Australian Renewables (PowAR), Solar Analytics Pty Limited, Energy Impact Partners Europe, Sunverge Energy Inc, RayGen Resources Pty Ltd, Honey Insurance Pty Ltd and Ovo Energy Australia Pty Ltd.

	FY22 $m	FY21 $m
ActewAGL	**16**	13
Ovo[1]	**(20)**	(2)
Tilt Renewables	**9**	(3)
Activate Capital Partners/Other	**6**	1
Underlying EBIT	**11**	9

1. Includes $(7) million (FY21: $(1) million) attributable to the 49% non-controlling interest in Ovo Energy Pty Limited.

- ActewAGL Retail partnership contributed an equity share of profits of $16 million for the period compared with $13 million in the prior year.
- The Ovo Energy Pty Limited (Ovo) $(20) million loss is in line with the business case and is attributable to being in a growth phase, incurring significant customer acquisition and software localisation costs that are expected to be recouped in the future.
- The Tilt Renewables $9 million profit in the period reflected improved operating results following the practical completion of Coopers Gap Wind Farm.
- A $5 million cash distribution was received related to the sale of listed investments held via Activate Capital Partners.

During the year AGL completed the divestment of Activate Capital Partners for $51 million, Energy Impact Partners' Fund for $95 million, and Ecobee Inc for $9 million. Refer to Note 29 for further information.

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5.5 Consolidated financial performance by operating segment

FY22 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	7,666	9,074	17	–	(3,536)	13,221
Cost of sales	(6,855)	(7,203)	(10)	–	3,536	(10,532)
Other income	–	–	25	–	–	25
Gross margin	811	1,871	32	–	–	2,714
Operating costs (excluding depreciation and amortisation)	(491)	(725)	(21)	(259)	–	(1,496)
Underlying EBITDA	320	1,146	11	(259)	–	1,218
Depreciation and amortisation	(139)	(503)	–	(75)	–	(717)
Underlying EBIT	181	643	11	(334)	–	501
Net finance costs						(217)
Underlying Profit before tax						284
Income tax expense						(66)
Underlying Profit after tax						218
Non-controlling interests[1]						7
Underlying Profit after tax attributable to AGL shareholders						225

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

FY21 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	7,614	6,367	–	–	(3,039)	10,942
Cost of sales	(6,760)	(4,067)	–	–	3,039	(7,788)
Other income	–	120	11	–	–	131
Gross margin	854	2,420	11	–	–	3,285
Operating costs (excluding depreciation and amortisation)	(517)	(790)	(2)	(310)	–	(1,619)
Underlying EBITDA	337	1,630	9	(310)	–	1,666
Depreciation and amortisation	(134)	(511)	–	(62)	–	(707)
Underlying EBIT	203	1,119	9	(372)	–	959
Net finance costs						(224)
Underlying Profit before tax						735
Income tax expense						(199)
Underlying Profit after tax						536
Non-controlling interests[1]						1
Underlying Profit after tax attributable to AGL shareholders						537

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

6. Portfolio Review Summary

The portfolio review for the Electricity (Section 6.2) and Gas (Section 6.3) businesses outlines the margin achieved for each of AGL's portfolios across operating segments, and demonstrates how value is generated within each business. The portfolio reviews in Section 6.2 and 6.3 start with volume information before summarising external customer revenue, customer network and other costs, fuel and gas costs net of hedging, and costs of managing and maintaining owned and contracted generation assets, to arrive at a portfolio's margin. A per unit rate ($/MWh for electricity and $/GJ for gas) is derived from each category of revenue and cost using the relevant associated volumes.

The tables in Sections 6.2 and 6.3 should be read in conjunction with Section 6.4 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

6.1 Portfolio Review Summary to Underlying Profit after Tax

	FY22 $m	FY21 $m
Electricity Portfolio		
Total revenue	**6,614**	6,934
Customer network, green compliance, and other cost of sales	**(3,447)**	(3,461)
Fuel costs	**(852)**	(857)
Generation running costs	**(669)**	(635)
Depreciation and amortisation	**(471)**	(465)
Net portfolio management	**(155)**	58
Electricity Portfolio Margin (a)	**1,020**	1,574
Gas Portfolio		
Total revenue	**2,511**	2,389
Customer network and other cost of sales	**(556)**	(555)
Gas purchases	**(1,104)**	(967)
Haulage, storage and other	**(342)**	(347)
Gas Portfolio Margin	**509**	520
Natural Gas	**(7)**	(36)
Gas Portfolio Margin (including Natural Gas) (b)	**502**	484
Other AGL		
Other margin[1]	**64**	33
Customer Markets operating costs	**(491)**	(517)
Integrated Energy other operating costs	**(76)**	(90)
Investments operating costs	**(21)**	(2)
Centrally Managed Expenses operating costs	**(259)**	(310)
Other depreciation and amortisation	**(238)**	(213)
Net finance costs	**(217)**	(224)
Income tax expense	**(66)**	(199)
Total Other AGL (c)	**(1,304)**	(1,522)
Underlying Profit after Tax (a + b + c)	**218**	536
Non-controlling interests[2]	**7**	1
Underlying Profit after tax attributable to AGL shareholders	**225**	537

1. Other margin includes other income from investments, and gross margin from Customer Markets.
2. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

6.2 Electricity portfolio

The Electricity portfolio review combines Integrated Energy's Trading and Origination (Electricity), Operations (Coal, Gas Generation and Renewables), with Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

All electricity volumes generated by AGL are sold into either the National Electricity Market (NEM) or Western Australian Wholesale Electricity Market (collectively the "pool") for which AGL receives pool generation revenue. Pool generation revenue is a function of volume and pool prices, which are set by the real-time market in each state. In the NEM, the total volume demanded by AGL customers is then purchased from the pool according to the geographical profile of customer demand and is reported as pool purchase volumes and costs. Where AGL's customer demand volumes exceed pool generation volumes, the generation volume deficit needs to be purchased from the pool by AGL.

	FY22 GWh	FY21 GWh	Movement %
Pool purchase volume to satisfy Consumer customers	**15,145**	15,117	0.2%
Pool purchase volume to satisfy Large Business customers and Wholesale customers	**24,953**	26,390	(5.4)%
Pool purchase volume[1]	**40,098**	41,507	(3.4)%
Add: Net generation volume surplus/(deficit)	**657**	(370)	(277.6)%
Pool generation volume	**40,755**	41,137	(0.9)%
Consumer customers sales	**14,371**	14,608	(1.6)%
Large Business customers sales	**10,543**	10,207	3.3%
Wholesale customers sales	**14,042**	15,752	(10.9)%
Total customer sales volume	**38,956**	40,567	(4.0)%
Energy losses	**1,142**	940	21.5%
Pool purchase volume[1]	**40,098**	41,507	(3.4)%

1. Includes 2.5 TWh residential solar volumes purchased from consumers (FY21: 2.0 TWh).

Refer to Section 3.1.4 for commentary on generation volumes.

Refer to Section 3.1.2 for commentary on customer energy demand.

	Portfolio Margin		Per Unit		Volume Denomination	
Revenue	FY22 $m	FY21 $m	FY22 $/MWh	FY21 $/MWh	FY22 GWh	FY21 GWh
Consumer customers	**3,975**	4,134	***276.6***	*283.0*	**14,371**	14,608
Large Business customers	**1,539**	1,597	***146.0***	*156.5*	**10,543**	10,207
Wholesale customers[1]	**985**	1,108	***70.1***	*70.3*	**14,042**	15,752
Operations (ancillary revenue)	**115**	95				
Total revenue	**6,614**	6,934	***169.8***	*170.9*	**38,956**	40,567

1. Wholesale customers revenue includes amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Total revenue was $6,614 million, down 4.6%.

- Revenue from Consumer customers was $3,975 million, down 3.8% due to lower volumes and impact of customers moving to lower-priced products compared to the prior year.
- Large Business customer revenue was $1,539 million, down 3.6%, driven by lower east coast consumption as a result of COVID-19 and a decline in average revenue rates due to a decrease in wholesale costs in the east coast.
- Wholesale customer revenue was $985 million, down 11.1%, largely driven by a decrease in volumes and prices sold to Wholesale customers in addition to a reduction in green certificates sold compared with the prior year at lower prices.
- Operations revenue was $115 million, up 21.1% primarily driven by an internal Kwinana Swift Power Station capacity charge. Operations revenue predominately comprises external revenue from the sale of coal from AGL's mine at AGL Loy Yang to the Loy Yang B Power Station.

Network and other cost of sales						
Network costs	**(2,366)**	(2,361)	***(95.0)***	*(95.1)*	**24,914**	24,815
Consumer	**(1,784)**	(1,786)	***(124.1)***	*(122.3)*	**14,371**	14,608
Large Business	**(582)**	(575)	***(55.2)***	*(56.3)*	**10,543**	10,207
Green compliance costs	**(611)**	(655)	***(24.5)***	*(26.4)*	**24,914**	24,815
Consumer solar costs	**(252)**	(225)	***(102.6)***	*(124.2)*	**2,456**	1,811
Other cost of sales	**(218)**	(220)	***(8.8)***	*(8.9)*	**24,914**	24,815
Total customer network and other cost of sales	**(3,447)**	(3,461)	**(138.4)**	(139.5)	**24,914**	24,815

Total customer network and other costs of sales were $(3,447) million, down 0.4%.

- Total network costs were $(2,366) million, an increase of 0.2%, driven by decrease in volumes offset by tariff increases.
- Green compliance costs were $(611) million, down 6.7%, due to lower prices and lower cost of internally generated large scale generation certificates.
- Consumer solar costs were $(252) million, up 12.0% due to increase in solar volumes, partially offset by a reduction in average feed-in-tariffs compared to prior year.
- Other cost of sales were $(218) million, down 0.9%, with the prior year including additional costs associated with Click Energy customer base that were recognised prior to integration into AGL.

	Portfolio Margin		Per Unit		Volume Denomination	
Fuel costs	FY22 $m	FY21 $m	FY22 $/MWh	FY21 $/MWh	FY22 GWh	FY21 GWh
Coal	**(647)**	(627)	***(18.8)***	*(18.3)*	**34,327**	34,292
Gas	**(205)**	(230)	***(140.7)***	*(106.5)*	**1,457**	2,159
Renewables	–	–	–	–	**4,971**	4,686
Total fuel costs (a)	**(852)**	(857)	***(20.9)***	*(20.8)*	**40,755**	41,137

Refer to Section 3.1.5 for commentary on fuel costs.

Generation running costs						
Coal Power plants	**(368)**	(393)	***(10.7)***	*(11.5)*	**34,327**	34,292
Gas Power plants	**(53)**	(62)	***(36.4)***	*(28.7)*	**1,457**	2,159
Renewables[1]	**(178)**	(248)	***(35.8)***	*(52.9)*	**4,971**	4,686
Other	**(70)**	(57)	***(1.7)***	*(1.4)*	**40,755**	41,137
AGL Loy Yang Unit 2 Insurance proceeds	**–**	125				
Total generation running costs (b)	**(669)**	(635)	***(16.4)***	*(15.4)*	**40,755**	41,137

1. Renewables includes Power Purchase Agreements (PPA) costs.

Total generation running costs were $(669) million, up 5.4%.

- Coal operating costs were $(368) million, down 6.4% driven by decreased labour and maintenance costs as a result of operational efficiencies, non-recurrence of COVID-19 response costs and lower expenditure on Liddell following the closure of one unit in April 2022. This was partly offset by increased labour costs due to Enterprise Agreement wage escalations.
- Gas operating costs were $(53) million, down 14.5%, driven by lower operating costs resulting from the closure of two A station units at AGL Torrens in September 2020 and non-recurrence of turbine repairs at Kwinana Swift Power Station.
- Renewables costs were $(178) million, down 28.2%, driven by an increase in onerous contract provision release for a full calendar year compared to six months in the prior year, in addition to the onerous provision increasing driven by the relative value of large-scale generation certificates and electricity against the PPA contracts and the non-recurrence of the commercial settlement of a historic legal dispute.
- Other costs were $(70) million, up 22.8%, primarily driven by an internal Kwinana Swift Power Station capacity charge.
- AGL Loy Yang Unit 2 insurance proceeds in the prior year relates to the insured event that occurred in 2019 leading to a major outage.

Depreciation and amortisation (c)	**(471)**	(465)	***(11.6)***	*(11.3)*	**40,755**	41,137

Depreciation and amortisation was $(471) million, up 1.3%, driven by higher depreciation associated with an increase in environmental rehabilitation assets in the prior year and the impact of earlier closure dates of Bayswater Power Station and AGL Loy Yang. This was partly offset by the impact of the impairment recognised in the prior year.

Net Portfolio Management						
Pool generation revenue[1]	**4,686**	2,386	***115.0***	*58.0*	**40,755**	41,137
Pool purchase costs[1]	**(5,189)**	(2,582)	***(129.4)***	*(62.2)*	**40,098**	41,507
Net derivative revenue	**348**	254	***8.5***	*6.2*	**40,755**	41,137
Net Portfolio Management (d)	**(155)**	58	***(4.0)***	*1.4*	**38,956**	40,567

1. Pool generation revenue and pool purchase costs include amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Net pool generation revenue and pool purchase costs were $(503) million, down $307 million, reflecting lower generation volumes mainly driven by Loy Yang Unit 2 outage in the second half of the year when extended periods of volatility occurred in the market. The net derivative revenue of $348 million has increased by $94 million, driven largely by the management of risk in the wholesale electricity derivatives position combined with contracted prices lower than pool price outcomes on a bought position in New South Wales and Queensland partially offset by a sold position in Victoria.

	Portfolio Margin		Per Unit		Volume Denomination	
	FY22 $m	FY21 $m	FY22 $/MWh	FY21 $/MWh	FY22 GWh	FY21 GWh
Total wholesale costs (a + b + c + d)	**(2,147)**	(1,899)	***(53.5)***	*(45.8)*	**40,098**	41,507
Total costs	**(5,594)**	(5,360)	***(143.6)***	*(132.1)*	**38,956**	40,567
Electricity Portfolio Margin	**1,020**	1,574	***26.2***	*38.8*	**38,956**	40,567
Consumer customers	**471**	478				
Large Business customers	**33**	34				
Trading and Origination	**1,455**	2,014				
Perth Energy margin	**(1)**	11				
Click Energy margin	**–**	21				
Operations (Coal, Gas Generation and Renewables)	**(938)**	(984)				

In addition to the commentary above, Electricity portfolio margin is discussed in Section 5.1 and 5.2.

6.3 Gas portfolio

The gas portfolio review combines the Integrated Energy Trading and Origination (Gas) and Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

	FY22 PJ	FY21 PJ	Movement %
Consumer customers sales	**54.1**	55.9	(3.2)%
Large Business customers sales	**17.9**	19.4	(7.7)%
Wholesale customer sales and internal generation usage volumes	**81.1**	83.1	(2.4)%
Total customer sales volume	**153.1**	158.4	(3.3)%
Energy losses	**3.6**	0.9	300.0%
Gas purchase volume	**156.7**	159.3	(1.6)%

Refer to Section 3.1.2 for commentary on customer energy demand.

Revenue	Portfolio Margin FY22 $m	Portfolio Margin FY21 $m	Per Unit FY22 $/GJ	Per Unit FY21 $/GJ	Volume Denomination FY22 PJ	Volume Denomination FY21 PJ
Consumer customers	**1,489**	1,521	***27.5***	*27.2*	**54.1**	55.9
Large Business customers	**162**	151	***9.1***	*7.8*	**17.9**	19.4
Wholesale Gas & Eco Markets	**860**	717	***10.6***	*8.6*	**81.1**	83.1
Total revenue	**2,511**	2,389	***16.4***	*15.1*	**153.1**	158.4

- Consumer revenue was $1,489 million, down 2.1%, driven by lower volumes sold as a result of milder weather and reduction in small business demand.
- Large Business customers revenue was $162 million, up 7.3% due to the uplift in volumes from Perth Energy revenue as a result of increased customer acquisitions and retentions and higher wholesale costs increasing the revenue rate.
- Wholesale customer revenue was $860 million, up 19.9%, largely driven by an increase in revenue rates due to the impact of higher oil prices and new customer contracts being won at higher prices and increased volumes sold driven by new customers and higher demand from existing customers.

Network and other cost of sales	Portfolio Margin FY22 $m	Portfolio Margin FY21 $m	Per Unit FY22 $/GJ	Per Unit FY21 $/GJ	Volume Denomination FY22 PJ	Volume Denomination FY21 PJ
Consumer network costs	**(480)**	(482)	***(8.9)***	*(8.6)*	**54.1**	55.9
Consumer other cost of sales	**(53)**	(54)	***(1.0)***	*(1.0)*	**54.1**	55.9
Large Business customers network costs	**(21)**	(17)	***(1.2)***	*(0.9)*	**17.9**	19.4
Large Business customers other cost of sales	**(2)**	(2)	***(0.1)***	*(0.1)*	**17.9**	19.4
Total network and other cost of sales	**(556)**	(555)	***(7.7)***	*(7.4)*	**72.0**	75.3

Total network costs and other cost of sales were $556 million, up 0.2%, driven by network tariff increases, partly offset by decrease in volumes.

Wholesale costs	FY22 $m	FY21 $m	FY22 $/GJ	FY21 $/GJ	FY22 PJ	FY21 PJ
Gas purchases	**(1,104)**	(967)	***(7.2)***	*(6.1)*	**153.1**	158.4
Haulage, storage and other	**(342)**	(347)	***(2.2)***	*(2.2)*	**153.1**	158.4
Total wholesale costs	**(1,446)**	(1,314)	***(9.4)***	*(8.3)*	**153.1**	158.4

See Section 3.1.5 for commentary on wholesale gas costs.

	FY22 $m	FY21 $m	FY22 $/GJ	FY21 $/GJ	FY22 PJ	FY21 PJ
Total costs	**(2,002)**	(1,869)	***(13.1)***	*(11.8)*	**153.1**	158.4
Gas Portfolio Margin	**509**	520	***3.3***	*3.3*	**153.1**	158.4
Natural Gas	**(7)**	(36)				
Gas Portfolio Margin (including Natural Gas)	**502**	484				
Consumer customers	**259**	256				
Large Business customers	**8**	10				
Trading and Origination	**239**	241				
Perth Energy margin	**3**	3				
Click Energy margin	**–**	10				
Natural Gas	**(7)**	(36)				

Natural Gas was $(7) million, up 80.6% driven by lower depreciation and amortisation due to the impact of the impairment recognised in the prior year and the classification of Newcastle Gas Storage Facility as held for sale, an increase in Silver Springs oil and gas sales predominantly due to higher prices and lower field development costs relating to the Moranbah Gas Project joint venture.

In addition to the commentary above, Gas portfolio margin is discussed in Section 5.1 and 5.2.

Operating & Financial Review

For the year ended 30 June 2022

6.4 Portfolio Review Reconciliation

FY22 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	**5,514**	**1,651**	**274**	**24**	**7,463**
Integrated Energy	**1,100**	**860**	**97**	**3,684**	**5,741**
Other	**–**	**–**	**17**	**–**	**17**
Revenue	**6,614**	**2,511**	**388**	**3,708**	**13,221**
Customer Markets	**(3,447)**	**(556)**	**(241)**	**453**	**(3,791)**
Integrated Energy	**(1,092)**	**(1,446)**	**(31)**	**(4,161)**	**(6,730)**
Other	**–**	**–**	**(11)**	**–**	**(11)**
Cost of sales	**(4,539)**	**(2,002)**	**(283)**	**(3,708)**	**(10,532)**
Other income	**–**	**–**	**25**	**–**	**25**
Gross margin	**2,075**	**509**	**130**	**–**	**2,714**
Operating costs (excluding depreciation and amortisation)	**(584)**	**–**	**(912)**	**–**	**(1,496)**
Depreciation and amortisation	**(471)**	**–**	**(246)**	**–**	**(717)**
Portfolio Margin/Underlying EBIT	**1,020**	**509**	**(1,028)**	**–**	**501**

FY22 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	**6,614**	**2,511**	**4,686**	**–**	**13,811**
Revenue reclass	**(636)**	**–**	**(301)**	**–**	**(937)**
Intragroup	**–**	**(109)**	**–**	**–**	**(109)**
Other	**(271)**	**15**	**16**	**696**	**456**
Note 2 - Revenue	**5,707**	**2,417**	**4,401**	**696**	**13,221**

FY21 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	5,731	1,672	151	21	7,575
Integrated Energy	1,203	717	84	1,361	3,365
Other	–	–	2	–	2
Revenue	6,934	2,389	237	1,382	10,942
Customer Markets	(3,461)	(555)	(127)	521	(3,622)
Integrated Energy	(921)	(1,314)	(26)	(1,903)	(4,164)
Other	–	–	(2)	–	(2)
Cost of sales	(4,382)	(1,869)	(155)	(1,382)	(7,788)
Other income	120	–	11	–	131
Gross margin	2,672	520	93	–	3,285
Operating costs (excluding depreciation and amortisation)	(633)	–	(986)	–	(1,619)
Depreciation and amortisation	(465)	–	(242)	–	(707)
Portfolio Margin/Underlying EBIT	1,574	520	(1,135)	–	959

FY21 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	6,934	2,389	2,386	–	11,709
Revenue reclass	(706)	–	(113)	–	(819)
Intragroup	(3)	(231)	–	–	(234)
Other	(305)	12	28	551	286
Note 2 - Revenue	5,920	2,170	2,301	551	10,942

Notes

(a) Other AGL includes Natural Gas Underlying EBIT.

(b) Key adjustments include:

- Integrated Energy electricity pool sales in the statutory accounts has been reallocated to cost of sales (net portfolio management) in the Portfolio Review where it is combined with pool purchase costs and derivatives to reflect AGL's net position.
- Integrated Energy other revenue in the statutory accounts has been reallocated to cost of sales (generation running costs) in the Portfolio Review including ancillary services revenue, brown coal sales and wind farm asset management fees.
- Within Integrated Energy, derivatives from certain wholesale contracts are recognised within cost of sales in the statutory accounts.
- In the Portfolio Review the revenue and costs have been separately disclosed. Intra-segment and inter-segment eliminations include: Gas sales from Trading and Origination - Gas to Trading and Origination - Electricity; gas sales from Natural Gas to Trading and Origination - Gas. Elimination adjustment also includes the reallocation of green costs from Trading and Origination - Electricity to Consumer and Business customer other cost of sales.

7. Governance Summary

AGL is committed to ensuring that its corporate governance framework, policies and practices are of a high standard. Delivering on this commitment requires AGL to have a sound understanding of current governance requirements and practices, as well as being attuned to emerging governance trends and shifting stakeholder expectations. Set out below is a summary of selected aspects of AGL's corporate governance framework and a summary of key governance focus areas during FY22.

Throughout FY22, AGL's corporate governance arrangements were consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. AGL's 2022 Corporate Governance Statement is available at **agl.com.au/CorporateGovernance**.

AGL's 2022 Corporate Governance Statement outlines AGL's arrangements in relation to its Board, Board Committees, Executive Team, risk management framework and financial reporting, diversity and inclusion, key corporate governance policies and shareholder engagement.

7.1 Board skills

AGL seeks to maintain a Board of Directors with a broad range of skills, knowledge and experience necessary to provide effective oversight over management and guide the strategic direction of the company. The Board uses a skills matrix to identify the key skills and experience the AGL Board is seeking to achieve in its membership. The skills matrix is updated regularly by each Director rating their skills, expertise and experience from 1 to 3 for each identified skill. The self-assessment ratings are subsequently considered and approved by the Board. The skills matrix as at 19 August 2022 is set out in Table 7.2.2.

In conducting the assessment, Directors were assessed using the following skills rating levels:

Significant Experience – regarded to have expert or highly qualified proficiency, knowledge and experience in the subject matter or domain and has been seen to contribute these skills in board and committee conversations and critical thinking.

Developed Understanding – developed a sound working knowledge and understanding of the subject matter through either past executive or management roles, extensive on-the-job application of skills in board and committee activities and/or through training and professional development activities.

General Familiarity – possesses an awareness and base literacy around the subject/topic and its relevance to the organisation and the Board.

Individual Director assessments were aggregated to inform an assessment of the overall level of capability represented across the Board in each of the identified priority areas.

In the ten identified areas, the Board as a whole was rated either as having Significant Experience or Developed Understanding.

The skills matrix will be used to guide the identification of potential director candidates as part of the current Board renewal process.

Further details about AGL's Board Skills Matrix are set out in AGL's 2022 Corporate Governance Statement available at **agl.com.au/CorporateGovernance**.

7.2 Key areas of focus during FY22

Table 7.2.1: Board Focus Areas during FY22

	Key Focus Areas	Business Value Drivers
Board	• Oversight of AGL's proposed demerger, which involved a significant planning process. The demerger was withdrawn on 30 May 2022 and a review of AGL's strategic direction was announced, with a focus on four key areas - reviewing existing strategies, decarbonisation objectives, optimal energy mix and capital structure. • Oversight of AGL's proposal to transition existing thermal generation sites to low-carbon industrial energy hubs. • Consideration and rejection of two unsolicited non-binding indicative proposals from a consortium led by Brookfield Asset Management Inc and Grok Ventures to acquire 100% of the shares in AGL. • Board renewal and succession planning. This included the appointment of Graham Cockroft and Vanessa Sullivan as non-executive directors, the appointment of new Executive Team members - Jo Egan (Chief Customer Officer), Amanda Lee (Chief People Officer) and Melinda Hunter (General Counsel & Company Secretary) and the commencement of a Board renewal process to appoint a new Chair, CEO and other non-executive directors following the withdrawal of AGL's proposed demerger. • Monitoring AGL's customer strategy, including the continued implementation of the Customer First Program which has delivered a series of improvements for customers and approving opportunities to grow AGL's retail business. • Group performance (including financial performance, asset performance, customer metrics, HSE performance). • Developed and approved new Climate Commitments. • Launched and progressed AGL's first Reconciliation Action Plan. • AGL's governance and risk management systems and identifying ways to further strengthen governance, accountability and culture within AGL.	

Governance Summary

For the year ended 30 June 2022

Table 7.2.2: Board Skills Matrix

Skills, experience & knowledge	Key Competencies	Competency Level
Operations	• Project governance and management • Industrial and large asset operations management • Operational efficiency and optimisation • Safety • Wholesale customer strategies	General Developed Significant
Customer Markets	• Experience with large customer base • Retail customer experience • Product innovation and multi-product packaging • Customer-led transformation initiatives • Responsive to new market entrants and disruption • B2B marketing	General Developed Significant
Stakeholder Management and Communications	• Effective Government relationships • Championing NEM transition • Advocate to stakeholders of role in transition, particularly ESG focused stakeholders • Investor Relations	General Developed Significant
Entrepreneurship, Commercial Leadership and Growth	• Commercial development and planning of sites • Responsive to changing market conditions • Entrepreneurship to develop new opportunities • Capitalise on growth opportunities, including M&A	General Developed Significant
Industrial Relations	• Large workforce management • Transitioning workforce • Highly unionised workforce	General Developed Significant
Energy Markets	• Renewables and development • Fuel sourcing • Trading • Effective management of "long" energy position • Effective gas strategy in a supply constrained market • Decentralised energy and orchestration	General Developed Significant
Technology	• Technology and digital enablement • New and emerging technologies • Development of customer solutions • Capitalise on existing technology investments and pursuit of further optimal investments	General Developed Significant
Financial/ Capital Markets	• Funding and credit sourcing in ESG constrained environment • Financial governance (audit and controls) • Accounting, financial reporting and capital management	General Developed Significant
Environmental	• Rehabilitation and transition experience • Effective environment management • Climate change risk management • ESG experience	General Developed Significant
Governance	• Effective risk management • Compliance management • ASX listed experience	General Developed Significant

Board and Board Committee focus areas during FY22

The key areas of focus for the Board during FY22, in addition to standing agenda items, are set out in Table 7.2.1 above.

The Board has established four standing Committees as follows:

- Audit & Risk Management Committee;
- Nominations Committee;
- People & Performance Committee; and
- Safety & Sustainability Committee (formerly the Safety, Customer & Corporate Responsibility Committee).

Each standing Committee's roles and responsibilities are set out in its Charter. A summary of the key focus areas for the standing Committees during FY22 is set out in Table 7.2.3 below.

Table 7.2.3: Committee focus areas during FY22

Audit & Risk Management Committee	Safety & Sustainability Committee (formerly Safety, Customer & Corporate Responsibility Committee)
• Overseeing the issues, incidents and risks identified by management in Group Audit, compliance and risk reports and ensuring there is clear accountability for, and effective closure of relevant issues. • Overseeing AGL's financial reporting processes, including consideration of AGL's half-year and full-year reports and Task-force on Climate-related Financial Disclosures. • Overseeing AGL's funding and debt strategy. • Reviewing AGL's insurance renewal options and strategy. • Reviewing the effectiveness of AGL's governance and risk management systems and identifying ways to further strengthen governance, accountability and culture within AGL. • AGL's preparedness for peak period operations and reviewing performance of assets during peak periods, including risk controls and lessons learned. • Post-implementation reviews of major projects, including processes to improve the delivery of major projects generally. • Reviewing reports from management on emerging sources of risk and mitigation measures in place to deal with those risks, including in relation to cyber security and climate change.	• Overseeing planning activities for the safe closure of the Liddell power station, proposed future use of that site and the impact of the closure on the community and employees. • Meeting with groups of employees to discuss safety (physical and mental health and wellbeing) issues affecting AGL personnel. • AGL's safety, culture, systems, capability and risk, including overseeing initiatives to improve HSE performance and participation in site critical control checks. • Development and implementation of AGL's Reconciliation Action Plan and oversight of AGL's engagement with First Nations peoples. • Overseeing the HSE Audit program.
Nominations Committee	**People & Performance Committee**
• Board renewal and succession planning, including the appointment of Graham Cockroft and Vanessa Sullivan as non-executive directors to the Board during FY22 and the Board renewal process announced on 30 May 2022. • CEO succession planning, including the process for appointing a new CEO as part of the current Board renewal process.	• Overseeing the preparation of AGL's FY22 Remuneration Report. • Executive succession planning, including the appointment and departure of Executive Team members. • Overseeing the remuneration and personnel aspects of the proposed demerger of AGL and the process for reintegration. • Consideration of AGL's Diversity objectives.

Board of Directors

For the year ended 30 June 2022

The Directors present their report together with the financial statements of AGL and its controlled entities for the year ended 30 June 2022. The section of our Annual Report titled 'Operating & Financial Review' comprises our operating and financial review (OFR) and forms part of this Directors' Report. The Governance Summary, Remuneration Report and Other Required Disclosures also form part of this Directors' Report.

The names of the persons who have been Directors, or appointed as Directors during the period since 1 July 2021 and up to the date of this Report are Peter Botten (Chair), Graeme Hunt (Managing Director and CEO), Mark Bloom, Graham Cockroft, Jacqueline Hey (resigned on 30 May 2022), Patricia McKenzie, Diane Smith-Gander, John Stanhope (retired on 22 September 2021) and Vanessa Sullivan.

Details of the skills, qualifications, experience and responsibilities of AGL's Directors as at the date of this Report are set out below.

Peter Botten AC, CBE

Non-Executive Director since October 2016 and Chair since 22 April 2021.

Age 67. BSc, ARSM

Current Directorships: Director of Karoon Energy Limited (commenced 1 October 2020) and Aurelia Minerals Limited (commenced 13 September 2021), Council Member of the Australia PNG Business Council, Chair of the Oil Search Foundation, Hela Provincial Health Authority and the National Football Stadium Trust in Papua New Guinea.

Former Directorships of listed companies over the past 3 years: Managing Director of Oil Search Limited from 28 October 1994 to 25 February 2020.

Experience: Peter was Managing Director of Oil Search Limited from 28 October 1994 until 25 February 2020, overseeing its development into a major ASX listed company. Peter has extensive worldwide experience in the oil and gas industry, holding various senior technical, managerial and board positions in a number of listed and government-owned bodies.

Mark Bloom

Non-Executive Director since 1 July 2020.

Age 64. BCom, BAcc, CA

Current Directorships: Director of Pacific Smiles Group Limited (commenced 18 October 2019) and Abacus Property Group Limited (commenced 1 July 2021).

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Mark has over 35 years' experience as a Finance Executive. Mark was CFO at ASX listed Scentre Group Limited from its formation in July 2014 until his retirement in April 2019. Prior to the formation of Scentre Group Limited, Mark was the Deputy Group CFO of Westfield Group for 11 years.

Mark's executive career includes acting as CFO and an executive Director at three listed entities in Real Estate (Westfield and Scentre Group – 16 years) and Insurance and diversified Financial Services (Liberty Life, South Africa and Manulife Financial, Toronto – 20 years). Mark has extensive experience in overseeing global and local finance and IT teams.

Graham Cockroft

Non-Executive Director since 1 January 2022.

Age 59. MCom, MSc Finance

Current Directorships: Director of Tuatahi First Fibre Limited and Meridian Energy Limited.

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Graham has a strong financial background and extensive experience, gained over 30 years, working in the energy sector. He was previously Group CFO of Singapore based and listed integrated energy player, Sembcorp Industries and CFO of Contact Energy, a large listed integrated energy company in New Zealand. Graham also spent close to two decades at BG Group in various senior strategy, business development and operational roles, primarily in the UK and South America.

Board of Directors

For the year ended 30 June 2022

Graeme Hunt

Managing Director and CEO (appointed 22 April 2021). Formerly Non-Executive Director (September 2012 - April 2021) and Chair (27 September 2017 - April 2021).

Age 65. MBA, BMET, FAus IMM

Current Directorships: Chair of BIS Industries Limited, Member of CSIRO Energy Advisory Council and Director of the Future Battery Industry Collaborative Research Centre and the Australian Energy Council.

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Graeme has extensive experience in establishing and operating large capital projects including in energy intensive industries. He was previously Managing Director of Broadspectrum Limited and Managing Director of Lihir Gold Limited. He has also held a number of senior executive positions in a 30 year career with the BHP Group.

Patricia McKenzie

Non-Executive Director since May 2019.

Age 66. LLB FAICD

Current Directorships: Chair of NSW Ports and the Sydney Desalination Plant group companies. Director of The Housing Connection.

Former Directorships of listed companies over the past 3 years: Patricia was a Director of APA Group from 1 January 2011 to 8 March 2019.

Experience: Patricia has 40 years' experience in the Australian energy sector with particular focus on matters of market design, industry governance and regulatory reform. She was previously the Chair of Essential Energy, a director of Macquarie Generation and Transgrid, CEO of the Gas Market Company from 2001 to 2008 and a member of the Gas Market Leaders Group representing gas market operators from 2005 to 2010. In these roles, she was a key participant in the Council of Australian Government's National Energy Reform, a major outcome of which was the establishment of AEMO, of which she was a Director (2009 to 2011).

Diane Smith-Gander AO

Non-Executive Director since September 2016.

Age 64. BEc, MBA, FAICD, FGIA, Hon. DEc, FAIM, GAICD

Current Directorships: Chair of Zip Co Limited (commenced 1 February 2021), DDH1 Limited (commenced 8 February 2021), the Committee for Economic Development of Australia and the UWA Business School Advisory Board. Director of HBF Health Limited. Member of the Advisory Committee of the Australian Chapter of the Climate Governance Initiative.

Former Directorships of listed companies over the past 3 years: Diane was a Director of Wesfarmers Limited from August 2009 to 12 November 2020.

Experience: Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. This includes as a former partner at McKinsey & Company, and Group Executive IT and Operations, Westpac Banking Corporation.

Vanessa (Fernandes) Sullivan

Non-Executive Director since 1 March 2022.

Age 53. BEc (Hons), GradDip (AppFin), GAICD

Current Directorships: Non-Executive Director of Essential Energy, Eco-Markets Australia, Niche Environment and Heritage, and Sunwater Limited, Independent Member of Queensland's Hydrogen Taskforce and a Member of Centacare's Advisory Board.

Former Directorships of listed companies over the past 3 years: Nil

Experience: Vanessa has strong commercial, financial, project development and strategy experience gained over 20 years, working across the energy, water and sustainability sectors and more recently in hydrogen industry development. This includes as a Climate Change Leader and Utilities Leader at EY and undertaking significant energy market reforms across the supply chain whilst at Queensland Treasury Corporation. Vanessa has previously held non-executive director roles with Energex and the Smart Energy Council.

Board of Directors

For the year ended 30 June 2022

Composition of Board Committees
as at 30 June 2022

Director	Status	Audit & Risk Management Committee	People & Performance Committee	Safety & Sustainability Committee	Nominations Committee
Graeme Hunt	Managing Director & CEO				
Mark Bloom	Independent	Chair		✔	✔
Patricia McKenzie	Independent	✔	✔		✔
Peter Botten	Independent				Chair
Diane Smith-Gander	Independent		Chair	✔	✔
Graham Cockroft	Independent	✔	✔		✔
Vanessa Sullivan	Independent		✔	Chair	✔

Directors' Interests

The relevant interest of each Director in the share capital of AGL Energy or any of its related bodies corporate, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

AGL Energy Limited Ordinary Shares	
Peter Botten	11,390
Graeme Hunt	30,475
Mark Bloom	7,000
Patricia McKenzie	8,465
Diane Smith-Gander	10,962
Graham Cockroft	20,000
Vanessa Sullivan	3,221

No options have been granted over any securities or interests of AGL or the consolidated entity.

Company Secretaries

During FY22, John Fitzgerald held the position of General Counsel and Company Secretary, having been appointed Company Secretary on 1 October 2015 and General Counsel in December 2007. John held this position until he departed AGL on 30 June 2022. John's qualifications are a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is also admitted as a Solicitor of the Supreme Court of New South Wales.

Melinda Hunter was appointed as Company Secretary on 23 May 2017. On 1 July 2022, Melinda was appointed General Counsel and Company Secretary. Melinda's qualifications are a Bachelor of Commerce and a Bachelor of Laws from Macquarie University. Melinda is admitted as a Solicitor of the Supreme Court of New South Wales and has been practising corporate law for over 20 years.

Dividends

The Directors have declared a final dividend of 10.0 cents per share, compared with 34.0 cents per share for the prior final dividend. The annual dividend for the year ended 30 June 2022 was 26.0 cents per share compared with 75.0 cents per share for the prior year. The final dividend will be 100% unfranked and will be paid on 27 September 2022. The record date to determine shareholders' entitlements to the final dividend is 2 September 2022. Shares will commence trading ex-dividend on 1 September 2022.

The following dividends have been paid or declared by the Directors since 30 June 2021:

Final dividend of 34.0 cents per share (100% unfranked) paid on 29 September 2021	$212 million
Interim dividend of 16.0 cents per share (100% unfranked) paid on 30 March 2022	$105 million
Final dividend of 10.0 cents per share (100% unfranked) payable on 27 September 2022	$67 million

AGL targets a payout ratio of approximately 75% of Underlying Profit after tax. Before declaring each dividend the Directors satisfied themselves that:

- AGL's assets exceeded its liabilities immediately before declaring the dividend and the excess was sufficient for the payment of the dividend;
- the payment of the dividend was fair and reasonable to AGL's shareholders as a whole; and
- the payment of the dividend would not materially prejudice AGL's ability to pay its creditors.

Given the status of the review of AGL's strategic direction, in order for AGL to manage its ongoing continuous disclosure obligations the Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final FY22 dividend. It is the Board's intention to reinstate the DRP when circumstances allow.

Directors' Meetings

The number of Directors' meetings (including meetings of Board Committees) and number of meetings attended by each of the Directors of AGL during the financial year ended 30 June 2022 were:

	Regular Board Meetings		Special Board Meetings		Audit & Risk Management Committee		People and Performance Committee		Safety & Sustainability Committee*		Nominations Committee	
Directors' Name	A	B	A	B	A	B	A	B	A	B	A	B
Peter Botten	11	11	18	18							3	3
Mark Bloom	11	11	18	18	5	5			4	4	3	3
Graham Cockroft	5	5	15	15	3	3	2	2			1	1
Jacqueline Hey	10	10	17	18	4	4			3	3	3	3
Graeme Hunt	11	11	18	18								
Patricia McKenzie	11	11	16	18	5	5	4	4			3	3
Diane Smith-Gander	11	11	17	18			4	4	3	4	2	3
John Stanhope	3	3	2	2	1	1	1	1			1	1
Vanessa Sullivan	4	4	9	11			2	2	2	2	0	0

*Formerly the Safety, Customer & Corporate Responsibility Committee.

A – number of meetings attended as a member
B – number of meetings held during the time the Director held office during the year

During the year, in aggregate, there were 23 occasions when Non-Executive Directors also attended meetings of Committees of which they were not members.

Directors also participated in informal meetings and video conferences. AGL makes use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; to settle routine matters and allow formal Board meetings to concentrate on more important matters. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Executive Team

For the year ended 30 June 2022

Graeme Hunt

Managing Director & CEO

See page 54 for Graeme's bio.

Markus Brokhof

Chief Operating Officer

Markus joined AGL in April 2020 as Chief Operating Officer.

Prior to joining AGL, Markus was the Head of Digital and Commerce, and an Executive Board Member at ALPIQ Group in Switzerland, a leading Swiss electricity producer. In this capacity, Markus was responsible for the trading and origination activities in more than 30 countries. Markus also led the retail and digital business for the Group.

With more than 27 years' experience in the oil, power and gas sectors gained across operations in Europe, Africa and the Middle East, Markus has a wealth of experience in mining, asset management and trading. Markus holds a Masters of Engineering from Technical University of Clausthal, Germany.

Jo Egan

Chief Customer Officer

Jo joined AGL in 2008 and was appointed Chief Customer Officer in June 2022.

Jo's previous roles included General Manager, Product and Portfolio for AGL, leading the delivery of the company's multi-product retail strategy and growing the business through multiple acquisitions. Prior to joining AGL, Jo worked at TRUenergy in retail leadership roles. With more than two decades of experience across product, sales, marketing and channels, Jo specialises in managing change in complex environments and transforming the customer experience.

Jo holds a Masters of Business Administration and Management from Deakin University and is a Graduate of the Australian Institute of Company Directors.

Melinda Hunter

General Counsel & Company Secretary

Melinda joined AGL in 2017 and was appointed General Counsel & Company Secretary on 1 July 2022.

Melinda is an experienced corporate lawyer and governance professional with more than 20 years' experience. Melinda has been a Company Secretary of AGL during her time at AGL. Prior to joining AGL, Melinda worked in top tier law firms specialising in mergers and acquisitions and corporate governance and advisory.

Melinda holds a Bachelor of Commerce and a Bachelor of Laws from Macquarie University and is admitted as a solicitor of the Supreme Court of New South Wales

Amanda Lee

Chief People Officer

Amanda joined AGL in 2016, and has more than 25 years' HR experience across a range of complex industries and business operating models.

She was appointed Chief People Officer, effective 1 August 2022.

Prior to joining AGL, Amanda held senior leadership roles in ASX-50 companies, heading up executive remuneration while driving change and building high-performing teams.

Amanda holds a Bachelor of Psychology from the University of Western Australia and a Masters of Management from Macquarie University.

Damien Nicks

Chief Financial Officer

Damien joined AGL in March 2013 and held several senior executive finance roles before being appointed Interim CFO in August 2018, then formally CFO in May 2019. Damien is responsible for the Finance, IT and Strategy functions at AGL.

Damien has more than 27 years' experience across large multinational businesses including Linfox Logistics, Smorgon Steel and Deloitte.

Damien is the Chair of ActewAGL, a joint venture that governs the electricity and gas retailer and distribution businesses in the ACT. Damien holds a Bachelor of Commerce (Honours) from La Trobe University, is a fellow of the Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors.

8. Remuneration Report

This Remuneration Report forms part of the Directors' Report.

Message from the Chair of the People & Performance Committee

Dear fellow shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for AGL Energy Limited (AGL) and its consolidated entities for the year ended 30 June 2022 (FY22).

The year in review

In last year's letter I noted that FY21 was a challenging year for AGL. FY22 has been significantly more challenging. Despite a lower financial result as anticipated, our core underlying business remained resilient amidst very challenging market conditions, underscored by the strength of our low cost baseload generation position, large customer base and robust risk management framework.

Executives' short-term incentive (STI) outcomes continue to be measured against scorecards containing group and individual objectives. The Board's decision to withdraw the demerger proposal was a consideration in determining FY22 STI outcomes against their scorecards. The long-term incentive (LTI) metrics were changed for FY22 with the return on equity (ROE) objective removed and relative total shareholder return (TSR) increased to 75% and carbon transition metrics reduced to 25%. This reflects strong shareholder return alignment and a focus on the critical energy transition.

Linking FY22 remuneration outcomes to performance

The only executive to receive a fixed remuneration increase in FY22 was Damien Nicks, Chief Financial Officer, who had not received an increase since his appointment in 2019. Mr Nicks received an increase of 9.5% in September 2021, reflective of his experience and the inclusion of technology leadership in his role.

The STI scorecard outcomes for FY22 reflect mixed performance across financial and non-financial measures. In summary:

- Underlying profit after tax was $225m, at threshold levels of original guidance. This outcome reflects ongoing energy sector challenges and the impact of earlier closure dates of AGL's coal fired power stations. Additionally the unexpected Loy Yang A Unit 2 outage negatively impacted this measure combined with the costs of market suspension and volatility during the month of June.
- The targeted $150m operating expenditure (opex) savings were achieved in FY22.
- A significant reduction in combined employee/contractor total injury frequency rate (TIFR) has been achieved and the serious impact and fatality potential metric was at target.
- Strategic Net Promoter Score (NPS) increased to +6, a historical high score for AGL. Event NPS has remained stable. Telecommunications grew, with 50,000 services added, offsetting a 43,000 reduction in energy services, predominantly driven by anticipated churn related to Click Energy.
- Our employee engagement score decreased from 62% in 2021 to 57%, reflective of the disruption over the past 12 months and the impact this has had on our people.

Last year in undertaking a holistic review of the balanced scorecard the Board determined to adjust STI outcomes to zero for executives as financial thresholds were not met. This year we have again considered the overall outcomes particularly with regard to the factors outlined above. Using our discretion guidelines, the Board has determined no discretion should apply to FY22 STI outcomes.

This resulted in STI outcomes of 42.9% of maximum for the Managing Director & CEO and between 50.0-51.7% of maximum for other executives. The Board believes this provides a commensurate level of reward to executives who have navigated extreme uncertainty and market volatility.

The FY20 LTI bridging grant, implemented to bridge the extension of vesting periods from three years to four years, was tested at the end of FY22. The relative TSR and ROE hurdles were not met and therefore there will be no vesting. This is in line with the shareholder experience over the period of the grant.

Non-Executive Director fees remained unchanged in FY22. The last fee change was in January 2020.

Transition remuneration arrangements

The Board prioritised continuity in leadership through the demerger preparation. To support this, special arrangements were put in place during FY22 for select key executives. Limited variable rewards in recent periods and the talent market implications of closed borders created a significantly heightened flight risk.

With the uncertainty created by the proposed demerger, Mr Nicks and Chief Operating Officer, Markus Brokhof, were provided with retention awards delivered as a combination of cash and equity over a 12 to 16 month period, respectively. This acknowledged their key roles in demerger planning, delivery and proposed ongoing leadership positions.

Former Chief Customer Officer and AGL Australia Managing Director & CEO-elect, Christine Corbett, carried substantial additional responsibility associated with establishing a new entity. The Board determined that a monthly CEO-elect allowance was appropriate. The allowance ceased at the time the demerger was withdrawn in May. Ms Corbett did not participate in any retention arrangement.

The year ahead

In FY23, the AGL remuneration framework remains consistent with prior years, driving performance while enabling transition and providing continuity. The Board will, as always, review and monitor remuneration structures and performance metrics to ensure they align with AGL's strategy. This is somewhat challenging given the outcomes of the review of our strategic direction are not yet determined. AGL will have a refreshed Board and management team continuing the objective of delivering long-term shareholder value creation in the context of Australia's energy transition.

We welcome your feedback on the remuneration practices and disclosures for AGL and look forward to your support at our 2022 AGM.

Yours sincerely,

Diane Smith Gander AO
Chair, People & Performance Committee

Remuneration Report

For the year ended 30 June 2022

8.1 Introduction

The Directors present the Remuneration Report for AGL Energy Limited (AGL) and its consolidated entities for the year ended 30 June 2022 (FY22), prepared in line with the *Corporations Act 2001*. The Remuneration Report forms part of the Directors' Report and provides shareholders with an understanding of the remuneration principles in place for key management personnel (KMP) and the resulting outcomes for FY22.

8.1.1 Key management personnel

The AGL KMP are the Managing Director & CEO and executives with operational and/or financial responsibility (together referred to in this report as 'executives'), and the Non-Executive Directors.

As a result of the withdrawal of the demerger proposal and commitment to undertake a review of the company's strategic direction, the following changes have been made to the KMP:

- Jacqueline Hey resigned from the Board effective 30 May 2022.
- Christine Corbett stepped down as Chief Customer Officer and ceased to be KMP on 24 June 2022. Ms Corbett will leave AGL on 25 December 2022.
- Jo Egan was appointed Chief Customer Officer on 25 June 2022.
- Diane Smith-Gander will resign from the Board following the conclusion of the 2022 AGM on 15 November 2022.
- Graeme Hunt will step down as Managing Director & CEO and leave AGL when a new Managing Director & CEO is appointed.
- Peter Botten will resign from the Board upon the appointment of a replacement independent Chairperson.

Table 8.1.1.1: FY22 key management personnel

Name	Position	Term as KMP
Non-Executive Directors		
Current		
Peter Botten	Chairman	Full year
Mark Bloom	Non-Executive Director	Full year
Graham Cockroft	Non-Executive Director	From 1 January 2022
Patricia McKenzie	Non-Executive Director	Full year
Diane Smith-Gander	Non-Executive Director	Full year
Vanessa Sullivan	Non-Executive Director	From 1 March 2022
Former		
Jacqueline Hey	Non-Executive Director	Until 30 May 2022
John Stanhope	Non-Executive Director	Until 22 September 2021
Executives		
Current		
Graeme Hunt	Managing Director & CEO	Full year
Markus Brokhof	Chief Operating Officer	Full year
Jo Egan	Chief Customer Officer	From 25 June 2022
Damien Nicks	Chief Financial Officer	Full year
Former		
Christine Corbett	Chief Customer Officer	Until 24 June 2022

8.2 Remuneration strategy and framework

What is the objective of the AGL remuneration strategy?

- The objective of the remuneration strategy is to drive AGL's purpose of supporting progress for all its stakeholders.

What is the objective of the AGL remuneration framework?

- AGL strives to create a remuneration framework that drives a performance edge, ensuring there is a strong link between executive pay and the achievement of company performance outcomes and returns to shareholders.
- The remuneration framework is underpinned by the AGL Business Value Drivers with the aim of creating long-term value for shareholders and other stakeholders.

Are any other factors considered in establishing the framework?

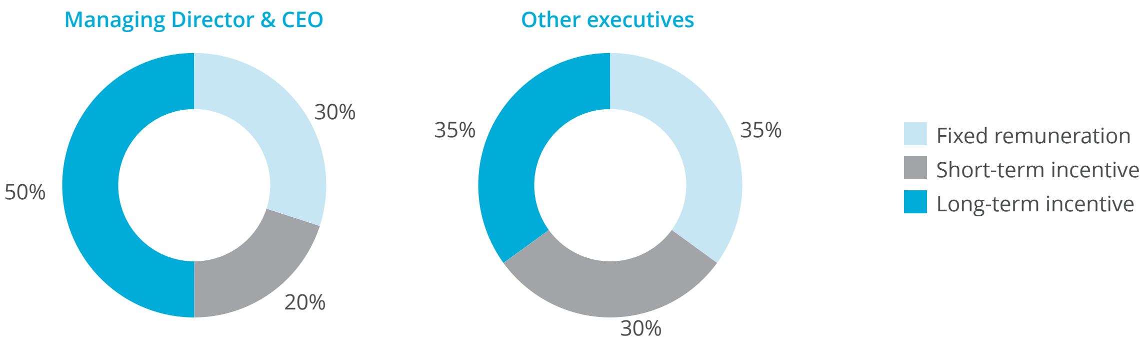
- The AGL values guide the behavioural expectations for executives within the remuneration framework.
- AGL is committed to ensuring that its remuneration framework is equitable and supports the objective of increasing female representation at all levels of the company.
- AGL regularly reviews the remuneration framework to ensure that it is fit-for-purpose and drives performance outcomes that deliver on AGL's strategy.

FY22 remuneration framework and alignment with strategy

	Fixed remuneration	Short-term incentive	Long-term incentive
How does it link with strategy?	Competitive remuneration to attract and retain executives with the right capability and experience to deliver against the strategic objectives.	Rewards executives for delivering financial returns and progressing AGL's strategy; annual metrics are aligned to Business Value Drivers.	Rewards executives for long-term performance, delivering against the AGL purpose; to encourage shareholding and deliver long-term value creation for shareholders and other stakeholders.
How is it determined?	• Skills and experience • Role complexity • Responsibility Benchmarked against peer companies.	**Annual performance period** • Financial metrics: 55-60% • Safety metrics: 10% • Customer metrics: 7.5% • Employee engagement: 7.5% • Individual strategic metrics: 15-20%	**Four-year performance period** • Relative total shareholder return (TSR) measured against the S&P/ASX100: 75% • Carbon transition metrics: 25%
How is it delivered?	Base salary and superannuation.	Cash and Restricted Shares (no further performance conditions apply). Restrictions lift after two years.	Performance Rights which vest after four years, subject to meeting the performance conditions.

8.2.1 Remuneration mix

The remuneration mix is structured to attract and retain executives. The FY22 remuneration mix at maximum for executives is summarised below.



The variable/at-risk component of total remuneration is 70% for the Managing Director & CEO and 65% at maximum for other executives.

8.2.2 Changes for FY23

AGL is not implementing any changes to its remuneration framework for FY23, however, the Board will consider any future changes which may be appropriate following the review of the strategic direction. Any changes to the framework will not come into effect until FY24.

8.3 FY22 performance and executive remuneration outcomes

8.3.1 Fixed remuneration approach and FY22 outcomes

What is the purpose of fixed remuneration?

- The purpose of establishing fixed remuneration is to attract and retain the right person for the job to lead AGL in tackling the challenges confronting the energy industry.
- Fixed remuneration at AGL therefore needs to be competitive to ensure the company can attract and retain those executives with experience in companies or industries undergoing similar transformation.

How is fixed remuneration established?

- Fixed remuneration is determined by considering market benchmarks in peer companies.
- AGL's approach is to set an executive's fixed remuneration initially at a level reflecting their skill and experience that allows progressive increases to apply as the executive performs and becomes more experienced in their role.
- Fixed remuneration is reviewed annually in the context of market positioning and performance. This may or may not result in an increase for executives.

What were the changes to fixed remuneration in FY22?

- The fixed remuneration for Damien Nicks, Chief Financial Officer, was increased by 9.5% to $775,000 effective 1 September 2021. Mr Nicks' fixed remuneration was initially established at a level to reflect his developing experience. Mr Nicks had not received any increase since commencement in the role in May 2019. In line with the approach outlined above, and the transition of technology to his role, Mr Nicks' fixed remuneration was increased during FY22 to reflect his relative experience and provide alignment with market benchmarks.
- No other changes were made to executives' fixed remuneration levels during FY22.

Are there any other considerations in setting fixed remuneration?

- AGL is committed to gender pay equity across employees, including executives. There are no gender pay gaps in fixed remuneration for current executives in roles of equivalent size.

8.3.2 STI approach and FY22 outcomes

What is the purpose of the STI?

- The objective of the STI is to reward executives for delivering financial returns and progressing AGL's strategy and purpose.

What are the performance measures?

STI scorecards set performance expectations for the following key performance metrics:

- financial (55-60%)
- strategic (25%)
- individual (15-20%)

For FY22:

- Net profit after tax is the key financial measure to drive shareholder returns and operate as efficiently as possible in the market within which AGL operates. Cost reduction through the delivery of operating expenditure (opex) targets is also included for FY22.
- The group strategic measures are focused on safety, customer and employee engagement and are aligned with the Business Value Drivers.
- Individual strategic objectives focus on key initiatives to drive the overall AGL purpose. This is aligned with the delivery of value creation for shareholders.

How are performance targets established?

- Annual performance targets are determined with reference to a number of inputs: the previous year's performance outcomes, external market conditions, and longer-term business forecasts. Performance targets are set at levels which are considered to be a "stretch" in the context of these inputs, stretched beyond business as usual performance standards.
- The STI target range for net profit after tax is established early in the financial year based on AGL's budget and the perceived degree of difficulty in that budget based on internal forecasts and prevailing market conditions at that time.
- AGL's budget may not reflect the market guidance range. Guidance is generally released at the time of AGL's results in August and may change during the year. Guidance provides one input into determining the STI target and can have a broader range than incentive targets.

What is the FY22 award opportunity?

- The opportunities for STI awards, as a % of fixed remuneration, are as follows:

MD & CEO:	**Other executives:**
Target = 44%	Target = 70%
Maximum = 67%	Maximum = 84%

How does the Board assess performance?

- In assessing outcomes under the STI, the Board assess the quality of the results and the manner in which they were achieved as well as ensuring that those outcomes are aligned with the experience of AGL's shareholders.
- The starting point for considering STI outcomes is Statutory Profit. The Board may adjust Statutory Profit in consideration of any non-cash fair value movements in financial instruments and non-recurring significant items that materially affect AGL's financial results to derive Underlying Profit after tax. This is to ensure that management are not unfairly advantaged or disadvantaged by items outside their control.
- The Board expects an executive delivering against all performance objectives to achieve STI outcomes at their target levels given that performance targets are set at "stretch" levels.
- The Board applies discretion in the treatment of any significant items and their impact on outcomes against performance targets and subsequent STI awards.

How are STI awards delivered?

- Awards are delivered as a mix of cash and Restricted Shares (no performance conditions apply, restrictions lift after two years):

MD & CEO:	**Other executives:**
50% cash	75% cash
50% Restricted Shares	25% Restricted Shares

- Although the remuneration framework provides for 50% deferral into Restricted Shares for the Managing Director & CEO, due to Mr Hunt's pending cessation of employment, his FY22 STI award will be delivered as 100% cash (no deferral component), consistent with past participants. The same approach is applicable for Ms Corbett.
- Restricted Shares carry voting rights and are entitled to receive dividends.

What happens upon cessation of employment?

- When an executive leaves the organisation prior to the STI payment date by way of resignation or dismissal for cause, the executive would not be eligible to receive any STI award for the relevant year.
- Where the Board determines that an executive is a "good leaver" they may be entitled to a pro-rated award for the year. The grant and treatment of Restricted Shares is subject to Board discretion.

The group STI scorecard outcomes are detailed in Table 8.3.2.1, and the individual strategic objective outcomes are shown in the subsequent tables.

Group performance objectives and FY22 outcomes

- **Financial:** Underlying Profit after tax was $225m, achieved at threshold levels of original guidance. This outcome reflects the ongoing energy sector challenges and the acceleration of depreciation implicit in the earlier closure dates of the Loy Yang A and Bayswater coal fired power stations in AGL's most recent Climate Commitments. Additionally the unexpected Loy Yang A Unit 2 outage, which is uninsured, negatively impacted this measure combined with the costs of market suspension and market volatility during the month of June. The targeted $150m opex savings were achieved in FY22.
- **Safety:** total injury frequency rate was 2.1, down from 2.3 for FY21, a strong indicator that the ongoing focus on safety is helping to keep employees and contractors safe. The serious impact and fatality ratio was 2.8:1, an improvement from 2.7:1 for FY21.
- **Customer:** the AGL Net Promoter Score (NPS) has continued the progress made in FY21 with an outcome of +6 up from +5 in FY21, the fourth consecutive year of improvement. AGL ranked #1 against tier 1 competitors in Victoria. Despite rising energy costs, event NPS, now measured on a rolling quarterly basis to align with strategic NPS, has remained stable at 22.2 compared to the same period in FY21.
- **Employee engagement:** an engagement score of 57%, down from 62% in FY21, is reflective of the amount of change and disruption for employees over the past 12 months. It is also indicative of the unique position and path that the organisation is currently on.

The FY22 STI scorecard results in STI outcomes of between 42.9-51.7% of maximum for executives (excluding Ms Egan's STI outcome determined in accordance with her previous role). In FY21, the Board implemented discretion guidelines and applied it to adjust STI outcomes to zero for executives. For FY22, the Board considered the application of discretion in relation to performance outcomes, particularly with regard to exceeding the savings achieved in the cost out program, the impact of the updated Climate Commitments, the unexpected Loy Yang A Unit 2 outage and the costs of market suspension and impact of volatility in June. After detailed consideration, the Board determined that the outcomes appropriately reflect the company's performance and executive's contributions against the scorecard for the year.

Table 8.3.2.1: STI scorecard – group performance objectives and FY22 outcomes

	Weighting					
Performance measure	MD & CEO	Other execs	Target range (threshold to max)	Target	Outcome	Outcome relative to target
Financial:						
a. AGL net profit after tax;	60%	55%	a. <$220m to $300m	a. $260m	a. Underlying Profit after tax was $225m, down 58% from FY21.	
b. Operating discipline (opex delivery, cashflow & balance sheet management)			b. >$1,638m to $1,558m	b. $1,597m	b. $1,496m, favourable to both budgeted and target group opex.	
Safety:						
a. Total injury frequency rate (TIFR);	10%	10%	a. 2.4 to 2.0	a. 2.1	a. TIFR was 2.1 (against 2.3 in FY21).	
b. Serious impact and fatality potential to recordable incident KPI ratio			b. 2.4:1 to 2.9:1	b. 2.8:1	b. Serious impact and fatality potential to recordable incident ratio was 2.8:1, an improvement from 2.7:1 in FY21.	
Customer:						
a. AGL's NPS ranking against tier 1 competitors;	7.5%	7.5%	a. #3 to #1 ranking against tier 1 retailers	a. #1 ranking in 2 states amongst tier 1 retailers	a. #1 ranking against tier 1 retailers in Victoria with +6 outcome (from +5 in FY21).	
b. Overall event NPS			b. 10% reduction on FY21 outcome to 10% improvement	b. 4-10% improvement on FY21	b. +22.2, unchanged from FY21. Event NPS is now measured on a rolling quarterly basis.	
Engagement:						
AGL employee engagement	7.5%	7.5%	60% to 73%	70%	AGL's FY22 employee engagement score is 57%, down from 62% in FY21.	
Individual:						
Strategic objectives	15%	20%			See individual outcomes below.	

Key: Below threshold | Between threshold and target | At target | Above target

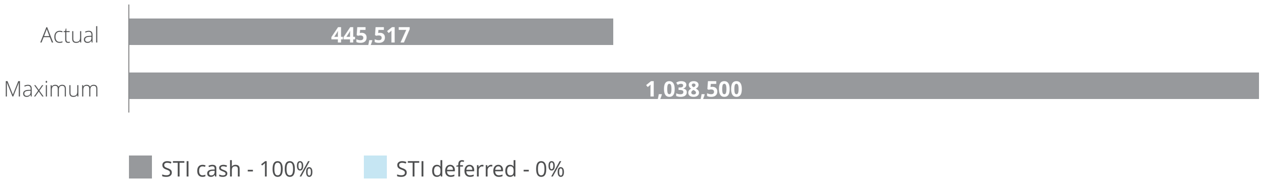
Individual strategic objectives and FY22 outcomes

Achieved 42.9% of maximum STI measured on:

Graeme Hunt[1]
Managing Director & CEO

Group objectives 85%	Achieved **36.3%**. Refer Table 8.3.2.1 for details.
Individual strategic objectives 15%	Achieved **6.6%**. **Outcomes:** • Progressing Board-approved strategic goals. • Energy Hub development plans progressed.

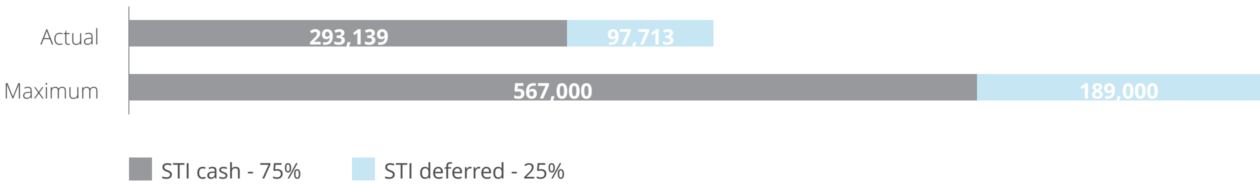
1. Due to Mr Hunt's pending cessation of employment, his STI award will be delivered as 100% cash (no deferral component).



Achieved 51.7% of maximum STI measured on:

Markus Brokhof
Chief Operating Officer

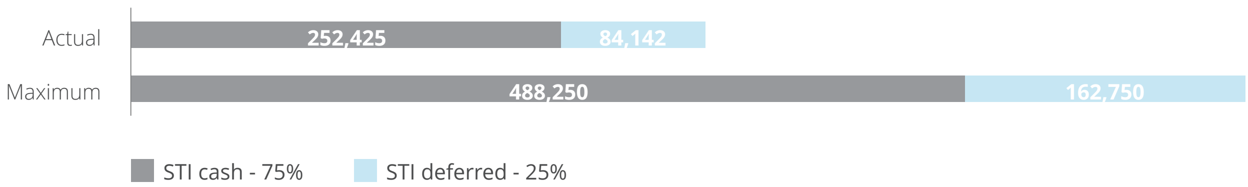
Group objectives 80%	Achieved **37.9%**. Refer Table 8.3.2.1 for details.
Individual strategic objectives 20%	Achieved **13.8%**. **Outcomes:** • Grid-scale batteries in construction and within budget to deliver 300 MW. • Commercial availability greater than FY21. • Energy Hub development plans progressed. • Progressing Board-approved strategic goals.



Achieved 51.7% of maximum STI measured on:

Damien Nicks
Chief Financial Officer

Group objectives 80%	Achieved **37.9%**. Refer Table 8.3.2.1 for details.
Individual strategic objective 20%	Achieved **13.8%**. **Outcomes:** • Updated Climate Commitments for Loy Yang A and Bayswater. • Management of the unsolicited proposals from the Brookfield consortium. • Opex cost-out program delivered ahead of target. • Progressing Board-approved strategic goals.



Individual strategic objectives and FY22 outcomes - former

Achieved 50.0% of maximum STI measured on:

Christine Corbett[1]
Former Chief Customer Officer

Term as KMP in FY22:
Until 24 June 2022

Group objectives 80%	Achieved **37.9%**. Refer Table 8.3.2.1 for details.
Individual strategic objective 20%	Achieved **12.1%**. **Outcomes:** • +50,000 telecommunications services to offset -43,000 energy services, predominantly driven by churn related to Click Energy services. • 70% of all customers now billed digitally, up from 54% in FY19. • Progressing Board-approved strategic goals.

1. Due to Ms Corbett's pending cessation of employment, her STI award will be delivered as 100% cash (no deferral component).

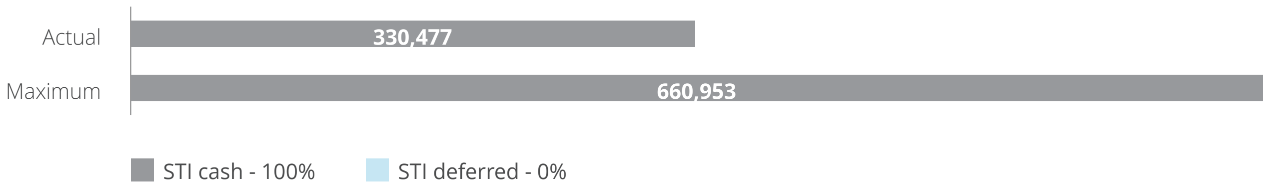


Table 8.3.2.2: Actual FY22 STI outcomes

Executive	Total STI award $	Cash $[1]	Restricted Shares $[2]	Total STI paid as a % of maximum opportunity	Total STI forfeited as a % of maximum opportunity
Current					
G Hunt[3]	445,517	445,517	-	42.9%	57.1%
M Brokhof	390,852	293,139	97,713	51.7%	48.3%
J Egan[4]	5,101	5,101	-	59.6%	40.4%
D Nicks	336,567	252,425	84,142	51.7%	48.3%
Former					
C Corbett[5]	330,477	330,477	-	50.0%	50.0%

1. To be paid in September/October 2022.
2. To be allocated once the full-year financial results have been disclosed to the market, generally in August/September 2022.
3. Due to Mr Hunt's pending cessation of employment, his STI award will be delivered as 100% cash (no deferral component).
4. Due to her KMP appointment in late FY22, Ms Egan's STI outcome has been determined in accordance with her previous role and will be delivered as 100% cash (no deferral component). Ms Egan's disclosed STI outcome is pro-rated for the time served as KMP.
5. Due to Ms Corbett's pending cessation of employment, her STI award will be delivered as 100% cash (no deferral component). Ms Corbett's disclosed STI outcome is pro-rated for the time served as KMP.

8.3.3 LTI approach and FY22 outcomes

What is the purpose of the LTI?

- The objective of the LTI is to reward executives for delivering long-term performance, to encourage shareholding and deliver long-term value creation for shareholders.
- The performance metrics are selected to align with the AGL purpose of supporting progress for all its stakeholders.

What are the performance measures?

Two performance measures apply to the FY22 LTI offer:

1. **Relative TSR** = 75% weighting. A comparative, external market performance benchmark against companies in the S&P/ASX100 Index. Provides a direct link between executive reward and shareholder return.
2. **Carbon transition metrics** = 25% weighting. Provides the focus for executives to deliver against carbon transition objectives. Comprises three sub-metrics to ensure a balanced assessment.

The vesting schedules are provided below under FY22 offer - terms.

What is the performance period?

- The performance metrics are measured either over a four-year period or at the end of the four-year period (1 July 2021 – 30 June 2025).
- All performance measures are to be tested once at the end of the performance period to determine the vesting percentage.

What is the award opportunity?

- The opportunities for LTI awards, as a % of fixed remuneration, are as follows:

MD & CEO:
Threshold = 83.5%
Maximum = 167%

Other executives:
Threshold = 50%
Maximum = 100%

- The number of Performance Rights granted is based on a 30-day volume weighted average share price (VWAP) up to the commencement of the performance period.

How does the Board assess performance?

1. **Relative TSR:** independent assessment of TSR by external advisors is undertaken, based on 30-day average VWAP, and provides the outcome for the Board to consider the final evaluation of performance.
2. **Carbon transition:** internal calculations are undertaken and are subject to limited assurance by external auditors on an annual basis. Revenue from green electricity and carbon neutral products and services is derived from the reported revenue. The Board determines the final outcome.

How are the LTI awards delivered?

- Awards are delivered in Performance Rights. Participants are not entitled to receive dividends.

What happens upon cessation of employment?

- Unvested Performance Rights lapse if a participant ceases employment with AGL before the end of the performance period.
- Where the Board determines that an executive is a "good leaver" they may be entitled to retain a pro-rated number of Performance Rights which remain subject to the plan rules until performance testing at the end of the performance period.

FY22 offer – terms

Relative TSR vesting schedule

AGL's relative TSR ranking against comparator group	Vesting of award (% of maximum)
Less than 50th percentile	0%
50th percentile to 75th percentile	Straight-line vesting between 50% and 100%
At or above 75th percentile	100%

Carbon transition vesting schedules

Controlled intensity at 30 June 2025	Vesting of award (% of maximum)	% Controlled renewable & storage capacity at 30 June 2025	Vesting of award (% of maximum)	Green & carbon neutral products & services in FY25	Vesting of award (% of maximum)
More than 0.885	0%	Less than 29.4%	0%	Less than 16.5%	0%
0.885 to 0.823	Straight-line vesting between 50% and 100%	29.4% to 36.9%	Straight-line vesting between 50% and 100%	16.5% to 22.1%	Straight-line vesting between 50% and 100%
Less than 0.823	100%	More than 36.9%	100%	More than 22.1%	100%

Table 8.3.3.1: FY22 LTI Performance Rights

Executive[1]	Grant date	Vesting date	Number of awards granted	Value at grant date $[2]	Maximum value yet to vest $[2,3]
Current					
G Hunt	29 October 2021	30 June 2025	297,374	711,466	711,466
M Brokhof	29 October 2021	30 June 2025	103,394	247,369	247,369
J Egan	29 October 2021	30 June 2025	17,691	42,323	42,323
D Nicks	29 October 2021	30 June 2025	89,034	213,012	213,012
Former					
C Corbett[4]	29 October 2021	30 June 2025	91,906	219,884	219,884

1. Includes executives who were KMP during the year.
2. Calculated based on fair values shown in Note 33 to the consolidated financial report, being $1.59 for relative TSR and $4.80 for carbon transition metrics.
3. The minimum value of the grant is zero.
4. The Board approved "good leaver" treatment to apply for Ms Corbett on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Ms Corbett is still an employee, her FY22 LTI will be pro-rated on cessation of employment.

FY23 offer - terms

What are the performance measures?

In the context of the ongoing review of AGL's strategic direction, the performance measures for the FY23 LTI offer will align with the FY22 offer, to provide stability and continuity to both participants and external stakeholders and to ensure that the focus remains on enhancing overall value for shareholders and delivering against carbon transition objectives.

The performance measures for the FY23 LTI remain unchanged:

1. **Relative TSR** = 75% weighting. A comparative, external market performance benchmark against companies in the S&P/ASX100 Index. Provides a direct link between executive reward and shareholder return.
2. **Carbon transition metrics** = 25% weighting. Provides the focus for executives to deliver against carbon transition objectives. Comprises the same three sub-metrics as FY22 to ensure a balanced assessment.

The vesting schedule for relative TSR will align to the FY22 LTI plan and the vesting schedules for the carbon transition metrics are provided below.

Carbon transition vesting schedules

Controlled intensity at 30 June 2026	Vesting of award (% of maximum)	% Controlled renewable & storage electricity capacity at 30 June 2026	Vesting of award (% of maximum)	Green energy & carbon neutral products & services in FY26	Vesting of award (% of maximum)
More than 0.875	0%	Less than 30.8%	0%	Less than 22.2%	0%
0.875 to 0.800	Straight-line vesting between 50% and 100%	30.8% to 39.8%	Straight-line vesting between 50% and 100%	22.2% to 27.0%	Straight-line vesting between 50% and 100%
Less than 0.800	100%	More than 39.8%	100%	More than 27.0%	100%

What is the performance period?

- The performance metrics are measured either over a four-year period or at the end of the four-year period (1 July 2022 – 30 June 2026).
- All performance measures are to be tested once at the end of the performance period to determine the vesting percentage.

Historical performance outcomes

The following table outlines AGL's historical financial performance. These results flow into the STI scorecard outcomes as well as LTI performance outcomes.

AGL five-year performance

		FY22	FY21	FY20	FY19	FY18
Statutory Profit/(Loss) attributable to AGL shareholders	($m)	860	(2,058)	1,007	905	1,582
Underlying Profit	($m)	225	537	808	1,040	1,018
Statutory earnings/(loss) per share (EPS)	(cents)	131.6	(330.3)	157.2	138.0	241.2
Underlying EPS	(cents)	34.4	86.2	126.1	158.6	155.2
Dividends	(cents)	26	75	98	119	117
Closing share price at 30 June	($)	8.25	8.20	17.05	20.01	22.48
Return on equity[1,2]	(%)	3.7	8.1	10.0	12.5	13.1

1. Used to calculate a portion of executives' LTI outcomes.
2. Includes share buy-backs.

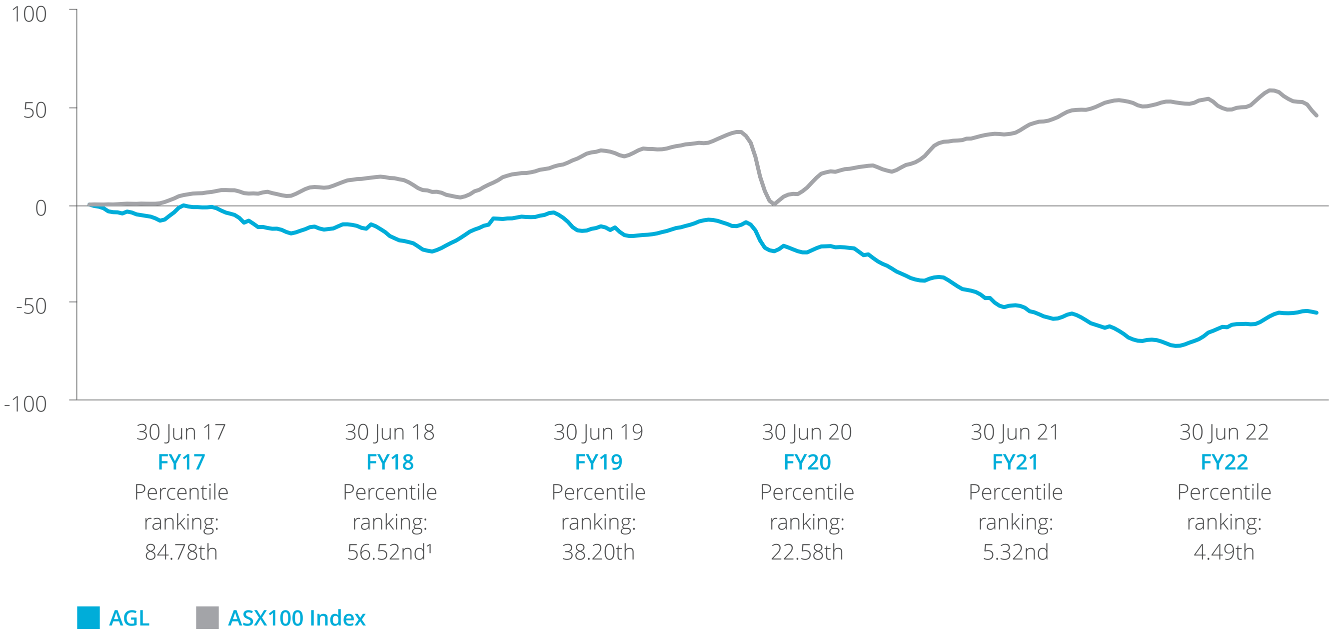
FY20 LTI bridging grant - vested during FY22

In assessing outcomes under the LTI, the Board assessed the quality of the results and the manner in which they were achieved and ensured that outcomes were aligned with the experience of AGL's shareholders.

The vesting outcome of the FY20 LTI bridging grant offer is detailed below.

Metric	Vesting schedule	Outcome	Commentary
Relative TSR (50%)	Straight-line vesting between 50-100% for 50th to 75th percentile	4.49th percentile 0% vesting	AGL's relative TSR performance over the three-year performance period was at the 4.49th percentile, resulting in 0% vesting for this metric.
ROE (50%)	Straight-line vesting between 50-90% for 8.5% to 10.5% ROE; straight-line vesting between 90-100% for 10.5% to 12.5% ROE	6.0% average annual ROE 0% vesting	The average annual ROE for AGL over the three-year performance period was 6.0% excluding impairments, onerous contract movements and share buy-backs, resulting in 0% vesting for this metric.
Total		**0% vesting**	**The combined vesting outcome for the FY20 LTI bridging grant is therefore 0%.**

Relative TSR: AGL and ASX100



1. The peer group of companies for the relative TSR component of the FY16 LTI plan, tested at the end of FY18, was Amcor, Ansell, Aristocrat Leisure, Asciano (delisted), ASX, Aurizon Holdings, AusNet Services, Brambles, Cochlear, Computershare, CSL, DUET Group (delisted), Federation Centres (now: Vicinity Centres), Healthscope, Insurance Australia Group, Medibank Private, Orora, Primary Health Care, Qantas Airways, Ramsay Health Care, Scentre Group, Sonic Healthcare, Sydney Airport, Tatts Group (delisted), Transurban Group and Woolworths.

Table 8.3.3.2: Forfeiture/Vesting/Lapse of FY20 LTI bridging grant Performance Rights

Executive[1]	Grant date	Number of awards granted	Value at grant date $[2]	Vesting date	Number of awards forfeited[3]	Number of awards vested	Value vested $[4]	Number of awards lapsed	% of awards lapsed	Value lapsed $[4]
Current										
D Nicks	18 October 2019	28,268	359,569	30 June 2022	-	-	-	28,268	100%	233,211

1. Includes executives who were KMP during the year.
2. Calculated based on fair values shown in Note 33 to the consolidated financial report.
3. Reflects the number of Performance Rights forfeited as a result of cessation of employment.
4. Calculated based on closing share price on the vesting date, being $8.25.

FY20 and FY21 LTI offers - outstanding

The performance measures and terms that apply to the FY20 and FY21 LTI grants, which will be tested at the end of FY23 and FY24 respectively, are described in detail in the 2020 and 2021 Remuneration Reports.

8.3.4 Additional remuneration arrangements

During FY22, the Board determined that, with the uncertainty created by the proposed demerger, it was necessary to implement retention awards over a 16-month period to select key executives critical to delivering both the demerger and ongoing operations and assist with leadership continuity for a period following the planned implementation date.

The Chief Financial Officer, Mr Nicks, was provided with a retention award of $600,000 in August 2021, 33% of which was paid in January 2022 as an interim cash payment in recognition of the significant workload in leading the demerger planning and the remaining 67% will be paid in

August 2022 as 50% cash and 50% equity. Similarly, the Chief Operating Officer, Mr Brokhof, was provided with a retention award of $450,000 in August 2021 to be paid in August 2022 as 50% cash and 50% equity. It was intended to provide the equity component as shares in the demerged entities but with the withdrawal of the demerger proposal, Restricted Shares in AGL will be provided in FY23.

With the announcement in June 2021 that Ms Corbett, the former Chief Customer Officer, was to be appointed as Managing Director & CEO of AGL Australia, the Board determined that a retention award was not required. However, to recognise the substantial additional responsibility associated with preparing for the proposed demerger and the establishment of a new entity, the Board determined that a monthly CEO-elect allowance of $35,714 (up to a maximum of $250,000) was to be paid in cash to Ms Corbett from December 2021 until the date that that the proposed demerger was to be effective in June 2022. As the demerger was withdrawn on 30 May 2022, the allowance ceased at that time.

Amounts are disclosed in Table 8.5.1.1.

8.3.5 Prior year awards – Restricted Shares

FY20 Restricted Shares - STI Deferral

Table 8.3.5.1: FY20 STI Deferred Restricted Share awards outstanding (FY20 STI deferral)

Executive[1]	Allocation date	Number of awards allocated	Value at allocation date $[2]	Release date[3]
Current				
M Brokhof	25 August 2020	2,508	38,938	25 August 2022
D Nicks	25 August 2020	3,960	61,482	25 August 2022
Former				
C Corbett	25 August 2020	9,783	151,888	25 August 2022

1. Includes executives who were KMP during the year.
2. Calculated based on the allocation price of $15.5257.
3. STI Deferred Restricted Shares are subject to time-based restriction only and no further performance conditions will apply once the shares are released.

Table 8.3.5.2: FY20 STI Deferred Restricted Share awards released during FY22 (FY20 STI deferral)

Executive[1]	Allocation date	Number of awards released	Value at release date $[2]	Release date[3]
Current				
D Nicks	25 August 2020	3,960	27,443	25 August 2021

1. Includes executives who were KMP at the release date.
2. Calculated based on closing share price on the release date, being $6.93.
3. STI Deferred Restricted Shares are subject to time-based restriction only and no further performance conditions applied once the shares were released.

FY21 Restricted Shares

Mr Hunt was appointed interim Managing Director & CEO in April 2021. At that time, to provide immediate shareholder alignment and in lieu of participation in any incentive plans, Restricted Shares valued at $600,000 were offered to Mr Hunt with the intention that Mr Hunt would remain in the role until the implementation of the proposed demerger. However, on his appointment to the Managing Director & CEO role on a permanent basis, the Board determined that it was appropriate for Mr Hunt to participate in AGL's incentive plans for FY22 to ensure his reward outcomes were determined by, and aligned to, company performance.

Therefore, to ensure Mr Hunt was not receiving both Restricted Shares and be eligible for incentive awards for the same period, a pro-rata factor was applied to the value of the Restricted Shares to cover only the interim period from 22 April 2021 to 30 June 2021. The value of Restricted Shares was subsequently adjusted down to $165,354. Due to AGL's share trading blackout period between the end of the financial year and release of its full-year financial results, Mr Hunt's Restricted Shares were granted on 20 August 2021 with the restrictions to remain in place until 1 July 2022.

Table 8.3.5.3: FY21 Restricted Share awards outstanding at 30 June 2022

Executive	Allocation date	Number of awards allocated	Value at allocation date $[1]	Release date[2]
Current				
G Hunt	20 August 2021	17,975	165,347	1 July 2022[3]

1. Calculated based on the allocation price of $9.1987.
2. Restricted Shares are subject to time-based restriction only and no further performance conditions will apply once the shares are released.
3. Due to AGL's share trading blackout period, Mr Hunt's Restricted Shares remain subject to a trading lock until 23 August 2022.

8.4 Remuneration governance

8.4.1 Role of the People & Performance Committee

What is the purpose of the People & Performance Committee?

- The purpose of the People & Performance Committee is to support the Board in fulfilling its responsibilities through the recruitment, retention and remuneration of executives with the capabilities and skills necessary to execute AGL's strategy.

How does the Committee support the Board?

- The Committee reviews and makes recommendations to the Board on the remuneration arrangements for the Managing Director & CEO, Non-Executive Directors and executives.
- The Committee provides support to the Board in relation to matters such as governing remuneration and employment policies, practices and programs.
- The Committee oversees the preparation of AGL's Remuneration Report which is subsequently reviewed by the Audit & Risk Management Committee as part of the Annual Report.

Who sits on the Committee?

- The People & Performance Committee includes independent members of the Board, including members of the Audit & Risk Management Committee, which are reviewed periodically.

To what extent does the Committee seek advice, e.g. from remuneration advisers?

- To assist in performing its duties and making recommendations to the Board, the Committee has access to management and independent external consultants to seek advice on various remuneration-related matters as required.
- Any recommendations made by consultants in relation to remuneration arrangements of KMP are made directly to the Board without any influence from management. Arrangements are in place to ensure any advice is independent of management.
- During FY22, the Committee engaged EY to act as independent remuneration advisers. EY did not provide any remuneration recommendations as defined in the *Corporations Act 2001* to the People & Performance Committee during FY22.

Further details

- The complete People & Performance Charter is reviewed at least every two years and is available on AGL's website: **agl.com.au/BoardAndCommitteeCharters**.

8.4.2 Management of risk and remuneration

The AGL remuneration framework is designed to ensure that executives focus on delivering against the strategic objectives, ensuring that company and shareholder outcomes are primary considerations in the decision-making processes. The framework is structured to mitigate against any excessive risk-taking or short-term decisions by executives through the establishment of scorecard metrics that align with strategic objectives. The use of deferred equity in both the short and long-term incentive plans, and the clawback provisions within those equity plans also assists the company in managing risk.

8.4.3 Incentive plan governance

AGL has the following governance framework in place for its incentive plans:

Clawback

- The Board has discretion to prescribe clawback events for any unvested equity awards which may be clawed back from executives.

Change of control

- The Board will determine at the time a change of control event occurs how to treat unvested equity in accordance with the plan rules, and ultimately has absolute discretion in determining this treatment, taking into consideration market practice.

Hedging policy

- AGL has a policy in place that prevents executives from entering into any derivative or other financial product in relation to their equity plan(s) participation.

Discretion

- The Board, in conjunction with the People & Performance Committee, exercises discretion to ensure the quantum of executive remuneration is appropriate considering individual and company performance, for example by adjusting STI and LTI vesting outcomes. This discretion ensures that the quantum of executive remuneration is appropriate.
- Discretion guidelines provide a framework to assist the Board with identifying one-off/extraordinary circumstances (e.g. impairments) and whether those circumstances require an adjustment to incentive outcomes. The guidelines support consistency in application over time and does not limit the Board's overarching discretion under AGL's incentive plans.

8.4.4 KMP share ownership

To provide for shareholder alignment, AGL operates a minimum shareholding policy for KMP and other executives reporting to the Managing Director & CEO, subject to compliance with AGL's Securities Dealing Policy. Shareholdings are reported in Table 8.7.2.

The minimum shareholding policies stipulate the following requirements:

	Shareholding requirement	Period to satisfy requirement
Non-Executive Directors	100% of base annual fee	Four years; 50% within two years of appointment; encouraged to hold 10% by the end of the financial year of appointment
Executives		
MD & CEO	100% of fixed remuneration	Up to five years from their initial appointment date to an eligible role
CFO	75% of fixed remuneration	
Other executives	50% of fixed remuneration	

Remuneration Report

For the year ended 30 June 2022

8.5 Executive remuneration disclosure

8.5.1 Statutory remuneration

Table 8.5.1.1: Executive remuneration and benefits for FY22 (prepared in accordance with the statutory accounting requirements)

		Short-term benefits			
Executive	Year	Cash salary/ fees $[1]	Total cash incentive $[2]	Non-monetary benefits $[3]	Other short-term benefits $[4]
Current					
G Hunt	**FY22**	**1,526,432**	**445,517**	**8,435**	**-**
	FY21 (from 22 April 2021)	314,739	-	1,619	-
M Brokhof	**FY22**	**876,432**	**293,139**	**7,184**	**204,841**[11]
	FY21	878,306	-	31,902	228
J Egan	**FY22 (from 25 June 2022)**	**9,037**	**5,101**	**127**	**2,221**
D Nicks	**FY22**	**740,265**	**252,425**	**13,464**	**382,081**[12]
	FY21	686,306	-	12,891	-
Former					
B Redman	FY21 (until 21 April 2021)	1,316,214	-	23,156	-
C Corbett	**FY22 (until 24 June 2022)**	**764,668**	**330,477**	**12,445**	**214,284**[13]
	FY21	778,306	-	12,658	-
TOTAL	**FY22**	**3,916,834**	**1,326,659**	**41,655**	**803,427**
	FY21	3,973,871	-	82,226	228

1. Represents cash salary and fees including any salary-sacrificed items (such as additional superannuation contributions and charitable donations) and unpaid annual leave.
2. Represents cash payments under the STI achieved in the year (payable following the relevant financial year-end), excluding the Restricted Share portion (to be allocated following the relevant financial year-end). The Restricted Share portion is disclosed under the STI Restricted Shares column.
3. Includes benefits such as, but not limited to, the provision of car parking, expatriate benefits and fringe benefits tax (FBT) on all benefits, where applicable. FBT included is in respect of the FBT year ended 31 March 2022.
4. Includes other cash payments and benefits, such as allowances and retention payments.
5. For members of the default employee superannuation fund, AGL funds the cost of Death and Permanent and Total Disablement insurance premiums. For Mr Brokhof, Mr Nicks and Ms Corbett, these premiums lifted them above the $25,000 concessional superannuation contributions cap for FY21 and generated an additional taxation liability. AGL paid an additional superannuation contribution to offset the impact of the excess concessional contributions tax generated in their superannuation fund.
6. Includes the value of all STI Restricted Shares in relation to the performance year to be allocated following the financial year-end.
7. Includes a proportion of the fair value of all outstanding LTI offers at the start of the year or offered during the year (including the LTI bridging grant). Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.
8. Includes a proportion of the fair value of all Restricted Shares held at the start of the year, or which were granted during the year, generally for retention or sign-on purposes.
9. Represents the sum of cash STIs and Performance Rights/Restricted Shares/other equity as a percentage of total remuneration, excluding termination payments.
10. Includes leave accruals upon ceasing to be a KMP.
11. Mr Brokhof's retention award, payable in August 2022, will be delivered as 50% cash and 50% Restricted Shares.
12. The second tranche of Mr Nicks' retention award, payable in August 2022, will be delivered as 50% cash and 50% Restricted Shares.
13. Ms Corbett received a monthly cash allowance from December 2021 to May 2022 to recognise the additional duties she was required to perform in respect of the proposed demerger.
14. Ms Corbett ceased to be a KMP on 24 June 2022. She continues to be an employee. Amounts have been disclosed for KMP period only. All termination benefits will be provided in accordance with the terms of her employment contract and will be paid on cessation of employment.

	Post-employment benefits	Share-based payments					
	Superannuation/ pension $[5]	STI Restricted Shares $[6]	LTI equity $[7]	Other equity $[8]	Total $	Performance-related %[9]	Termination benefits $[10]
	23,568	**-**	**178,232**	**-**	**2,182,184**	**28.6%**	**-**
	4,218	-	-	165,354	485,930	34.0%	-
	24,996	**97,713**	**171,015**	**204,841**[11]	**1,880,161**	**40.8%**	**-**
	21,694	-	109,120	-	1,041,250	10.5%	-
	357	**-**	**872**	-	**17,715**	**33.7%**	**-**
	23,954	**84,142**	**149,671**	**182,081**[12]	**1,828,083**	**36.6%**	**-**
	21,820	-	150,548	-	871,565	17.3%	-
	21,793	-	205,906	-	1,567,069	13.1%	-
	23,355	**-**	**271,067**	-	**1,616,296**	**37.2%**	**626,596**[14]
	21,694	-	220,665	-	1,033,323	21.4%	-
	96,230	**181,855**	**770,857**	**386,922**	**7,524,439**		**626,596**
	91,219	-	686,239	165,354	4,999,137		-

8.6 Non-Executive Directors' remuneration

8.6.1 Fee pool

The maximum aggregate fee pool for Non-Executive Directors is $2.75 million per annum. The fee pool is regularly reviewed by the Board and, if appropriate, adjusted (subject to shareholder approval), having regard to the anticipated time commitment, workload and responsibilities attached and the fees paid by comparable organisations. The current fee pool was approved by shareholders at the 2016 AGM.

8.6.2 Fee policy

Non-Executive Directors receive a base fee. Members of a Committee receive a Committee fee to recognise the associated higher workload and extra responsibilities, and chairing a Committee attracts a higher fee. The Chairman of the Board receives a higher base fee in recognition of the added responsibility and time commitment; but does not receive any extra fees for participating in or chairing any Committees. Fees are inclusive of superannuation. There are no additional fees in relation to the Nominations Committee.

In setting Non-Executive Directors' fees, the Board considers the following:

- time commitment.
- workload.
- risk and responsibility.
- market benchmark data, sourced from companies with a similar market capitalisation.

To ensure independence, Non-Executive Directors do not receive performance-related remuneration. This allows the Board to focus on governance and both short and long-term strategy.

8.6.3 FY22 fees

Fees for Non-Executive Directors remained unchanged during the financial year.

Table 8.6.3.1: Non-Executive Director fees

Board/Committee	Chair fee $	Member fee $
Board base fee	603,000	201,000
Audit & Risk Management Committee	55,200	27,600
People & Performance Committee	44,900	21,200
Safety, Customer & Corporate Responsibility Committee	44,900	21,200

Table 8.6.3.2: Non-Executive Director remuneration for FY22

Non-Executive Director	Year	Director fees $	Superannuation $	Total $
Current				
P Botten	**FY22**	**579,432**	**23,568**	**603,000**
	FY21	291,607	21,261	312,868
M Bloom	**FY22**	**247,812**	**23,420**	**271,232**
	FY21 (from 1 July 2020)	223,775	20,603	244,378
G Cockroft	**FY22 (from 1 January 2022)**	**119,228**	**3,736**	**122,964**
P McKenzie	**FY22**	**227,091**	**22,709**	**249,800**
	FY21	228,128	21,672	249,800
D Smith-Gander	**FY22**	**261,208**	**5,892**	**267,100**
	FY21	261,676	5,424	267,100
V Sullivan	**FY22 (from 1 March 2022)**	**75,077**	**7,442**	**82,519**
Former				
J Hey	**FY22 (until 30 May 2022)**	**229,104**	**21,604**	**250,708**
	FY21	251,806	21,694	273,500
J Stanhope	**FY22 (until 22 September 2021)**	**59,191**[1]	**5,456**	**64,647**
	FY21	255,706	21,694	277,400
G Hunt	FY21 (until 21 April 2021)	469,180	17,476	486,656
L Hosking	FY21 (until 7 October 2020)	61,353	5,829	67,182
TOTAL	**FY22**	**1,798,143**	**113,827**	**1,911,970**
	FY21	2,043,231	135,653	2,178,884

1. Includes non-monetary benefits of $1,602.

8.7 Additional disclosures

8.7.1 Executive contract terms

Remuneration and other terms of employment for executives are formalised in service agreements that provide for participation in short and long-term incentives in accordance with the terms of the respective plans. All service agreements are for an unlimited duration, with the exception of Mr Hunt who is currently employed under a fixed-term contract.

Table 8.7.1.1: Information relating to service agreements of executives

Executives[1]	Notice period[2] By executive	Notice period[2] By AGL	Termination payment[3,4]	Post employment restraint period
Current				
G Hunt	12 months	12 months	N/A	12 months
M Brokhof	6 months[5]	3 months	9 months	12 months
J Egan	6 months	6 months	6 months	12 months
D Nicks	6 months[5]	3 months	9 months	12 months

1. Includes executives who were KMP at 30 June 2022.
2. AGL can, at its election, make a payment in lieu of part or all of the notice period.
3. Maximum termination payment (exclusive of any payment in lieu of notice) payable if AGL terminates the executive's employment other than for cause.
4. Termination payments reference fixed remuneration.
5. The executive may also terminate their agreement with three months' notice in the event of a 'fundamental change', which includes circumstances where there has been a substantial diminution of role and responsibility of the executive, in which event they will be entitled to a payment equivalent to nine months' fixed remuneration.

8.7.2 Movement in AGL shares

The movement during FY22 in the number of AGL shares, including Restricted Shares, held by each KMP, including their related parties, is shown below. Restricted Shares generally relate to the STI deferral, or for attraction/retention purposes in certain circumstances.

Table 8.7.2.1: KMP shareholdings

FY22	Balance at start of year	Acquired during year[1]	Other changes during year[2]	Balance at end of year	Total consideration $	% base fees[3]	Date to satisfy requirement
Non-Executive Director							
Current							
P Botten	11,390	-	-	11,390[4]	213,079	106%	Satisfied
M Bloom	7,000	-	-	7,000[4]	104,384	52%	1 Jul 24
G Cockroft	-	20,000		20,000[5]	142,400	71%	1 Jan 26
P McKenzie	8,465	-	-	8,465	149,509	74%	1 May 23
D Smith-Gander	10,962	-	-	10,962[4]	227,514	113%	Satisfied
V Sullivan	-	3,221	-	3,221[4]	24,931	12%	1 Mar 26
Former							
J Hey	11,811	668	(12,479)	-			
J Stanhope	15,250	-	(15,250)	-			
Non-Executive Director total	**64,878**	**23,889**	**(27,729)**	**61,038**			

1. Includes purchase of ordinary shares and Dividend Reinvestment Plan.
2. Includes sale of ordinary shares and balance adjustments for directors joining or leaving as non-executive KMP.
3. Value is based on price of shares at the time of acquisition, as per the Minimum Shareholding Policy.
4. All shares held indirectly.
5. All shares held directly.

KMP shareholdings (continued)

FY22	Balance at start of year	Granted/ acquired during year[1]	Received upon vesting/ exercise[2]	Other changes during year[3]	Balance at end of year	Total consideration $	% FR[4,5]	Date to satisfy requirement
Executive								
Current								
G Hunt	12,500	17,975	-	-	30,475[6]	411,097	27%	22 Apr 26
M Brokhof	2,508	-	-	-	2,508	38,938	4%	23 Mar 25
J Egan	-	-	-	594	594	11,298	2%	25 Jun 27
D Nicks	13,540	-	-	-	13,540	208,308	27%	31 May 24
Former								
C Corbett	9,783	-	-	(9,783)	-			
Executive total	**38,331**	**17,975**	**-**	**(9,189)**	**47,117**			
Grand total	**103,209**	**41,864**	**-**	**(36,918)**	**108,155**			

1. Includes purchase of ordinary shares and Dividend Reinvestment Plan.
2. Includes shares acquired upon vesting of LTI awards.
3. Includes sale of ordinary shares and balance adjustments for executives joining or leaving KMP.
4. Value is based on price of shares at the time of acquisition, as per the Minimum Shareholding Policy.
5. Percentage of fixed remuneration (FR).
6. 12,500 shares held indirectly; 17,975 shares held directly.

8.7.3 Movement in Performance Rights

The movement during FY22 in the number of AGL Performance Rights held by each executive under the LTI plan is shown below.

Table 8.7.3.1: FY22 movement in Performance Right holdings

Executive	Balance at start of year	Acquired during year as part of remuneration	Performance Rights vested[1]	Other changes during year[2]	Balance at end of year
Current					
G Hunt	-	297,374	-	-	297,374
M Brokhof	52,086	103,394	-	-	155,480
J Egan	-	17,691	-	16,597	34,288
D Nicks	89,315	89,034	-	(28,268)	150,081
Former					
C Corbett	86,224	91,906	-	(178,130)	-
Total	**227,625**	**599,399**	**-**	**(189,801)**	**637,223**

1. Includes Performance Rights vested under the LTI but will not be allocated to executives until August/September following the financial year end.
2. Represents balance adjustments for executives joining or leaving KMP, and any units forfeited under the LTI. Includes Performance Rights forfeited under the LTI but will not lapse for executives until August/September following the financial year end.

Table 8.7.3.2: Outstanding Performance Right holdings as at 30 June 2022

LTI offer	FY20	FY21	FY22	...
Performance period start date	1-Jul-19	1-Jul-20	1-Jul-21	...
Performance period (years)	4	4	4	...
Performance period end date	30-Jun-23	30-Jun-24	30-Jun-25	...
Grant date	18-Oct-19	28-Oct-20	29-Oct-21	...
Grant price	$20.0366	$17.2790	$8.7045	...

Performance Rights held	FY20	FY21	FY22	Balance as at 30 June 2022[1]
Current				
G Hunt	n/a	n/a	297,374	297,374
M Brokhof	n/a	52,086	103,394	155,480
J Egan	7,685	8,912	17,691	34,288
D Nicks	28,268	32,779	89,034	150,081
Former				
C Corbett[2]	39,926	46,298	91,906	-

1. Reflects Performance Rights held as a KMP at the end of the financial year.
2. The Board approved "good leaver" treatment to apply for Ms Corbett on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Ms Corbett is still an employee, her LTI awards will be pro-rated on cessation of employment.

Other Required Disclosures

For the year ended 30 June 2022

These Other Required Disclosures (pages 82 to 83) are attached to and form part of the Directors' Report.

9. Other Required Disclosures

9.1 Changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the AGL consolidated entity that occurred during the financial year other than those included in this Directors' Report.

9.2 Proceedings on behalf of the company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of AGL or intervene in any proceedings to which AGL is a party for the purpose of taking responsibility on behalf of AGL for all or any part of those proceedings. AGL was not a party to any such proceedings during the year.

9.3 Commercial in confidence information

Further information about likely developments in the operations of AGL and its consolidated entity and the expected results of those operations in the future has been included in this Directors' Report except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

The type of information not disclosed includes commercial in confidence information such as detailed operational plans and strategies that would provide third parties with a commercial advantage.

9.4 Auditor and non-audit services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu Australia (**Deloitte**). Disclosure of the details of these services can be found in Note 26 of the Financial Report 2022.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Semi-annual reports on the provision of auditing and related services are provided to the Board through the Audit & Risk Management Committee. The Directors are satisfied that the provision of other accounting advice and services by the external auditor is compatible with the general standard of independence for auditors.

The policy and procedures in place, and the review by the Audit & Risk Management Committee, enable the Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act.

There is in place an agreed rotation policy for the senior auditor of Deloitte. Mr Jason Thorne (Partner, Deloitte) acted as AGL's lead audit partner from 2017 until the year ended 30 June 2022. Under the Corporations Act, Mr Thorne could only play a "significant role in the audit" of AGL for five successive financial years, unless the Board resolved to extend Mr Thorne's role as lead audit partner for a period of one (or two) years. In light of the complexity of the accounting and financial control environment over the year ending 30 June 2022 due to the proposed demerger and the need to maintain the quality of the audit over this period, in FY2021 the Board resolved to extend Mr Thorne's role as lead audit partner in accordance with the Corporations Act. Mr Thorne was replaced as AGL's lead audit partner by Ms Harriet Fortescue (Partner, Deloitte) for the financial year beginning 1 July 2022.

The external auditor annually provides a letter to the Company Secretary on its independence within the meaning of relevant legislation and professional standards. No officers of AGL were partners or directors of Deloitte during this or prior periods.

9.5 Rounding

AGL is an entity to which ASIC Corporations Instrument 2016/191 applies and, in accordance with that Instrument, amounts in the Financial Report and this Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

9.6 Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is attached to the AGL Financial Report 2022.

9.7 Indemnification and insurance of officers

AGL's constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

- liability to third parties (other than related entities) when acting in good faith; and
- costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this Report and the Company Secretary have the benefit of the indemnity, together with any other person concerned in, or who takes part in, the management of the consolidated entity.

During the year, AGL paid premiums in respect of contracts insuring all Directors of AGL as listed earlier, all Directors of related bodies corporate of AGL, secretaries and other Officers of the consolidated entity against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities covered and the amount of premium.

Other Required Disclosures
For the year ended 30 June 2022

9.8 Subsequent events

Board and management renewal

As announced on 30 May 2022, AGL is currently undertaking a Board and Management Renewal process, including a search process for a new Chair of the Board and Managing Director and CEO. The process is ongoing at the date of this report and AGL will make announcements to ASX once the roles are appointed.

Review of strategic direction

As announced on 30 May 2022, AGL is in the process of undertaking a review of strategic direction. The review will focus on four key areas, review of existing strategies, decarbonisation objectives, optimal energy mix and capital structure. Initial outcomes of the review are expected to be presented in late September 2022.

Apart from the matters identified above and in the financial statements or notes thereto, there has not been any other matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in future financial periods.

9.9 Non-IFRS Financial Information

The Operating & Financial Review attached to and forming part of this Directors' Report includes a number of non-International Financial Reporting Standards (IFRS) financial measures. AGL management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources.

Principal among these non-IFRS financial measures is Underlying Profit. This measure is Statutory Profit/(Loss) adjusted for:

- significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business); and
- changes in the fair value of financial instruments recognised in the statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

AGL believes that Underlying Profit provides a better understanding of its financial performance than Statutory Profit/(Loss) and allows for a more relevant comparison of financial performance between financial periods.

Underlying Profit is presented with reference to ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information", issued in December 2011. AGL's policy for reporting Underlying Profit is consistent with this guidance. The Directors have had the consistency of the application of the policy reviewed by the external auditor of AGL.

9.10 Corporate governance

A copy of AGL's Corporate Governance Statement can be found on the AGL website at **agl.com.au/CorporateGovernance**.

9.11 Environmental regulation

AGL's businesses are subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at both the federal and state government levels.

On 10 and 11 March 2021, two events occurred at AGL Macquarie Pty Limited (**AGLM**) where air emission limits were exceeded at discharge points 4 and 3 respectively for Particulates as prescribed in the Liddell Environmental Protection Licence (**EPL**) 2122. AGLM notified the NSW Environment Protection Authority (**NSW EPA**) of the event on 14 April 2021 and undertook a review of emissions monitoring resulting in corrective actions being put into place. On 13 October 2021, the NSW EPA issued one Penalty Infringement Notice to AGLM for the contravention of a licence condition.

On 6 July 2021, AGLM notified the NSW EPA upon becoming aware that the air concentration limits for nitrogen oxides contained in EPL 779 - being the 99th percentile concentration limit, had been exceeded in relation to monitoring point 6. AGLM undertook a review of emissions monitoring resulting in corrective actions being put into place. On 11 August 2021, the NSW EPA issued an Official Caution to AGLM for an exceedance of a concentration limit.

On 16 September 2021, AGLM became aware that the air concentration limits for nitrogen oxides contained in EPL 779 - being the 99th percentile concentration limit, had been exceeded in relation to monitoring point 6. AGLM notified the NSW EPA of the event and undertook a review of emissions monitoring resulting in corrective actions being put into place. On 8 November 2021, the NSW EPA issued an Official Caution to AGLM for Contravention of Licence Condition L3.1.

On 19 August 2021, an event occurred at Bayswater Power Station involving a discharge from the lime softening plant, resulting in the release of lime sludge into a nearby grassed drainage line. AGLM notified the NSW EPA of the event. AGLM carried out clean up actions, repaired the relevant section of the pipeline and undertook additional maintenance activities to prevent further releases. On 14 September 2021, the NSW EPA issued an Official Caution for an alleged pollution of waters offence.

On 24 May 2022, AGLM notified the NSW EPA that a discharge of saline water from the Lake Liddell Seepage Return System had been identified adjacent to Point 23 under EPL 779. There was no planned discharge at the time under the Hunter River Salinity Trading Scheme. AGLM carried out repairs to the pump. On 30 June 2022, the NSW EPA issued an Official Caution to AGLM for an alleged offence under section 120 of the Protection of the Environment Operations Act 1997, for the pollution of waters.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 19th day of August 2022.

Peter Botten
Chairman

19 August 2022

Financial Report

Consolidated Statement of Profit or Loss

For the year ended 30 June 2022

	Note	2022 $m	2021 $m
Continuing operations			
Revenue	2	**13,221**	10,942
Other income	3	**20**	121
Expenses	4	**(11,151)**	(12,798)
Share of profits of associates and joint ventures	14	**26**	9
Profit/(Loss) before net financing costs, depreciation and amortisation		**2,116**	(1,726)
Depreciation and amortisation	5	**(717)**	(707)
Profit/(Loss) before net financing costs		**1,399**	(2,433)
Finance costs	6	**(217)**	(224)
Net financing costs		**(217)**	(224)
Profit/(loss) before tax		**1,182**	(2,657)
Income tax (expense)/benefit	7	**(329)**	598
Profit/(loss) for the year including non-controlling interests		**853**	(2,059)
Loss attributable to non-controlling interest		**7**	1
Profit/(loss) for the year attributable to AGL shareholders		**860**	(2,058)
Earnings per share			
Basic earnings per share	23	**131.6 cents**	(330.3 cents)
Diluted earnings per share	23	**131.3 cents**	(330.3 cents)

The Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $m	2021 $m
Profit/(Loss) for the year		**860**	(2,058)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit plans	32	**103**	97
Fair value (loss)/gain on the revaluation of equity instrument financial assets		**(46)**	66
Income tax relating to items that will not be reclassified subsequently	7	**(7)**	(49)
		50	114
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Gain in fair value of cash flow hedges		**114**	17
Reclassification adjustments transferred to profit or loss		**29**	56
Cost of hedging subject to basis adjustment		**5**	(2)
Income tax relating to items that may be reclassified subsequently	7	**(43)**	(21)
		105	50
Other comprehensive income for the year, net of income tax		**155**	164
Total comprehensive income/(loss) for the year attributable to AGL shareholders		**1,015**	(1,894)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $m	2021 $m
Current assets			
Cash and cash equivalents	35	**127**	88
Trade and other receivables	9	**3,130**	1,889
Inventories	10	**369**	418
Current tax assets	7	**67**	165
Other financial assets	11	**4,639**	539
Other assets	12	**299**	353
Assets classified as held for sale	13	**-**	223
Total current assets		**8,631**	3,675
Non-current assets			
Trade and other receivables	9	**93**	81
Inventories	10	**46**	46
Other financial assets	11	**384**	950
Investments in associates and joint ventures	14	**426**	117
Property, plant and equipment	15	**6,013**	6,283
Intangible assets	16	**3,252**	3,302
Deferred tax assets	7	**344**	971
Other assets	12	**81**	25
Total non-current assets		**10,639**	11,775
Total assets		**19,270**	15,450
Current liabilities			
Trade and other payables	17	**3,164**	1,838
Borrowings	18	**355**	305
Provisions	19	**374**	413
Current tax liabilities	7	**55**	71
Other financial liabilities	20	**3,611**	327
Other liabilities	21	**48**	21
Total current liabilities		**7,607**	2,975
Non-current liabilities			
Borrowings	18	**2,523**	2,880
Provisions	19	**1,961**	3,301
Deferred tax liabilities	7	**-**	330
Other financial liabilities	20	**491**	253
Other liabilities	21	**171**	205
Total non-current liabilities		**5,146**	6,969
Total liabilities		**12,753**	9,944
Net assets		**6,517**	5,506
Equity			
Issued capital	22	**5,918**	5,601
Reserves		**97**	15
Retained earnings		**501**	(115)
Non-controlling interest		**1**	5
Total equity		**6,517**	5,506

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Attributable to AGL shareholders								
	Issued capital $m	Investment revaluation reserve $m	Employee equity benefits reserve $m	Hedge reserve $m	Other reserve $m	Retained earnings / (Accumulated losses) $m	Equity $m	Non-controlling Interests $m	Total equity $m
Restated balance at the beginning of the financial year	**5,601**	**40**	**(1)**	**(24)**	**-**	**(115)**	**5,501**	**5**	**5,506**
Profit/(Loss) for the period	**-**	**-**	**-**	**-**	**-**	**860**	**860**	**(7)**	**853**
Other comprehensive income for the year, net of income tax	**-**	**(23)**	**-**	**101**	**4**	**73**	**155**	**-**	**155**
Total comprehensive income/(loss) for the year	**-**	**(23)**	**-**	**101**	**4**	**933**	**1,015**	**(7)**	**1,008**
Transactions with owners in their capacity as owners:									
Issue of shares[1]	**317**	**-**	**-**	**-**	**-**	**-**	**317**	**-**	**317**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**(317)**	**(317)**	**-**	**(317)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital contributed by noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**3**
Balance at 30 June 2022	**5,918**	**17**	**(1)**	**77**	**4**	**501**	**6,516**	**1**	**6,517**
Balance at 1 July 2020	5,603	(6)	-	(75)	1	2,552	8,075	-	8,075
Change in accounting policy[2]	-	-	-	-	-	(103)	(103)	-	(103)
Restated balance at the beginning of the financial year	5,603	(6)	-	(75)	1	2,449	7,972	-	7,972
Profit/(Loss) for the period	-	-	-	-	-	(2,059)	(2,059)	1	(2,058)
Other comprehensive income for the year, net of income tax	-	46	-	51	(1)	68	164	-	164
Total comprehensive income/(loss) for the year	-	46	-	51	(1)	(1,991)	(1,895)	1	(1,894)
Transactions with owners in their capacity as owners:									
On-market share buy-back	(2)	-	-	-	-	-	(2)	-	(2)
Payment of dividends	-	-	-	-	-	(573)	(573)	-	(573)
Share-based payments	-	-	(1)	-	-	-	(1)	-	(1)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	4	4
Balance at 30 June 2021	5,601	40	(1)	(24)	-	(115)	5,501	5	5,506

1. Issue of shares to satisfy fully underwritten dividend and dividend reinvestment plan.
2. The restatement of opening balance relating to a change in accounting policy for Software as a Service was reflected in the Consolidated Statement of Changes in equity in the 30 June 2021 Financial Report.

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $m	2021 $m
Cash flows from operating activities			
Receipts from customers		**13,264**	11,542
Payments to suppliers and employees		**(11,970)**	(10,081)
Dividends received		**17**	23
Finance costs paid		**(84)**	(120)
Income taxes paid		**-**	(114)
Net cash provided by operating activities	35(b)	**1,227**	1,250
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		**(636)**	(695)
Payments for investments in associates and joint ventures		**(358)**	(8)
Payments for equity instrument financial assets		**-**	(17)
Payments for subsidiaries and businesses, net of cash acquired		**(1)**	(183)
Payments of deferred consideration		**(37)**	(39)
Proceeds from sale of investments in associates and joint ventures		**-**	5
Proceeds from disposal of equity instrument financial assets		**147**	-
Net cash used in investing activities		**(885)**	(937)
Cash flows from financing activities			
Payments for buy-back of shares		**-**	(2)
Proceeds from issue of shares		**317**	-
Purchase of shares on-market for equity based remuneration		**(1)**	(3)
Proceeds from borrowings		**1,832**	3,006
Repayment of borrowings		**(2,134)**	(2,794)
Dividends paid	8	**(317)**	(573)
Net cash used in financing activities		**(303)**	(366)
Net increase/(decrease) in cash and cash equivalents		**39**	(53)
Cash and cash equivalents at the beginning of the financial period		**88**	141
Cash and cash equivalents at the end of the financial period	35(a)	**127**	88

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. Segment information

Operating Segments

AGL reports segment information on the same basis as the internal management reporting structure.

For the majority of the year the internal management reporting structure was aligned with the proposed demerged businesses (the 'Proposed Demerged Segments') including for Accel - "Operations", "Trading and Origination", and for AGL Australia - "Customer", "Supply and Trading" and "Investments". Following the withdrawal of the proposed demerger in May 2022, management commenced the process of re-integrating the businesses, including realigning the operating segments into Customer Markets, Integrated Energy, and Investments (the 'Re-integrated Segments').

In order to bridge the Proposed Demerged Segments reported for a substantive part of the year and the Re-integrated Segments that were in use at year end and will be used going forward, the segment information for the year ended 30 June 2022 is presented under both Proposed Demerged Segments and Re-integrated Segments, along with a reconciliation of the two.

Proposed Demerged Segments

Accel:

- **Operations**: comprised the power generation portfolio and other assets that were to be allocated to Accel. The segment included the costs associated with the operation and maintenance of the baseload generation fleet and other assets.
- **Trading and Origination**: comprised the wholesale electricity and C&I customer portfolio that were to be allocated to Accel. This segment included the revenues for the sale of energy to the AGL Australia Supply and Trading segment and wholesale and C&I customers, along with costs of generation, and the outcomes of the trading and hedging strategies employed.

AGL Australia:

- **Customer**: comprised the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers and the retailing of telecommunications that were to be allocated to AGL Australia. This segment included revenue from the sale of energy, telecommunications and other products to customers, and the cost of supply and operating costs to support AGL Australia's 4.2 million customer services.
- **Supply and Trading**: comprised the wholesale electricity, gas and eco markets trading and operating activities that were to be allocated to AGL Australia. This segment sources the electricity and gas required to serve AGL Australia's customers. It also operated and maintained the flexible generation assets that were to be allocated to AGL Australia. This segment earned inter-segment revenue through sales to the Customer segment.
- **Investments**: comprised interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe and other investments that were to be allocated to AGL Australia.

Re-integrated Segments

- **Customer Markets:** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.
- **Integrated Energy:** operates AGL 's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects. Integrated Energy manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products.
- **Investments:** comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe and other investments.

In the segment financial results, the 'Other' category consists of various Corporate activities. These are not considered to be reportable segments.

1. Segment information (cont.)

Segment financial results

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their Underlying earnings before interest and tax (Underlying EBIT) contribution to AGL. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

AASB 8 Operating Segments requires AGL to report segment information on the same basis as the internal management structure. As a result, the AGL Australia Customer segment reports the revenue and margin associated with satisfying the gas, electricity and telecommunication requirements of AGL Australia's consumer and business customer portfolio, whilst Accel Operations, Trading and Origination and AGL Australia Supply and Trading segment reports the revenue, expenses and margin related to operating sites and wholesale energy portfolio. The same approach also applies to the Re-integrated Segments, in that the Customer Markets segment reports the revenue and margin associated with satisfying the gas, electricity and telecommunication requirements of AGL consumer and business customer portfolio and Integrated Energy reports the revenue, expenses and margin related to AGL's operating sites and AGL's wholesale energy portfolio.

Proposed Demerged Segments

	Accel Energy		AGL Australia				
2022 $m	Operations	Trading and Origination	Customer	Supply and Trading	Investments	Other	Total
Revenue							
Total segment revenue	146	6,551	7,500	2,460	17	-	16,674
Inter-segment revenue	(32)	(1,801)	(187)	(1,433)	-	-	(3,453)
External revenue	114	4,750	7,313	1,027	17	-	13,221
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(483)	1,241	320	388	11	(259)	1,218
Depreciation and amortisation	(422)	(1)	(139)	(80)	-	(75)	(717)
Underlying EBIT	(905)	1,240	181	308	11	(334)	501
Net financing costs							(217)
Underlying profit before tax							284
Underlying income tax expense							(66)
Underlying profit after tax							218
Non-controlling interests							7
Underlying profit after tax (attributable to AGL shareholders)							225
Segment assets	4,929	1,599	2,743	3,744	435	272	13,722
Segment liabilities	1,582	2,547	699	676	5	209	5,718
Other segment information							
Share of profits of associates and joint ventures	-	-	-	-	26	-	26
Investments in associates and joint ventures	-	-	-	-	426	-	426
Additions to non-current assets	424	-	65	135	-	31	655
Other non-cash expenses	-	-	(81)	-	-	(11)	(92)

1. Segment information (cont.)

Re-integrated segments

2022 $m	Customer Markets	Integrated Energy	Investments	Other	Total
Revenue					
Total segment revenue	7,650	8,612	17	-	16,279
Inter-segment revenue	(187)	(2,871)	-	-	(3,058)
External revenue	7,463	5,741	17	-	13,221
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	320	1,146	11	(259)	1,218
Depreciation and amortisation	(139)	(503)	-	(75)	(717)
Underlying EBIT	181	643	11	(334)	501
Net financing costs					(217)
Underlying profit before tax					284
Underlying income tax expense					(66)
Underlying profit after tax					218
Non-controlling interests					7
Underlying profit after tax (attributable to AGL shareholders)					225
Segment assets	2,743	10,267	440	272	13,722
Segment liabilities	699	4,805	5	209	5,718
Other segment information					
Share of profits of associates and joint ventures	-	-	26	-	26
Investments in associates and joint ventures	-	-	426	-	426
Additions to non-current assets	65	559	-	31	655
Other non-cash expenses	(81)	-	-	(11)	(92)

1. Segment information (cont.)

Reconciliation between the different segment presentation

The following table presents the reconciling difference between the demerged and re-integrated segment information. The reconciling difference for Integrated Energy presented below is the difference between the aggregation of Operations, Trading and Origination and Supply and Trading segments and the Integrated Energy segment. The Customer Markets, Investments and Other column presents the difference between each of their respective segments. The reconciliation difference explained below is driven by the different internal management reporting structure under the proposed demerged businesses and the re-integrated business.

Customer Markets Reconciliation

2022 $m	Customer	Customer Markets	Variances	Difference explained by Allocation of C&I customers[1]
Revenue				
Total segment revenue	7,500	7,650	(150)	(150)
Inter-segment revenue	(187)	(187)	-	-
External revenue	7,313	7,463	(150)	(150)
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	319	319	-	-
Depreciation and amortisation	(139)	(139)	-	-
Underlying EBIT	180	180	-	-
Segment assets	2,743	2,743	-	-
Segment liabilities	699	699	-	-

1. Post re-integration, revenue in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.

Integrated Energy Reconciliation

2022 $m	Operations	Trading and Origination	Supply and Trading	Combined	Integrated Energy	Variances	Difference explained by: Allocation of C&I customers[1]	Intersegment revenue elimination[2]	RayGen[3]
Revenue									
Total segment revenue	146	6,551	2,460	9,157	8,612	545	150	395	-
Inter-segment revenue	(32)	(1,801)	(1,433)	(3,266)	(2,871)	(395)	-	(395)	-
External revenue	114	4,750	1,027	5,891	5,741	150	150	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(483)	1,241	388	1,146	1,146	-	-	-	-
Depreciation and amortisation	(422)	(1)	(80)	(503)	(503)	-	-	-	-
Underlying EBIT	(905)	1,240	308	643	643	-	-	-	-
Segment assets	4,929	1,599	3,744	10,272	10,267	5	-	-	5
Segment liabilities	1,582	2,547	676	4,805	4,805	(0)	-	-	-

1. Post re-integration, revenue in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.
2. The difference in total revenue and inter-segment revenue is due to elimination following the re-integration of Integrated Energy
3. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. Segment information (cont.)

Investments Reconciliation

2022 $m	Investment - Demerged	Investment - Re-Integrated	Variances	Difference explained by RayGen[1]
Revenue				
Total segment revenue	17	17	-	-
Inter-segment revenue	-	-	-	-
External revenue	17	17	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	11	11	-	-
Depreciation and amortisation	-	-	-	-
Underlying EBIT	11	11	-	-
Segment assets	435	440	(5)	(5)
Segment liabilities	5	5	-	-

1. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.

Proposed Demerged Segments

	Accel Energy		AGL Australia				
2021 $m	Operations	Trading and Origination	Customer	Supply and Trading	Investments	Other	Total
Revenue							
Total segment revenue	139	4,614	7,423	2,058	-	-	14,234
Inter-segment revenue	(33)	(1,874)	(38)	(1,347)	-	-	(3,292)
External revenue	106	2,740	7,385	711	-	-	10,942
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(529)	1,787	337	372	9	(310)	1,666
Depreciation and amortisation	(440)	(1)	(134)	(70)	-	(62)	(707)
Underlying EBIT	(969)	1,786	203	302	9	(372)	959
Net financing costs							(224)
Underlying profit before tax							735
Underlying income tax expense							(199)
Underlying profit after tax							536
Non-controlling interests							1
Underlying profit after tax (attributable to AGL shareholders)							537
Segment assets	5,350	820	2,766	3,455	326	309	13,026
Segment liabilities	1,882	2,271	656	800	2	167	5,778
Other segment information							
Share of profits of associates and joint ventures	-	-	-	-	9	-	9
Investments in associates and joint ventures	-	-	-	-	117	-	117
Additions to non-current assets	461	-	86	97	-	66	710
Other non-cash expenses	-	-	(127)	-	-	(3)	(130)

1. Segment information (cont.)

Re-integrated Segments

2021 $m	Customer Markets	Integrated Energy	Investments	Other	Total
Revenue					
Total segment revenue	7,614	6,367	-	-	13,981
Inter-segment revenue	(38)	(3,001)	-	-	(3,039)
External revenue	7,576	3,366	-	-	10,942
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	337	1,630	9	(310)	1,666
Depreciation and amortisation	(134)	(511)	-	(62)	(707)
Underlying EBIT	203	1,119	9	(372)	959
Net financing costs					(224)
Underlying profit before tax					735
Underlying income tax expense					(199)
Underlying profit after tax					536
Non-controlling interests					1
Underlying profit after tax (attributable to AGL shareholders)					537
Segment assets	2,782	9,604	331	309	13,026
Segment liabilities	666	4,943	2	167	5,778
Other segment information					
Share of profits of associates and joint ventures	-	-	9	-	9
Investments in associates and joint ventures	-	-	117	-	117
Additions to non-current assets	86	558	-	66	710
Other non-cash expenses	(127)	-	-	(3)	(130)

Reconciliation between the different segment presentation

The following is an analysis of the differences between the demerged and re-integrated segment information:

Customer Markets Reconciliation

2021 $m	Customer	Customer Markets	Variances	Difference explained by Allocation of C&I customers[1]
Revenue				
Total segment revenue	7,423	7,614	(191)	(191)
Inter-segment revenue	(38)	(38)	-	-
External revenue	7,385	7,576	(191)	(191)
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	337	337	-	-
Depreciation and amortisation	(134)	(134)	-	-
Underlying EBIT	203	203	-	-
Segment assets	2,766	2,782	(16)	(16)
Segment liabilities	656	666	(10)	(10)

1. Post re-integration, revenue, receivables and payables in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.

1. Segment information (cont.)

Integrated Energy Reconciliation

2021 $m	Operations	Trading and Origination	Supply and Trading	Combined	Integrated Energy	Variances	Difference explained by Allocation of C&I customers[1]	Intersegment revenue elimination[2]	RayGen[3]
Revenue									
Total segment revenue	139	4,614	2,058	6,811	6,367	444	191	253	-
Inter-segment revenue	(33)	(1,874)	(1,347)	(3,254)	(3,001)	(253)	-	(253)	-
External revenue	106	2,740	711	3,557	3,366	191	191	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(529)	1,787	372	1,630	1,630	-	-	-	-
Depreciation and amortisation	(440)	(1)	(70)	(511)	(511)	-	-	-	-
Underlying EBIT	(969)	1,786	302	1,119	1,119	-	-	-	-
Segment assets	5,350	820	3,455	9,625	9,604	21	16	-	5
Segment liabilities	1,882	2,271	800	4,953	4,943	10	10	-	-

1. Post re-integration, revenue, receivables and payables in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.
2. The difference in total revenue and inter-segment revenue is due to eliminations following the re-integration of Integrated Energy.
3. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.

Investments Reconcilation

2021 $m	Investment - Demerged	Investment - Re-Integrated	Variances	Difference explained by RayGen[1]
Revenue				
Total segment revenue	-	-	-	-
Inter-segment revenue	-	-	-	-
External revenue	-	-	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	8	8	-	-
Depreciation and amortisation	-	-	-	-
Underlying EBIT	8	8	-	-
Segment assets	326	331	(5)	(5)
Segment liabilities	2	2	-	-

1. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.

Segment revenue reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment revenue to total revenue from continuing operations is as follows:

	2022 $m	2021 $m
Segment revenue for reportable segments	**16,279**	13,981
Elimination of inter-segment revenue	**(3,058)**	(3,039)
Revenue for reportable segments	**13,221**	10,942
Total revenue	**13,221**	10,942

1. Segment information (cont.)

Revenue from major products and services

The following is an analysis of AGL's reportable segment profit from continuing operations from its major products and services:

	2022 $m	2021 $m
Electricity	**5,709**	5,920
Generation sales to pool	**4,401**	2,301
Gas	**2,417**	2,170
Rendering of services	**484**	290
Other revenue	**210**	261
Total revenue	**13,221**	10,942

Segment Underlying EBIT reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment Underlying EBIT to profit before tax for continuing operations is as follows:

	2022 $m	2021 $m
Underlying EBIT for reportable segments	**835**	1,331
Other	**(334)**	(372)
	501	959
Amounts excluded from underlying results:		
- gain in fair value of financial instruments	**212**	477
- significant items	**686**	(3,869)
Finance costs	**(217)**	(224)
Profit before tax	**1,182**	(2,657)

Segment assets reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment assets to total assets is as follows:

	2022 $m	2021 $m
Segment assets for reportable segments	**13,450**	12,717
Other	**272**	309
	13,722	13,026
Cash and cash equivalents	**127**	88
Current tax assets	**67**	165
Deferred tax assets	**344**	971
Derivative financial instruments	**5,010**	1,200
Total assets	**19,270**	15,450

Segment liabilities reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment liabilities to total liabilities is as follows:

	2022 $m	2021 $m
Segment liabilities for reportable segments	**5,509**	5,611
Other	**209**	167
	5,718	5,778
Borrowings	**2,878**	3,185
Current tax liabilities	**55**	71
Deferred tax liabilities	**-**	330
Derivative financial instruments	**3,952**	412
Deferred consideration	**150**	168
Total liabilities	**12,753**	9,944

1. Segment information (cont.)

Geographical information

AGL principally operates in one geographical area being Australia. All non-current assets and total external revenue from customers is attributed to Australia.

Information about major customers

No single customer amounts to 10 percent or more of AGL's total external revenue (2021: none).

ACCOUNTING POLICY

Segment reporting

An operating segment is a component of AGL that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of AGL. Operating segments are identified on the basis of internal reports about components of AGL that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Board of Directors.

2. Revenue

2022	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	**4,191**	**1,258**	**260**	**-**	**5,709**
Generation sales to pool	**-**	**-**	**4,401**	**-**	**4,401**
Gas	**1,511**	**123**	**755**	**28**	**2,417**
Rendering of services	**50**	**39**	**91**	**304**	**484**
Other revenue	**-**	**-**	**122**	**88**	**210**
Total revenue	**5,752**	**1,420**	**5,629**	**420**	**13,221**

2021	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	4,314	1,346	260	-	5,920
Generation sales to pool	-	-	2,301	-	2,301
Gas	1,538	118	490	24	2,170
Rendering of services	43	41	45	161	290
Other revenue	2	-	175	84	261
Total revenue	5,897	1,505	3,271	269	10,942

ACCOUNTING POLICY

Revenue from contracts with customers

AGL's primary revenue streams relate to the retail sale of electricity and gas to residential (consumer) and business customers in Australia, the sale of electricity and gas to wholesale customers in Australia and the sale of generated electricity to the National Electricity Market in Australia. Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer at an amount that reflects the consideration to which AGL expects to be entitled to receive in exchange for those goods or services.

The majority of contractual energy supply arrangements with customers have no fixed duration, generally require no minimum consumption by the customer and are able to be terminated by either party at any time without incurring significant penalty. Given this, the enforceable contracts are considered short term (less than 12 months) in nature. There are some longer term contracts particularly those with business and wholesale customers.

AGL has generally concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

AGL's primary performance obligations are the supply of energy (electricity or gas) over the contractual term. There are either individual contracts representing separate purchasing decisions of customers, or the units of supply of energy represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and hence is considered one performance obligation satisfied over time. For the shorter term contracts, the performance obligations are considered to be satisfied, and revenue is recognised, as and when the units of energy are delivered. Additionally, in relation to AGL's longer term contracts, AGL determines that the right-to-invoice approach to measure the progress towards completion of the performance obligation is most appropriate as it depicts AGL's performance. AGL uses the units of energy delivered to the customer as estimated as part of the unbilled process (and later verified by meter readings) or as indicated by the customer's energy meter (where these are known more frequently).

In most instances, the transaction price is determined by the unbilled process. For some wholesale contracts, AGL also considers the effects of variable consideration and for some business sales, there is non-cash consideration and consideration payable to the customer relating to renewable energy certificates (RECs).

Electricity and Gas revenue

Residential electricity and gas sales

Residential energy sales relate to the sale of energy (electricity and gas) to retail customers. Residential sales are classified as individual, short term, day-by-day contracts and are recognised as revenue on a day-by-day basis upon delivery of energy to customers.

Where the customers are eligible to receive additional discounts (e.g. pay on time discounts to encourage timely payment of energy invoices), AGL considers this to be variable consideration, which is estimated as part of the unbilled process.

Portfolio approach for residential electricity and gas sales

AGL recognises revenue from contracts with its residential customers at the electricity and gas portfolio levels. Furthermore, AGL has elected to apply the portfolio approach in accounting for the fair valuing of RECs, accounting for connection fees and sales commissions. Recognition at the portfolio level would not differ materially from applying the standard on a contract-by-contract basis.

2. Revenue (cont.)

ACCOUNTING POLICY

Business electricity and gas sales

Business sales represent the sale of energy to business customers. Revenue recognition is largely consistent with residential sales. These contracts are longer term in nature and represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and are treated as one performance obligation satisfied over time based on the output delivered to the customer. For a large majority of business sales customers, revenue is recognised when AGL has the 'right to invoice' the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer.

Some business sales arrangements also include the transfer of RECs to the customer, which can, in some instances, represent a separate performance obligation.

Material right applicable to residential and business sales

Where a fixed fee (e.g. connection fee, distribution fee, capacity reservation charge, etc.) received from a customer does not represent a transfer of a good or service to a customer, but the customer is charged an upfront amount, the customer contract contains a material right in that the customer is effectively able to buy additional units of energy at a lower cost per unit.

The material right is valued based on its relative standalone selling price. If standalone selling prices are not directly observable, the price is estimated by taking into consideration the discount the customer would receive in a standalone transaction and the likelihood that the customer would exercise the option.

Revenue from a material right is recognised as and when the right is exercised by the customer or the right expires, whichever is earlier.

Wholesale energy sales

Wholesale energy sales represent the sale of electricity and gas to wholesale customers. These involve a high volume of energy usually over an extended period of time. Supply of energy represents a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and is the major performance obligation. It is treated as one performance obligation which is satisfied over time. In some instances, there is an additional performance obligation in these contracts by way of a material right.

Revenue is recognised for these arrangements when AGL has the 'right to invoice' the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer.

Some wholesale electricity arrangements may involve the transfer of RECs to the customer, which may represent a separate performance obligation.

Renewable energy certificates (RECs) applicable to business and wholesale sales

There are two main instances where RECs pass between AGL and its customers. These include those transferred under a self-surrender arrangement as part of the consideration for energy and those that are sold to customers.

Received from customer (self-surrender)

As a retailer, AGL incurs costs in relation to its renewable energy obligations for which RECs must be surrendered to the government. For most customers, the costs associated with meeting these renewable energy obligations is factored into the cost of energy (i.e. there is a REC cost component built into the price paid). For some customers, instead of paying for the cost of the energy in cash, they have the option to elect to pay for their energy usage in the form of cash and by self-surrendering RECs.

The obligation to remit RECs to the regulator remains with AGL, but the customer is choosing to meet part of its payment by way of surrendering its own RECs rather than paying for the cost of the RECs as part of the overall cost of the energy.

The transfer of RECs as consideration in exchange for energy is a form of non-cash consideration. AGL measures non-cash consideration at its fair value at the date of surrender (i.e. the date of transfer by the customer).

Transferred to the customer

For some customer contracts, AGL sells both energy and RECs to the customer. A customer may purchase RECs to meet its own REC obligations and/or where it wants actual title to the RECs.

The RECs sold to a customer represent a separate performance obligation, i.e. a good, as the customer can benefit from the RECs on their own and the promise to transfer RECs to the customer is separately identifiable from the other promises in the contract (e.g. promise to deliver energy).

AGL determines the portion of the transaction price that it allocates to the RECs using the relative standalone selling price method.

The transaction price is allocated to each performance obligation based on the proportion of the stand-alone selling price of each performance obligation to the sum of the stand-alone selling prices of all of the performance obligations in the contract.

2. Revenue (cont.)

ACCOUNTING POLICY

Revenue is recognised as and when the control of the RECs are transferred to the customer, which occurs at a point in time. Where the customer is entitled to all the RECs generated at a specified power plant (e.g. in cases where power plants are located at the customer's site), transfer of control to the customer occurs as and when the RECs are generated. In other cases where the RECs are transferred to the customer from inventory, control of the RECs transfers upon receipt by the customer.

Pool revenue

Pool generation sales

Pool generation sales and pool purchase costs relate to sales by AGL's generation assets to the grid and purchases of energy by AGL wholesale on behalf of AGL's retail business. AGL has assessed it is acting as the principal in relation to such sales and purchases of energy to the pool and therefore the transactions are recognised on a 'gross' basis. Revenue from these arrangements is recognised at the spot price achieved when control of the energy passes to the grid.

Variable consideration

If the consideration in a contract includes a variable amount, AGL estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

AGL applies the practical expedient in that it does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Costs to obtain a contract

Costs that are incurred regardless of whether a contract is obtained are expensed as incurred, unless those costs are explicitly chargeable to the customer. Discretionary bonuses paid to sales staff based on meeting annual sales targets, overall profitability and individual performance evaluations are expensed as incurred as they are not directly attributable to identifiable contracts and do not meet the criteria for capitalisation. The direct costs of establishing customer contracts are recognised as an asset when they relate to a specific customer acquisition campaign. The direct costs are amortised over the minimum contract term. Direct costs include customer acquisition fees paid to channel partners and upfront account purchase payments.

Costs to fulfil

The costs incurred by AGL to fulfil a contract with a customer, which may qualify for capitalisation include connection fees paid/incurred by AGL (including those charged by distribution businesses to provide such network services, or those incurred directly by AGL in connecting a customer). These costs do not fall within the scope of any other standard (i.e. the cost is not part of inventory, an intangible asset or property, plant and equipment). Therefore, these costs are capitalised as a contract cost (cost to fulfil) asset and amortised over the life of the customer contract or customer relationship, where material.

Cost sharing arrangements

AGL enters into cost sharing arrangements whereby the costs to operate and maintain assets that are shared with parties outside the AGL Group are recharged to the parties in accordance with their beneficial interest. These recharged amounts are recognised as revenue when the associated costs to which they relate impact the statement of profit or loss. Revenue is measured with reference to the fair value of the consideration received.

Government grants

Government grants are recognised when there is reasonable assurance that AGL will comply with the conditions of the grant and the grant will be received.

Government grants that require AGL to construct an asset are recognised as deferred revenue in the Consolidated Statement of Financial Position and transferred to profit or loss on a systematic basis over the useful life of the related assets.

2. Revenue (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Variable consideration and constraints

AGL includes variable consideration in the transaction price as estimated at the inception of a contract. However, if it is considered 'highly probable' that a significant reversal of revenue recognised will occur in the future, the variable consideration is constrained and not included in the transaction price.

AGL's contractual arrangements contain a number of variable pricing elements including pay-on-time discounts, payment plans, and escalations. Some of these variable elements are resolved during the reporting period. Where they are not, management estimates the likelihood of the variable pricing element eventuating and recognises the variable pricing element to the extent it is not highly probable that it will reverse.

Revenue recognition

AGL recognises revenue from gas and electricity services once the gas and/or electricity has been consumed by the customer. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

3. Other income

	2022 $m	2021 $m
Insurance proceeds	**-**	120
Gain on disposal of investment in joint ventures	**-**	1
Sale of purchase option	**20**	-
Total other income	**20**	121

4. Expenses

	2022 $m	2021 $m
Cost of sales[1]	**10,472**	7,760
Administrative expenses	**213**	229
Employee benefits expenses	**636**	646
Other expenses		
Movement in onerous contract provision[2]	**(1,019)**	1,931
Movement in rehabilitation provision[2]	**(65)**	-
Impairment losses on property plant & equipment[3]	**246**	1,173
Impairment losses on intangible assets[4]	**-**	626
Impairment losses on inventories	**-**	18
Reversal of Impairment in a joint venture	**(14)**	-
Contract termination payments	**-**	55
Restructuring and integration costs	**61**	60
Separation costs	**125**	6
Gain on fair value of financial instruments	**(153)**	(450)
Contracts and materials	**267**	297
Impairment loss on trade receivables (net of bad debts recovered)	**81**	127
Marketing expenses	**47**	45
Short term lease and outgoings expenses	**24**	26
Net loss on disposal of property, plant and equipment	**3**	1
Other	**227**	248
Total expenses	**11,151**	12,798

1. Includes nil depreciation expense for wind assets (2021: $8 million).
2. Refer to Note 19
3. Refer to Note 13 and Note 15
4. Refer to Note 16

5. Depreciation and amortisation

	2022 $m	2021 $m
Property, plant and equipment	**494**	508
Intangible assets	**223**	199
Total depreciation and amortisation	**717**	707

6. Net financing costs

	2022 $m	2021 $m
Finance costs		
Interest expense[1]	**76**	103
Lease interest expense	**10**	9
Unwinding of discounts on provisions and other liabilities	**108**	85
Unwinding of discount on deferred consideration	**18**	20
Other finance costs	**5**	7
Net financing costs	**217**	224

1. Interest expense for the year ended 30 June 2022 is presented net of capitalised interest of $2 million (2021: $2 million).

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 2.80% (2021: 4.14%).

ACCOUNTING POLICY

Net financing costs

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets.

All other finance costs are recognised in profit or loss in the period in which they are incurred. Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities, unwinding of the discount on provisions and deferred consideration, and gains and losses on certain hedging instruments that are recognised in profit or loss.

7. Income tax

Income tax recognised in the Consolidated Statement of Profit or Loss

The major components of income tax expense are:

	2022 $m	2021 $m
Current tax		
Current tax expense in respect of the current year	**84**	94
Deferred tax		
Relating to the origination and reversal of temporary differences	**245**	(692)
Total income tax expense/(benefit)	**329**	(598)

Numerical reconciliation between tax expense and pre-tax accounting profit

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2022 $m	2021 $m
Profit/(loss) before tax	**1,182**	(2,657)
Income tax expense calculated at the Australian tax rate of 30% (2021: 30%)	**355**	(797)
Non-deductible capital losses on disposal and impairment	**-**	31
Non-deductible expenses	**-**	191
Adjustments in relation to current tax of prior years	**(17)**	(16)
Other	**(9)**	(7)
Total income tax expense/(benefit)	**329**	(598)

Income tax recognised in other comprehensive income

	2022 $m	2021 $m
Deferred tax		
Cash flow hedges	**43**	21
Remeasurement gain on defined benefit plans	**31**	29
Fair value (loss)/gain on the revaluation of equity instrument financial assets	**(24)**	20
Total income tax recognised in other comprehensive income	**50**	70

Deferred income tax recognised in the Consolidated Statement of Profit or Loss

	2022 $m	2021 $m
Temporary differences		
Tax losses	**(187)**	134
Provisions, payables and accruals	**409**	(903)
Allowance for expected credit losses	**8**	1
Defined benefit superannuation plans	**(2)**	(6)
Borrowings	**3**	5
Derivative financial instruments	**64**	134
Property, plant and equipment and intangible assets	**(27)**	(39)
Other	**(23)**	(18)
Total deferred income tax recognised in profit or loss	**245**	(692)

Current tax balances

	2022 $m	2021 $m
Current tax assets		
Income tax refund receivable	**67**	165
Current tax liabilities		
Income tax payable	**55**	71

7. Income tax (cont.)

Deferred tax balances

	2022 $m	2021 $m
Deferred tax assets/(liabilities) arise from the following:		
Tax losses	**358**	171
Provisions, payables and accruals	**694**	1,103
Allowance for expected credit losses	**54**	62
Defined benefit superannuation plans	**(6)**	23
Borrowings	**33**	36
Derivative financial instruments	**(305)**	(197)
Property, plant and equipment and intangible assets	**(509)**	(536)
Other	**25**	(21)
Net deferred tax assets/(liabilities)[1]	**344**	641

	2022 $m	2021 $m
Recognised in the Consolidated Statement of Financial Position as follows:		
Deferred tax assets	**344**	971
Deferred tax liabilities	**-**	(330)
Net deferred tax assets/(liabilities)	**344**	641

1. During 2021 a net deferred tax liability of $4 million was recognised on acquisition of Click Energy Group Holdings Pty Limited, SEGH Pty Limited and Epho Holding Pty Limited

Deferred tax assets of $33 million (2021: $54 million) remain unrecognised.

AGL has adopted the voluntary Tax Transparency Code as endorsed by the Board of Taxation and the Australian Taxation Office.

ACCOUNTING POLICY

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax payable is based on taxable profit for the year and any adjustments in respect of prior years. AGL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which AGL expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if AGL has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7. Income tax (cont.)

ACCOUNTING POLICY

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised outside profit or loss (whether in other comprehensive income or directly in equity) or a business combination.

Tax consolidation

AGL Energy Limited (the Parent Entity) and its wholly-owned Australian resident subsidiaries formed a tax-consolidated group pursuant to Australian taxation law with effect from 25 October 2006 and are therefore taxed as a single entity from that date. AGL Energy Limited is the head entity in the tax-consolidated group.

On 23 July 2012, AGL Generation Holdco Pty Ltd, a subsidiary 99.99% owned by AGL, and AGL Generation Pty Ltd elected to form a tax-consolidated group with Loy Yang Marketing Holdings Pty Limited and its wholly-owned subsidiary, in addition to the existing group. On 27 July 2012, Great Energy Alliance Corporation Pty Limited (GEAC) and its wholly-owned subsidiaries joined the new tax-consolidated group. AGL Generation Holdco Pty Ltd is the head entity in the new tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'standalone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the tax-consolidated group are recognised by the head entity in each tax consolidated group.

The members of the tax-consolidated group have entered into a tax sharing and tax funding agreement. The tax funding agreement requires payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and any tax loss deferred tax asset assumed by the head entity. The payments are recorded as intercompany receivables/payables.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Deferred tax assets relating to tax losses

AGL recognises a deferred tax asset relating to tax losses incurred by a subsidiary. The recoverability of this deferred tax asset is dependent on the generation of sufficient taxable income, by the subsidiary, to utilise those tax losses. Management judgements and estimates are required in the assessment of this recoverability, including forecasting sufficient future taxable income.

8. Dividends

Recognised amounts

	2022 $m	2021 $m
Final dividend		
Final dividend for 2021 of 34.0 cents per share, unfranked, paid 29 September 2021 (2021: Final dividend for 2020 of 51.0 cents per share, franked to 80%, paid 25 September 2020).	**212**	318
Interim dividend		
Interim dividend for 2022 of 16.0 cents per share, unfranked, paid 30 March 2022 (2021: Interim dividend for 2021 of 41.0 cents per share, unfranked, paid 26 March 2021).	**105**	255
Dividends paid as per the Consolidated Statement of Cash Flows	**317**	573

Unrecognised amounts

Since the end of the financial year, the Directors have declared a final dividend for 2022 of 10.0 cents per share, unfranked, payable 27 September 2022 (2021: 34.0 cents per share, unfranked, paid 29 September 2021).	**67**	212

8. Dividends (cont.)

Dividend franking account

	2022 $m	2021 $m
Adjusted franking account balance	(66)	(134)

ACCOUNTING POLICY

Dividends

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends are not accrued as a liability until a dividend declaration is made by the Board of Directors. The liability is reduced when the dividend is paid. The Board of Directors takes into consideration factors including AGL's relative capital strength and the existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

9. Trade and other receivables

	2022 $m	2021 $m
Current		
Trade receivables	2,295	1,357
Unbilled revenue	787	726
Allowance for expected credit loss	(183)	(209)
	2,899	1,874
Other receivables	231	15
Total current trade and other receivables	3,130	1,889
Non-current		
Other receivables	93	81
Total non-current trade and other receivables	93	81
Allowance for expected credit loss		
Balance as at 1 July	209	196
Impairment losses recognised on receivables	162	205
Amounts written off as uncollectible	(188)	(192)
Balance at end of the financial year	183	209

9. Trade and other receivables (cont.)

The allowance for expected credit loss associated with unbilled revenue and the ageing of trade receivables at the reporting date is detailed below:

	2022		2021	
	Total $m	Allowance $m	Total $m	Allowance $m
Unbilled revenue	**787**	**(39)**	726	(48)
Not past due	**2,008**	**(12)**	1,013	(21)
Past due 0 – 30 days	**69**	**(12)**	78	(12)
Past due 31 – 60 days	**38**	**(9)**	38	(9)
Past due 61 – 90 days	**20**	**(7)**	24	(7)
Past 90 days	**160**	**(104)**	204	(112)
Total	**3,082**	**(183)**	2,083	(209)

ACCOUNTING POLICY

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are recognised at amortised cost, less an allowance for expected credit loss. AGL's policy requires customers to pay in accordance within agreed payment terms. Depending on the customer segment, trade receivables are generally due for settlement within 30 days.

AGL assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, unbilled revenue, contract assets and lease receivables, AGL applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Unbilled revenue

Unbilled revenue represents estimated gas and electricity services supplied to customers but unbilled at the end of the reporting period. Unbilled gas and electricity revenue is not collectible until such time as customers' meters are read and bills rendered.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Expected credit loss on trade receivables and unbilled revenue

AGL uses an allowance matrix to measure expected credit losses of trade receivables and unbilled revenue from its customers. Trade receivable amounts are disaggregated into customer segments.

Loss rates are estimated in each age category and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and economic factors such as wholesale electricity forward curves, commodity fuel forward curves and prevailing macro-economic information.

The methodology for calculating the allowance for expected credit loss has not changed as a result of COVID-19, however certain assumptions have been updated and further segmentation of the customer base has been introduced to reflect observed payment behaviours. The key assumptions impacted are external macro-economic trends such as unemployment and small business impacts.

Unbilled revenue

AGL recognises revenue from gas and electricity sales once the gas and/or electricity has been consumed by the customer. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

Some of the assumptions and estimates include:

- Volume and timing of energy consumed by the customers
- Various pricing plans prevalent and allocation of the estimated volume to such pricing plans
- Loss factors
- Behavioural discounts.

10. Inventories

	2022 $m	2021 $m
Current		
Raw materials and stores - at cost	**308**	325
Finished goods - at cost	**61**	93
Total current inventories	**369**	418

	2022 $m	2021 $m
Non-current		
Finished goods - at cost	**46**	46
Total non-current inventories	**46**	46

ACCOUNTING POLICY

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out or weighted average basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to sell the inventory.

11. Other financial assets

	2022 $m	2021 $m
Current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**54**	11
Interest rate swap contracts - cash flow hedges	**26**	3
Forward foreign exchange contracts - cash flow hedges	**-**	2
Energy derivatives - economic hedges	**4,559**	447
	4,639	463
Futures deposits and margin calls	**-**	76
Total current other financial assets	**4,639**	539

	2022 $m	2021 $m
Non-current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**54**	85
Interest rate swap contracts - cash flow hedges	**96**	10
Energy derivatives - economic hedges	**216**	637
Other	**5**	5
	371	737
Equity instrument financial assets - at fair value through other comprehensive income		
Unlisted equity securities	**8**	8
Unlisted investment funds	**5**	205
Total non-current other financial assets	**384**	950

Refer to Note 36 for AGL's financial assets accounting policy and critical accounting estimates and assumptions.

12. Other assets

	Note	2022 $m	2021 $m
Current			
Green commodities scheme certificates and instruments		**214**	282
Prepayments		**85**	71
Total current other assets		**299**	353

	Note	2022 $m	2021 $m
Non-current			
Defined benefit superannuation plan asset	32	**81**	25
Total non-current other assets		**81**	25

On 3rd August 2022, AGL entered into repurchase agreements with two domestic banks. Under the agreements, AGL sold green certificates with a face value of $106 million with committed repurchase dates in January 2023 and March 2023.

ACCOUNTING POLICY

Green commodity scheme certificates

AGL participates in a number of renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. AGL holds green commodity scheme certificates in order to satisfy its surrender obligations under the various schemes.

Green commodity scheme certificates are initially recorded at cost, being the fair value of the consideration paid or the cost of generation of the certificate. Subsequent to initial recognition, green commodity scheme certificates are recorded at cost, being the fair value of the consideration paid or the cost of the generation of the certificate.

13. Assets classified as held for sale

	2022 $m	2021 $m
Assets or disposal groups held for sale	**-**	223

At 30 June 2021, AGL had begun to actively market Newcastle Gas Storage Facility (NGSF) for sale with a disposal expected to be complete within the year ending 30 June 2022. The sales process did not result in a potential purchaser and following an internal review of the strategy relating to the asset, NGSF was reclassified from Asset Held for Sale to Property Plant and Equipment, and the assets, excluding land, were fully impaired as at 30 June 2022. Refer to the movement schedule in Note 15.

14. Investments in associates and joint ventures

	2022 $m	2021 $m
Investments in joint ventures - unlisted	**426**	117
Total investments in associates and joint ventures	**426**	117

Reconciliation of movements in investments in associates and joint ventures

	2022 $m	2021 $m
Balance at beginning of financial year	**117**	135
Additions[1]	**358**	-
Disposal	**-**	(4)
Impairment reversal recognised in profit or loss	**14**	-
Share of profits after income tax	**26**	9
Dividends received	**(17)**	(23)
Fair value loss on financial instruments	**(72)**	-
Balance at end of financial year	**426**	117

1. AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables.

14. Investments in associates and joint ventures (cont.)

		Ownership interest		Carrying value	
	Principal activities	2022 %	2021 %	2022 $m	2021 $m
Associates					
Solar Analytics Pty Ltd	Solar PV monitoring	**31.2**	31.2	**-**	-
Joint ventures					
ActewAGL Retail Partnership	Gas and electricity retailer	**50**	50	**40**	40
Central Queensland Pipeline Pty Ltd	Gas pipeline development	**50**	50	**-**	-
Tilt Renewables	Development and owner of renewable energy generation projects	**20**	20	**386**	77
Total investments in associates and joint ventures				**426**	117

All the above entities are incorporated and operate in Australia.

Aggregate information of joint ventures that are not individually material

	2022 $m	2021 $m
Current assets	**572**	480
Non-current assets	**4,111**	1,256
Total assets	**4,683**	1,736
Current liabilities	**615**	265
Non-current liabilities	**2,317**	988
Total liabilities	**2,932**	1,253
Net assets	**1,751**	483
Revenue	**1,021**	535
Expenses	**(941)**	(526)
AGL's share of joint ventures' profit after income tax	**26**	9

Commitments and contingent liabilities

AGL's share of commitments and contingent liabilities of associates and joint ventures are disclosed in Notes 24(b) and 25 respectively.

ACCOUNTING POLICY

Equity accounted investments

AGL's interests in equity accounted investees comprise interests in associates and joint ventures. Associates are those entities in which AGL has significant influence, but not control, over the financial and operating policies of the entity. A joint venture is an arrangement in which AGL has joint control and AGL has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, investments in associates and joint ventures are initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise AGL's share of the profit or loss and other comprehensive income of the associates and joint ventures. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in estimates used to determine the recoverable amount. Unrealised gains on transactions between AGL and an associate or a joint venture are eliminated to the extent of AGL's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no evidence of an impairment.

15. Property, plant and equipment

2022	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated depreciation and impairment	**6,025**	**4**	**180**	**74**	**6,283**
Additions	**483**	**-**	**4**	**-**	**487**
Impairment loss recognised in profit or loss	**(237)**	**-**	**(9)**	**-**	**(246)**
Change in estimate related to provision for environmental rehabilitation	**(231)**	**-**	**-**	**-**	**(231)**
Disposals	**(7)**	**-**	**-**	**(2)**	**(9)**
Reclassified from held for sale	**211**	**-**	**-**	**12**	**223**
Depreciation expense	**(482)**	**(1)**	**(11)**	**-**	**(494)**
Balance at 30 June 2022 net of accumulated depreciation and impairment	**5,762**	**3**	**164**	**84**	**6,013**

Balance at 1 July 2021					
Cost (gross carrying amount)	**10,323**	**12**	**297**	**97**	**10,729**
Accumulated depreciation and impairment	**(4,298)**	**(8)**	**(117)**	**(23)**	**(4,446)**
Net carrying amount	**6,025**	**4**	**180**	**74**	**6,283**

Balance at 30 June 2022					
Cost (gross carrying amount)	**10,578**	**12**	**301**	**107**	**10,998**
Accumulated depreciation and impairment	**(4,816)**	**(9)**	**(137)**	**(23)**	**(4,985)**
Net carrying amount	**5,762**	**3**	**164**	**84**	**6,013**

2021	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2020, net of accumulated depreciation and impairment	6,349	5	197	89	6,640
Additions	449	-	3	-	452
Impairment loss recognised in profit or loss	(1,173)	-	-	-	(1,173)
Change in estimate related to provision for environmental rehabilitation	1,112	-	-	-	1,112
Disposals	(9)	-	-	-	(9)
Reclassified as held for sale	(211)	-	-	(12)	(223)
Depreciation expense[1]	(492)	(1)	(20)	(3)	(516)
Balance at 30 June 2021 net of accumulated depreciation and impairment	6,025	4	180	74	6,283

1. Includes $3 million of depreciation expense for wind assets

Balance at 1 July 2020					
Cost (gross carrying amount)	9,260	12	294	109	9,675
Accumulated depreciation and impairment	(2,911)	(7)	(97)	(20)	(3,035)
Net carrying amount	6,349	5	197	89	6,640

Balance at 30 June 2021					
Cost (gross carrying amount)	10,323	12	297	97	10,729
Accumulated depreciation and impairment	(4,298)	(8)	(117)	(23)	(4,446)
Net carrying amount	6,025	4	180	74	6,283

Other

Includes land, buildings and leasehold improvements.

15. Property, plant and equipment (cont.)

Property, plant and equipment under construction

The net carrying amount of property, plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of $375 million (2021: $353 million).

ACCOUNTING POLICY

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs related to the acquisition or construction of qualifying assets are capitalised. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are capitalised when it is probable that future economic benefits associated with the item will flow to AGL and the cost of the item can be measured reliably. Other costs are recognised in profit or loss as incurred.

The gain or loss arising on disposal or retirement is recognised in profit or loss.

Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter. Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements – lesser of lease period or up to 50 years
- Plant and equipment – Up to 50 years

As announced in February 2022, AGL committed to responsibly transitioning operations by closing thermal coal power stations in the following time frames to reduce AGL's environmental footprint:

- Liddell Power Station: April 2023
- Bayswater Power Station: 2030-2033
- Loy Yang A Power Station: 2040-2045

Right-of-use assets (ROU assets)

A ROU asset is recognised in relation to each lease and is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. AGL does not apply the revaluation model but instead carries all ROU assets at cost. The ROU asset is depreciated over its useful life. The useful life of a ROU asset for depreciation purposes is the shorter of the useful life of the asset and the lease term. Where the ROU asset is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation on ROU assets:

- Plant and equipment – ROU assets: lesser of lease period or up to 50 years
- Other – ROU assets: lesser of lease period or up to 50 years

Short-term and low value leases as lessee

AGL has elected to apply the practical expedients available for short-term leases (i.e. where the lease period is 12 months or less) and low-value asset leases. As a result of application of these practical expedients, the measurement requirements of accounting standards do not apply and the expense for these leases is recognised on a straight-line basis.

15. Property, plant and equipment (cont.)

ACCOUNTING POLICY

Impairment of non-financial assets excluding goodwill

At the end of each reporting period, AGL reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, AGL estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

16. Intangible assets

2022	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated amortisation and impairment	**2,440**	**482**	**285**	**95**	**3,302**
Additions	**6**	**155**	**-**	**12**	**173**
Amortisation expense	**-**	**(190)**	**(10)**	**(23)**	**(223)**
Balance at 30 June 2022, net of accumulated amortisation and impairment	**2,446**	**447**	**275**	**84**	**3,252**
Balance at 1 July 2021					
Cost (gross carrying amount)	**3,067**	**1,333**	**311**	**319**	**5,030**
Accumulated amortisation and impairment	**(627)**	**(851)**	**(26)**	**(224)**	**(1,728)**
Net carrying amount	**2,440**	**482**	**285**	**95**	**3,302**
Balance at 30 June 2022					
Cost (gross carrying amount)	**3,073**	**1,488**	**311**	**331**	**5,203**
Accumulated amortisation and impairment	**(627)**	**(1,041)**	**(36)**	**(247)**	**(1,951)**
Net carrying amount	**2,446**	**447**	**275**	**84**	**3,252**

2021	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2020, net of accumulated amortisation and impairment	2,879	392	296	71	3,638
Additions	187	261	-	41	489
Amortisation expense	-	(171)	(11)	(17)	(199)
Impairment loss recognised in profit or loss	(626)	-	-	-	(626)
Balance at 30 June 2021, net of accumulated amortisation and impairment	2,440	482	285	95	3,302
Balance at 1 July 2020					
Cost (gross carrying amount)	2,880	1,072	311	278	4,541
Accumulated amortisation and impairment	(1)	(680)	(15)	(207)	(903)
Net carrying amount	2,879	392	296	71	3,638
Balance at 30 June 2021					
Cost (gross carrying amount)	3,067	1,333	311	319	5,030
Accumulated amortisation and impairment	(627)	(851)	(26)	(224)	(1,728)
Net carrying amount	2,440	482	285	95	3,302

16. Intangible assets (cont.)

Impairment testing for goodwill and intangibles with indefinite useful lives

Goodwill, that is significant in comparison to AGL's total carrying amount of intangible assets with indefinite lives, has been allocated to cash-generating units (CGUs) for the purpose of impairment testing as follows:

Year ended 30 June 2022	$m
Customer Markets	**1,093**
Wholesale Gas	**1,353**
Generation Fleet	**-**
Flexible Generation	**-**
Total goodwill and intangibles with indefinite useful lives	**2,446**

Year ended 30 June 2021	
Customer Markets	1,087
Wholesale Gas	1,353
AGL Generation Fleet	-
Total goodwill and intangibles with indefinite useful lives	2,440

ACCOUNTING POLICY

Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Indefinite lived intangible assets are assessed at least annually for impairment. Finite lived intangible assets are amortised over their estimated useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of amortisation for intangible assets with finite lives:

- Customer relationships and contracts – 3 to 20 years
- Software – 3 to 7 years
- Licences – the lesser of licence term and asset useful life

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of AGL's CGUs or groups of CGUs expected to benefit from the synergies of the combination, and tested for impairment at least annually.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU or group of CGUs is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU(s) and then to the other assets of the CGU(s) pro rata based on the carrying amount of each asset in the CGU(s). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Software

Software is measured at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or development of the software.

Licences

Licences are carried at cost less any accumulated amortisation and impairment losses.

16. Intangible assets (cont.)

ACCOUNTING POLICY

Customer relationships and contracts

Customer relationships and contracts acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised as an expense on a straight-line basis over the period during which economic benefits are expected to be received.

The direct costs of establishing customer contracts are recognised as an asset when they relate to a specific customer acquisition campaign. The direct costs are amortised over the minimum contract term. Direct costs include customer acquisition fees paid to channel partners and upfront account purchase payments. All other customer acquisition costs are expensed as incurred.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment assessment for year ended 30 June 2022

As disclosed in the 31 December 2021 half year report, effective 1 July 2021 the internal reporting structure of AGL was updated resulting in the formation of new operating segments. Following review of the associated CGUs it was determined that there were changes to the CGUs that impacted AGL's impairment assessment. The major CGUs for the purpose of impairment assessment at 31 December 2021 were:

- Customer Markets
- Generation Fleet
- Flexible Generation
- Wholesale Gas

Impairment testing methodology

AGL is subject to a number of external forces that will impact the performance of its business over the life of its assets. This includes external regulatory and social factors that may impact the life of assets, competitor behaviour and new entrants, technology change, and market prices. To respond to the range of potential outcomes that can result from these factors, AGL has adopted a scenario analysis approach to determining the recoverable amount of its assets and cash generating units. Each of the scenarios were assigned a probability weighting to estimate the value in use of each CGU. The methodology of analysing several possible outcomes is consistent with AGL's external reporting disclosures such as the TCFD reports.

Management has modelled eight differing scenarios that have been used in determining the recoverable value of the CGUs. The eight scenarios modelled represent a range of possible outcomes including differing wholesale market prices, asset lives, and impacts of increased competition and includes scenarios consistent with those used in AGL's TCFD reporting.

The recoverable amounts for Customer Markets, Generation Fleet, Flexible Generation and Wholesale Gas were determined using value-in-use models including an appropriate terminal value, where applicable. The key assumptions in the calculation of value in use include:

- Pool prices;
- Plant closure date;
- Discount rate;
- Terminal growth rate;
- Customer numbers and churn;
- Gas margins and volumes;
- Generation volumes;
- Gross margin including assumptions around regulatory outcomes, constraints that impact pricing of market contracts, customer product swaps and customer discounts; and
- Probability weighting applied to each scenario.

The estimate of regulatory outcomes is based on actual regulatory decisions for the current operating period, which are publicly available, together with AGL's expectations of regulated network prices and regulated pricing (Victorian Default Market Offer/Default Market Offer) beyond the current reset period and market prices in unregulated markets. The assumed future gross margin in unregulated markets is determined with reference to historic achieved revenue rates along with AGL's expectations of future price changes, and the impact of expected customer discounts. Customer numbers and consumption volumes are estimated based on historical experience in various segments, together with marketing strategies for the retention and winning of customers and the expected competition from new entrants. Gas procurement costs are estimated based on the actual contract portfolio, together with an estimate of future margins and volumes beyond the period of the actual contract portfolio.

16. Intangible assets (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the case of AGL's generation fleet and flexible generation finite life assets, cash flow forecasts are based on discrete and long-term cash flow forecasts that reflect the life of the assets. The long-term modelling reflects AGL's view of the cash flows anticipated from operations, factoring in known events and expectations, and allows for quantification of sensitivities and scenarios.

Discount rates used are the post-tax weighted average cost of capital of 6.7% (FY21: 6.7%).

Where applicable, a terminal value for certain CGUs is estimated. The terminal value is based on final year free cash flow, with normalised operating and capital expenditure, extrapolated into perpetuity with a growth rate of 2.0% (FY21: 2.0%).

At 30 June 2022, management conducted additional sensitivity analysis to understand the potential impact of changes in market conditions subsequent to the value in use models and scenario analysis being completed. The sensitivity analysis concluded that the recent market conditions would not change the outcome of the impairment assessment. The sensitivity analysis included consideration of key assumptions such as discount rates, pool prices, customer churn and asset closure dates.

If the recoverable amount of a CGU is estimated to be less than the carrying amount, the carrying amount of the CGU is reduced to its recoverable amount with any impairment recognised immediately in the statement of financial performance.

Generation Fleet CGU

The recoverable amount is sensitive to reasonably possible changes in assumed pool prices as well as expected asset closure dates. It is reasonably possible that a change in these assumptions could lead to a reduction in recoverable value. The interrelationship of changes in these and other assumptions is complex. Changes in the external operating environment, such as closure of high demand consumers such as aluminium smelters; significant new generation capacity or delays in the closure of other non-AGL owned power stations; or changes to government policies could result in the decrease in pool prices or may reduce the operating lives of our assets which could give rise to a further impairment.

AGL announced on 30 May 2022, following withdrawal of the proposed demerger, it would undertake a review of strategic direction. The review includes consideration of AGL's decarbonisation objectives, which may also impact the intended operating lives of AGL assets and could give rise to further impairment.

No other reasonably possible changes in key assumptions have been identified which may cause the carrying amount to exceed its recoverable amount.

Wholesale Gas CGU

The recoverable amount is sensitive to reasonably possible changes in assumptions. The recoverable amount of the CGU would equal its carrying amount if:

- The volumes sold to retail customers is reduced by 4% per annum in isolation; or
- The gas margin forecast is reduced by $0.24/GJ in isolation.

No other reasonably possible changes in key assumptions have been identified which may cause the carrying amount to exceed its recoverable amount.

Customer Markets CGU and Flexible Generation CGU

Management do not believe that any reasonably possible change in the key assumptions would result in an impairment.

Impact of climate change related risk

AGL recognises that there is an increased pace of change in the energy industry, community perspectives and associated political landscape.

The scenario analysis undertaken as part of AGL's impairment analysis includes scenarios that are consistent with the TCFD analysis performed. Our assessment shows that a change to the planned closure dates of AGL's coal-fired/thermal generation plants as a result of climate change may have a material impact on the National Electricity Market and may result in a material change to AGL's estimated cash inflows. Similarly, any change to policy in relation to climate change may have a material impact on the National Electricity Market and may result in a material change to AGL's estimated cash inflows.

Impairment of goodwill and other intangibles with indefinite useful lives

AGL determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an assessment of impairment indications, and an estimation of the recoverable amount of the cash-generating units, using a value in use discounted methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

17. Trade and other payables

	2022 $m	2021 $m
Current		
Trade payables and accrued expenses	**2,558**	1,261
Accrued distribution costs	**378**	359
Green commodity scheme obligations	**207**	204
Other	**21**	14
Total trade and other payables	**3,164**	1,838

Trade payables are unsecured and are generally settled within 32 days from end of month of the date of recognition.

ACCOUNTING POLICY

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to AGL prior to the end of the reporting period that are unpaid and arise when AGL becomes obliged to make future payments in respect of the purchase of these goods and services.

Green commodity scheme obligations

Green commodity scheme obligations represent liabilities to satisfy surrender obligations under the various renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. Given the schemes are surrendered on a calendar year basis, the liability is calculated based on the best estimated unit cost at the time of expected surrender.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Accrued distribution costs

AGL recognises distribution costs once the gas and electricity has been delivered to the customer and is measured through a regular review of usage meters. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining distribution costs for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

18. Borrowings

	2022 $m	2021 $m
Current		
Bank loans - unsecured	**80**	275
USD senior notes - unsecured	**239**	-
CPI bonds - unsecured	**11**	10
Lease liabilities	**25**	20
Total current borrowings	**355**	305
Non-current		
Bank loans - unsecured	**1,590**	1,675
USD senior notes - unsecured	**766**	1,019
CPI bonds - unsecured	**49**	57
Lease liabilities	**125**	139
Deferred transaction costs	**(7)**	(10)
Total non-current borrowings	**2,523**	2,880

18. Borrowings (cont.)

Financing facilities

AGL has access to the following committed bank facilities:

	Total facilities		Amounts used	
	2022 $m	2021 $m	2022 $m	2021 $m
USD senior notes - unsecured (after effect of cross currency swaps)	**910**	910	**910**	910
Bank loans - unsecured	**2,152**	2,475	**1,670**	1,950
CPI bonds - unsecured	**60**	67	**60**	67
Bank guarantees - unsecured	**453**	405	**388**	335
Total financing facilities	**3,575**	3,857	**3,028**	3,262

USD senior notes

On 8 December 2016, AGL issued US$395 million of fixed rate unsecured senior notes in the US private placement market, comprising three tranches of 12 year, 13 year and 15 year maturities for US$150 million, US$70 million and US$175 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$395 million, the notes were converted back to approximately A$522 million through cross currency interest rate swaps. On 8 December 2016, AGL further issued A$50 million of fixed rate unsecured senior notes in the US private placement market with a 10 year maturity.

On 8 September 2010, AGL issued US$300 million of fixed rate unsecured senior notes in the US private placement market, comprising two tranches of 12 year and 15 year maturities for US$165 million and US$135 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$300 million, the notes were converted back to approximately A$338 million through cross currency interest rate swaps.

$239 million has been classified as current as these tranches are maturing within 12 months from 30 June 2022.

Bank loans

In June 2018, AGL extended its existing $410 million term loan facility to mature in June 2025. As at 30 June 2022, this facility was fully utilised.

In September 2019 AGL executed a A$600 million 5-year syndicated Sustainability Linked Loan. At the end of FY22, this facility was fully utilised. The rest of $2,152 million of bank debt comprises of bilateral facilities. During FY22, $275 million of bilateral debt facilities matured and no new debt was raised. All commitments related to the respective demerging entities were conditional upon the success of the demerger and did not proceed.

On 28 July 2022, AGL entered into a new unsecured loan with Australia and New Zealand Banking Group Limited for $200 million. The loan contains two tranches, with tranche A of $100 million maturing in July 2023 and tranche B of $100 million maturing in July 2025.

CPI bonds

CPI bonds rank pari passu with other unsecured debt and will mature in May 2027.

ACCOUNTING POLICY

Borrowings

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Leases

At inception of a contract, AGL assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys to the customer a right to control the use of an identified asset for a period of time in exchange for consideration.

AGL assesses whether:

- The contract involves the use of an identified asset – the asset may be explicitly or implicitly specified in the contract. Capacity portions of larger assets would be considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. An asset is not considered an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer in the contract has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

18. Borrowings (cont.)

ACCOUNTING POLICY

- The customer in the contract has the right to direct the use of the asset throughout the period of use – the customer is considered to have the right to direct the use of the asset only if either:
  - The customer has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
  - The relevant decisions about how and for what purposes the asset is used are predetermined and the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

AGL has applied the above approach in identifying leases in contracts entered into, or modified, on or after 1 July 2018. For contracts entered into before 1 July 2018, AGL has elected to apply the grandfathering practical expedient on transition. Consequently, the transition and measurement requirements only apply to arrangements that were identified as leases pursuant to the previous leases standards as at and subsequent to 1 July 2018.

AGL as lessee

In contracts where AGL is a lessee, AGL recognises a right-of-use asset and a lease liability at the commencement date of the lease for all leases other than short-term or low-value asset leases.

Lease Liabilities

A lease liability is recognised in relation to each lease and is initially measured at the present value of future lease payments at the commencement date. To calculate the present value, the future lease payments are discounted using the interest rate implicit in the lease (IRIL), if the rate is readily determinable. If the IRIL cannot be readily determined, the incremental borrowing rate at the commencement date is used. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments that vary due to changes in CPI, or commodity prices); and
- Amounts expected to be payable by the lessee under residual value guarantees, purchase options and termination penalties (where relevant).

Variable payments other than those included in the measurement of the lease liability above (i.e. those not based on an index or rate) are recognised in profit or loss in the period in which the event or condition that triggers those payments occur.

For contracts containing lease and non-lease components, AGL accounts for each lease component separately from the non-lease components of the contract, where material. The consideration in the contract is allocated to the components based on their relative stand-alone prices.

Subsequently, the lease liability is measured in a manner similar to other financial liabilities, i.e., at amortised cost using the effective interest rate method. This means the liability is:

- Increased to reflect interest on the lease liability;
- Decreased to reflect lease payments made; and
- Remeasured to reflect any reassessment of lease payments or lease modifications, or to reflect revised in-substance fixed lease payments.

After commencement date, the following amounts are recognised in profit or loss with respect to the payments pursuant to the lease:

- interest expense: recognised as finance cost; and
- variable lease payments not based on an index or a rate: recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Short-term and low value leases

AGL has elected to apply the practical expedients available for short-term leases (i.e. where the lease term is less than 12 months) and low-value asset leases. As a result of application of these practical expedients, the measurement requirements above do not apply and the expense for these leases is recognised on a straight-line basis.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Leases

Lease term

Where lease arrangements contain options to extend the term or terminate the contract, AGL assesses whether it is 'reasonably certain' that the option to extend or terminate the contract will be made. Consideration is given to the prevalence of other contractual arrangements and or the economic circumstances relevant to the lease contract, that may indicate the likelihood of the option being exercised. Lease liabilities and ROU assets are measured using the reasonably certain contract term.

18. Borrowings (cont.)

ACCOUNTING POLICY

Lease discount rates

The discount rate applicable to a lease arrangement is determined at the inception of the contract or when certain modifications are made to the contract. The discount rate applied is the rate implicit in the arrangement, or if unknown, AGL's incremental borrowing rate. The incremental borrowing rate is determined with reference to AGL's borrowing portfolio at the inception of the arrangement or the time of the modification and the amount and nature of the lease arrangement. If the arrangement relates to a specialised asset, incremental project financing assumptions are considered.

19. Provisions

	2022 $m	2021 $m
Current		
Employee benefits	**219**	212
Environmental rehabilitation	**64**	52
Onerous contracts	**57**	147
Restructuring	**27**	2
Other	**7**	-
Total current provisions	**374**	**413**

	2022 $m	2021 $m
Non-current		
Employee benefits	**6**	14
Environmental rehabilitation	**1,092**	1,400
Onerous contracts	**863**	1,887
Total non-current provisions	**1,961**	3,301

Movements in each class of provision, except employee benefits, are set out below:

	Environmental rehabilitation $m	Restructuring $m	Onerous contracts $m	Total $m
Balance at 1 July 2021	**1,452**	**2**	**2,034**	**3,488**
Changes in estimated provision	**(311)**	**-**	**(1,019)**	**(1,330)**
Additional provisions recognised	**17**	**40**	**-**	**57**
Provisions utilised and derecognised	**(45)**	**(15)**	**(160)**	**(220)**
Unwinding of discount	**43**	**-**	**65**	**108**
Balance at 30 June 2022	**1,156**	**27**	**920**	**2,103**

ACCOUNTING POLICY

Provisions

Provisions are recognised when AGL has a present obligation (legal or constructive) as a result of a past event, it is probable that AGL will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The unwinding of the discount is recognised in profit or loss as part of finance costs.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

19. Provisions (cont.)

ACCOUNTING POLICY

Environmental rehabilitation

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the end of the reporting period, based on current legal requirements and current technology. Future rehabilitation costs are reviewed periodically and any changes are reflected in the provision at the end of each reporting period.

The initial estimate of the environmental rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset. Changes in the estimate of the provision for environmental rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Restructuring

A restructuring provision is recognised when AGL has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Future operating losses are not provided for.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by AGL in respect of services provided by employees up to the end of the reporting period.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Provision for environmental rehabilitation

AGL estimates the future removal and rehabilitation costs of electricity generation assets, oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of rehabilitation activities required and available technologies.

The provisions for environmental rehabilitation represents the best estimate of the present value of the expenditure required to settle the obligation. In line with AGL's accounting policy, the Provisions for Environmental Rehabilitation are reviewed on a regular basis. The decrease in environmental rehabilitation is predominately driven by changes in assumptions due to current market conditions, relating to an increase in discount rates and an increase in inflation rates, partially offset by changes to the assumed timing of cashflows following changes to asset closure dates announced in February 2022.

Provision for onerous contracts

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

AGL is party to certain power purchase agreements where the purchase price is above the forward price for electricity and renewable energy certificates and are considered onerous contracts under AASB 137. The agreements were primarily entered between 2006 and 2012 to support the development of the renewables sector at that time. A provision for onerous contracts for these power purchase agreements was initially recognised in FY21.

The uplift in forward prices on both electricity and renewable energy certificates from FY23 onwards together with an increase in discount rates have resulted in a reduction in the estimated provision in FY22. Provisions relating to two contracts previously recorded as onerous were derecognised in FY22 as the purchase price in these contracts is now lower than the forward price.

20. Other financial liabilities

	2022 $m	2021 $m
Current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**8**	-
Interest rate swap contracts - cash flow hedges	**1**	24
Forward foreign exchange contracts - cash flow hedges	**-**	2
Energy derivatives - economic hedges	**3,475**	264
	3,484	290
Futures deposits and margin calls	**104**	-
Deferred consideration	**23**	37
Total current other financial liabilities	**3,611**	327

	2022 $m	2021 $m
Non-current		
Derivative financial instruments - at fair value		
Interest rate swap contracts - cash flow hedges	-	13
Energy derivatives - economic hedges	**364**	109
	364	122
Deferred consideration	**127**	131
Total non-current other financial liabilities	**491**	253

ACCOUNTING POLICY

Financial Instruments

Refer to Note 36.

Deferred consideration

To the extent that deferred consideration is payable after one year from the acquisition date, the deferred consideration is discounted at an appropriate interest rate and, accordingly, carried at net present value in the Consolidated Statement of Financial Position. The discount component is then unwound as an interest charge in profit or loss over the life of the obligation.

21. Other liabilities

	Note	2022 $m	2021 $m
Current			
Deferred revenue		**48**	21
Total current other liabilities		**48**	21

	Note	2022 $m	2021 $m
Non-current			
Deferred revenue		**14**	14
Defined benefit superannuation plan liability	32	**50**	91
Other		**107**	100
Total non-current other liabilities		**171**	205

22. Issued capital

	2022		2021	
	Total $m	Number of shares	Total $m	Number of shares
Balance at beginning of reporting period	**5,601**	**623,033,791**	5,603	623,138,096
On-market share buy-back	**-**	**-**	(2)	(104,305)
Issue of shares to satisfy the dividend reinvestment plan	**317**	**49,713,442**	-	-
Balance at reporting date	**5,918**	**672,747,233**	5,601	623,033,791

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Every shareholder present at a general meeting of the Parent Entity, in person or by proxy is entitled to one vote per ordinary share held.

ACCOUNTING POLICY

Issued capital

Ordinary shares are classified as equity. Ordinary shares issued by AGL are recorded at the proceeds received, less transaction costs directly attributable to the issue of new shares, net of any tax effects.

23. Earnings per share

	2022	2021
Statutory earnings per share		
Basic earnings per share	**131.6 cents**	(330.3 cents)
Diluted earnings per share	**131.3 cents**	(330.3 cents)
Underlying earnings per share		
Basic earnings per share	**34.4 cents**	86.2 cents
Diluted earnings per share	**34.4 cents**	86.1 cents

Earnings used in calculating basic and diluted earnings per share attributable to AGL shareholders

	2022 $m	2021 $m
Statutory earnings used to calculate basic and diluted earnings per share attributable to AGL shareholders	**860**	(2,058)
Significant expense items after income tax	**(486)**	2,929
Gain in fair value of financial instruments after income tax	**(149)**	(334)
Underlying earnings used to calculate basic and diluted earnings per share	**225**	537

Weighted average number of ordinary shares

	30 June 2022 Number	30 June 2021 Number
Number of ordinary shares used in the calculation of basic earnings per share	**653,324,767**	623,047,222
Effect of dilution - LTIP share performance rights	**1,480,075**	608,119
Number of ordinary shares used in the calculation of diluted earnings per share	**654,804,842**	623,655,341

24. Commitments

(a) Capital expenditure commitments

Property, plant and equipment and intangible assets

	2022 $m	2021 $m
Not later than one year	**147**	70
Later than one year and not later than five years	**37**	2
	184	72

There are nil (2021: nil) joint operations capital commitments and AGL's share of associates' commitments is nil (2021: nil).

(b) Joint venture commitments

AGL's share of commitments made jointly with other investors relating to its joint ventures is $46 million (2021 : $358 million).

25. Contingent assets and liabilities

Market Suspension by AEMO

A series of conditions affecting the National Electricity Market (NEM) between 12 and 23 June 2022 triggered administered pricing, spot market suspension and around 500 separate market interventions by the Australian Energy Market Operator (AEMO) under the National Electricity Rules. The nature and scale of these events was unprecedented in the NEM.

Market Participants[5], primarily electricity generators, adversely impacted by AEMO's market interventions can claim compensation under various mechanisms outlined in the National Electricity Rules. Those compensation payments will be recovered from Market Customers[5], including electricity retailers, in proportion to their share of electricity purchased during the period and regions the interventions occurred.

AGL will make claims for compensation as a Market Participant and will share in the aggregate of all claims paid as a Market Customer. AGL has not recognised any benefit in relation to claims it will make under the National Electricity Rules as a Market Participant for the interventions that occurred in June 2022 as the outcome of those claims is uncertain.

At 30 June 2022, as a Market Customer, AGL has recognised its share of the provisional compensation amounts published by AEMO including provisional amounts for directions compensation and payments made under Reliability and Emergency Reserve Trader Contracts. It is not possible to reliably estimate the value of further compensation claims that may be made by Market Participants or approved by AEMO and the AEMC (Australian Energy Market Commission) under the National Electricity Rules for the market interventions made by AEMO in June 2022. Those claims may be significant. AGL expects updates to be provided by AEMO and AEMC from time to time however final positions may not be available until AEMO issues revision statements in November 2022, January 2023 or later.

It is probable that further claims will be approved by AEMO and the AEMC, and these will be recovered from Market Customers, including AGL, in a future period. Had those amounts been known or estimable, at 30 June 2022 AGL would have recognised additional liabilities associated with its proportionate share of the compensation claims net of amounts passed through to customers. The value of the unrecognised liabilities may be material to the financial performance or position of AGL at 30 June 2022.

Other contingent liabilities

Certain entities in AGL are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on AGL.

Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

5. Refer to AEMC National Electricity Rules for Market Participant and Market Customer definitions.

26. Remuneration of auditors

Auditor of the Parent Entity

	2022 $000	2021 $000
Deloitte Touche Tohmatsu Australia		
Audit and review of financial reports		
Group	**1,880**	1,599
Controlled entities	**151**	151
Total Audit and Review	**2,031**	1,750
Other regulatory audit services	**192**	167
Other assurance services	**987**	173
Total regulatory and other assurance	**1,179**	340
Total Deloitte Touche Tohmatsu Australia	**3,210**	2,090
Deloitte Touche Tohmatsu related practices		
Audit of subsidiary financial reports	**27**	29
Total remuneration of auditors	**3,237**	2,119

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu Australia.

27. Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2022 %	2021 %
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Australia Limited	(a)(e)	Australia	**100**	100
AGLA Vic Hydro Assets Pty Limited	(a)(d)	Australia	**100**	-
AGL Barker Inlet Pty Limited	(a)	Australia	**100**	100
AGL Community Legacy Program Pty Limited	(a)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
OVO Energy Pty Limited		Australia	**51**	51
Victorian Energy Pty Limited	(a)	Australia	**100**	100
AGL Sales Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland) Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland Electricity) Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Holdings Pty Limited	(a)	Australia	**100**	100
AGL SA Generation Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Pty Limited	(a)	Australia	**100**	100
AGL South Australia Pty Limited	(a)	Australia	**100**	100
AGL APG Holdings Pty Limited	(a)	Australia	**100**	100
Australian Power and Gas Company Limited	(a)	Australia	**100**	100
AGL Australia Markets Pty Limited	(a)(i)	Australia	**100**	100
APG Operations Pty Ltd	(a)	Australia	**100**	100
Australian Power and Gas (NSW) Pty Ltd	(a)	Australia	**100**	100
Torrens Island Battery Pty Limited	(a)	Australia	**100**	100
Accel Energy Retail Pty Limited	(a) (f)	Australia	**100**	100
IQ Energy Services Pty Ltd	(a)	Australia	**100**	100
Energy 360 Pty Ltd	(a)(c)	Australia	**100**	-
Carbon Green Pty Ltd	(a)(c)	Australia	**100**	-
Access Way SPV Pty Ltd	(a)(c)	Australia	**100**	-
Epho Holding Pty Limited	(a)	Australia	**100**	100
Epho Services Pty Limited	(a)	Australia	**100**	100
Epho Pty Limited	(a)	Australia	**100**	100
Epho Asset Management Pty Limited	(a)	Australia	**100**	100
BTPS 1 Pty Limited	(a)	Australia	**100**	100
SEGH Pty Limited	(a)	Australia	**100**	100
Sustainable Business Energy Solutions Pty Ltd	(a)(g)	Australia	**100**	100
Sol Install Pty Limited	(a)	Australia	**100**	100
Sol Distribution Pty Limited	(a)	Australia	**100**	100
Sunlease Pty Limited	(a)	Australia	**100**	100
SolarServe Pty Limited	(a)	Australia	**100**	100
AGL Energy Limited		New Zealand	**100**	100
AGL Energy Sales & Marketing Limited	(a)	Australia	**100**	100
AGL Energy Services Pty Limited	(a)	Australia	**100**	100
AGL Financial Energy Solutions Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Hunter) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (PNG) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Sydney) Pty Limited	(a)	Australia	**100**	100

27. Subsidiaries (cont.)

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2022 %	2021 %
AGL Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Loy Yang Pty Ltd		Australia	**75**	75
AGL Loy Yang Partnership		Australia	**75**	75
AGL Loy Yang Projects Pty Ltd		Australia	**75**	75
AGL Generation Proprietary Limited	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(b)	Australia	**25**	25
AGL Loy Yang Partnership	(b)	Australia	**25**	25
AGL Loy Yang Projects Pty Ltd	(b)	Australia	**25**	25
Loy Yang Marketing Holdings Pty Limited	(b)	Australia	**100**	100
AGL Loy Yang Marketing Pty Ltd	(b)	Australia	**100**	100
Great Energy Alliance Corporation Pty Limited	(b)	Australia	**100**	100
GEAC Operations Pty Limited	(b)	Australia	**100**	100
AGL LYP 1 Pty Ltd	(b)	Australia	**100**	100
AGL LYP 2 Pty Ltd	(b)	Australia	**100**	100
AGL LYP 3 Pty Ltd	(b)	Australia	**100**	100
AGL Gloucester MG Pty Ltd	(a)	Australia	**100**	100
AGL HP1 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**49.5**	49.5
AGL Southern Hydro (NSW) Pty Limited	(a)	Australia	**100**	100
AGL HP2 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**20.0**	20.0
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**30.5**	30.5
AGL LNG Pty Ltd	(a)	Australia	**100**	100
AGL Macquarie Pty Limited	(a)	Australia	**100**	100
AGL New Energy Pty Limited	(a)	Australia	**100**	100
AGL New Energy ACP Pty Limited	(a)	Australia	**100**	100
AGL New Energy EIF Pty Limited	(a)	Australia	**100**	100
AGL New Energy Investments Pty Limited	(a)	Australia	**100**	100
AGL PARF NSW Pty Limited	(a)	Australia	**100**	100
AGL PARF QLD Pty Limited	(a)	Australia	**100**	100
AGL Power Generation Pty Limited	(a)	Australia	**100**	100
AGL Power Generation (Wind) Pty Limited	(a)	Australia	**100**	100
Australia Plains Wind Farm Pty Ltd	(a)	Australia	**100**	100
Accel Energy Hubs Pty Ltd	(a)(h)	Australia	**100**	100
Box Hill Wind Farm Pty Limited	(a)	Australia	**100**	100
Crows Nest Wind Farm Pty Ltd	(a)	Australia	**100**	100
Highfields Wind Farm Pty Limited	(a)	Australia	**100**	100
Worlds End Wind Farm Pty Ltd	(a)	Australia	**100**	100
AGL PV Solar Holdings Pty Limited	(a)	Australia	**100**	100
AGL PV Solar Developments Pty Limited	(a)	Australia	**100**	100
AGL Retail Energy Limited	(a)	Australia	**100**	100
AGL Share Plan Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Camden) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) Operations Pty Limited	(a)	Australia	**100**	100
AGL Australia Services Pty Limited	(a)(e)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)	Australia	**100**	100
AGL Gas Storage Pty Ltd	(a)	Australia	**100**	100

27. Subsidiaries (cont.)

Names inset indicate that shares are held by the company immediately above the inset.

(a) Parties to a Deed of Cross Guarantee with AGL Energy Limited as detailed in Note 31.
(b) Parties to a Deed of Cross Guarantee with AGL Generation Proprietary Limited as detailed in Note 31
(c) Acquired during the financial year.
(d) Incorporated on 12 July 2021.
(e) On the 10th August 2021 AGL Shipping Pty Limited named changed to AGL Australia Services Pty Limited.
(f) On the 6th September 2021 Greentricity Pty Limited changed it's name to Accel Energy Retail Pty Limited.
(g) On the 12th November 2021 Solgen Energy Pty Ltd name changed to Sustainable Business Energy Solutions Pty Ltd.
(h) On the 21st January 2022 Ben Lomond Wind Farm Pty Ltd changed its name to Accel Energy Hubs Pty Ltd.
(i) On the 19th July 2021 Australian Power and Gas Pty Limited name changed to AGL Australia Markets Pty Limited.
(j) On the 11th February 2022 NGSF Asset Pty Limited name changed to AGL Newcastle Power Station Pty Limited.

28. Acquisition of subsidiaries and businesses

2022

Acquisition of Energy360

On 29 April 2022, AGL completed the purchase of 100% of the outstanding share capital of Energy 360 Pty Ltd. Energy360 provides biogas solutions for commercial and industrial customers in Australia.

Capital Contribution to Tilt Renewables

On 3 August 2021, AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables.

2021

Acquisition of SEGH Pty Limited

On 31 March 2021, AGL completed the purchase of 100% of the outstanding share capital of SEGH Pty Limited. Solgen operates a large solar wholesale distribution, engineering, procurement and construction (EPC) business, delivering more than 15,000 projects in the past decade.

Acquisition of Epho Holding Pty Limited

On 31 March 2021, AGL completed the purchase of 100% of the outstanding share capital of Epho Holding Pty Limited. Epho specialises in the construction and maintenance of large-scale solar systems and has delivered more than 400 projects nationwide.

Acquisition of OVO Energy Pty Limited

On 29 March 2021, AGL completed the purchase of 51% of the outstanding share capital of OVO Energy Pty Ltd. As part of the agreement, OVO Energy Australia will work to adapt Kaluza, an AI-enabled platform, for Australia and serve a growing customer base with innovative products and services.

Acquisition of Click Energy Group Holdings Pty Limited

On 30 September 2020, AGL completed the purchase of 100% of the outstanding share capital of Click Energy Group Holdings Pty Ltd, a wholly owned subsidiary of ASX-listed Amaysim Australia Limited, for $109 million. The acquisition included approximately 215,000 energy services to customers.

29. Disposal of subsidiaries and businesses

2022

Disposal of Activate Capital

On 28 June 2022, AGL completed the disposal of its investment in Activate Capital for $51m.

Disposal of Energy Impact Partners US

On 21 December 2021, AGL completed the disposal of its investment in Energy Impact Partners US for $95m.

Disposal of Ecobee

On 1 December 2021, AGL completed the disposal of its investment in Ecobee in return for a consideration of cash and shares valued at $12m at 31 December 2021.

2021

Wellington North Solar Farm Pty Limited

On 13 July 2020, AGL completed the divestment of Wellington North Solar Farm Pty Limited.

30. Joint operations

Joint operation	Principal activities	Interest 2022 %	Interest 2021 %
Bowen Basin - Queensland			
Moranbah Gas Project - PL 191, PL 196, PL 222, PL 223 & PL 224	Gas production and exploration	**50**	50
Spring Gully Project - ATP 592P, PL 195, PL 203 & PL 417	Gas production and exploration	**0.75**	0.75
Spring Gully Project - ATP 701, PL 204	Gas production	**0.0375**	0.0375
Surat Basin - Queensland			
ATP 1190 (Bainbilla Block)	Oil and gas exploration	**75.252**	75.252
ATP 1190 (Spring Grove #2 sole risk)	Oil and gas exploration	**52.752**	52.752
ATP 1190 (Weribone)	Oil and gas exploration	**28.71**	28.71
PL 1 (Cabawin)	Oil production	**16.67**	16.67
PL 15	Gas production	**75**	75
PL 30 (Riverslea)	Oil production	**10**	10
PL 74 (Major)	Oil production	**16**	16
Others			
North Queensland Energy Joint Venture	Sale of gas and electricity	**50**	50

AGL's interest in assets employed in the above joint operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	2022 $m	2021 $m
Current assets		
Cash and cash equivalents	**6**	1
Trade and other receivables	**3**	1
Total current assets	**9**	2
Non-current assets	**-**	-
Total non-current assets	**-**	-
Total assets	**9**	2

AGL's share of capital expenditure commitments and contingent liabilities of joint operations are disclosed in Notes 24 and 25 respectively.

ACCOUNTING POLICY

Joint operations

AGL has joint operations where the entity has joint control and direct rights to the assets, liabilities, revenues and expenses. This share has been recognised in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses.

31. Deeds of cross guarantee

The wholly-owned Australian subsidiaries identified in Note 27 have entered into a Deed of Cross Guarantee with AGL in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the *Corporations Act 2001* requirement to prepare and lodge an audited financial report and directors' report. The effect of the deed is that each party guarantees the debts of the others.

The following wholly-owned subsidiaries became a party to the Deed of Cross Guarantee during the year ended 30 June 2022:

- Energy 360 Pty Ltd
- Carbon Green Pty Ltd
- Access Way SPV Pty Ltd
- AGL Australia Limited
- AGLA Vic Hydro Assets Pty Limited

Set out below is the statement of profit or loss, statement of comprehensive income, statement of financial position and a summary of movements in retained earnings of the entities party to a Deed of Cross Guarantee.

Statement of profit or loss

	AGL Energy Limited		AGL Generation Pty Ltd	
	2022 $m	2021 $m	2022 $m	2021 $m
Revenue	**10,345**	8,769	**-**	-
Other income	**161**	330	**-**	-
Expenses	**(9,265)**	(10,971)	**185**	-
Share of profits of associates and joint ventures	**26**	9	**(483)**	136
Profit/(loss) before net financing costs, depreciation and amortisation	**1,267**	(1,863)	**(298)**	136
Depreciation and amortisation	**(484)**	(490)	**-**	-
Profit/(loss) before net financing costs	**783**	(2,353)	**(298)**	136
Finance income	**30**	60	**2**	1
Finance costs	**(226)**	(267)	**(2)**	(1)
Net financing costs	**(196)**	(207)	**-**	-
Profit/(loss) before tax	**587**	(2,560)	**(298)**	136
Income tax (expense)/ benefit	**(924)**	797	**(40)**	(41)
(Loss)/profit for the year	**(337)**	(1,763)	**(338)**	95

Statement of comprehensive income

(Loss)/profit for the period	**(337)**	(1,763)	**(338)**	95
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit plans	**62**	68	**10**	14
Fair value gain on the revaluation of equity instrument financial assets	**(47)**	66	**-**	-
Income tax relating to items that will not be reclassified subsequently	**5**	(40)	**(3)**	(4)
	20	94	**7**	10
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	**114**	73	**-**	-
Reclassification adjustments transferred to profit or loss	**29**	(2)	**-**	-
Cost of hedging subject to basis adjustment	**5**	-	**-**	-
Income tax relating to items that may be reclassified subsequently	**(43)**	(21)	**-**	-
	105	50	**-**	-
Other comprehensive income for the year, net of income tax	**125**	144	**7**	10
Total comprehensive (loss)/income for the year	**(212)**	(1,619)	**(331)**	105

31. Deeds of cross guarantee (cont.)

Statement of financial position

	AGL Energy Limited		AGL Generation Pty Ltd	
	2022 $m	2021 $m	2022 $m	2021 $m
Current assets				
Cash and cash equivalents	**118**	68	**-**	-
Trade and other receivables	**2,158**	1,626	**-**	-
Inventories	**292**	342	**-**	-
Current tax assets	**70**	245	**-**	-
Other financial assets	**3,891**	125	**-**	-
Other assets	**133**	79	**-**	-
Assets classified as held for sale	**-**	223	**-**	-
Total current assets	**6,662**	2,708	**-**	-
Non-current assets				
Trade and other receivables	**79**	81	**-**	-
Inventories	**46**	46	**-**	-
Other financial assets	**1,779**	2,789	**3,861**	3,810
Investments in associates and joint ventures	**426**	117	**-**	-
Property, plant and equipment	**2,524**	2,741	**-**	-
Intangible assets	**2,372**	2,280	**-**	-
Deferred tax assets	**125**	1,053	**-**	-
Other assets	**36**	16	**-**	-
Total non-current assets	**7,387**	9,123	**3,861**	3,810
Total assets	**14,049**	11,831	**3,861**	3,810
Current liabilities				
Trade and other payables	**2,424**	1,570	**-**	-
Borrowings	**345**	295	**-**	-
Provisions	**281**	224	**-**	-
Current tax liabilities	**(14)**	71	**246**	217
Other financial liabilities	**(333)**	957	**-**	-
Other liabilities	**32**	10	**-**	-
Total current liabilities	**2,735**	3,127	**246**	217
Non-current liabilities				
Borrowings	**2,427**	2,779	**-**	-
Provisions	**891**	1,090	**-**	-
Deferred tax liabilities	**(2)**	-	**60**	234
Other financial liabilities	**4,916**	1,507	**597**	69
Other liabilities	**90**	123	**-**	-
Total non-current liabilities	**8,322**	5,499	**657**	303
Total liabilities	**11,057**	8,626	**903**	520
Net assets	**2,992**	3,205	**2,958**	3,290
Equity				
Issued capital	**5,918**	5,601	**2,877**	2,878
Reserves	**97**	15	**-**	-
(Accumulated losses)/retained earnings	**(3,023)**	(2,411)	**81**	412
Total equity	**2,992**	3,205	**2,958**	3,290

31. Deeds of cross guarantee (cont.)

Summary of movements in (accumulated losses)/retained earnings

	AGL Energy Limited		AGL Generation Pty Ltd	
	2022 $m	2021 $m	2022 $m	2021 $m
(Accumulated losses)/retained earnings at beginning of financial year	**(2,411)**	(123)	**412**	307
Profit for the year	**(338)**	(1,763)	**(338)**	95
Dividends paid	**(317)**	(573)	**-**	-
Remeasurement gain/(loss) on defined benefit plans, net of tax	**43**	48	**7**	10
(Accumulated losses)/retained earnings at end of financial year	**(3,023)**	(2,411)	**81**	412

32. Defined benefit superannuation plans

AGL contributes to superannuation plans that provide defined benefit members a lump sum on retirement, death, disablement and withdrawal. Some defined benefit members are eligible for pension benefits in some cases. Lump sum benefits are calculated based on years of service and final average salary. The defined benefit plans are closed to new members.

The plans are the Equipsuper Fund (EF), Electricity Industry Superannuation Scheme (EISS), State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS).

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit plan every three years, or every year if the plan pays defined benefit pensions.

The plans' trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees have the following roles: administration of the plans and payment to the beneficiaries from plan assets when required in accordance with the plan rules; management and investment of the plan assets; and compliance with other applicable regulations.

There are a number of risks to which the plans expose AGL. The most significant risks are investment risk, salary growth risk, inflation risk, interest rate risk, legislative risk and changes in the life expectancy for members.

AGL also contributes to defined contribution superannuation plans for employees, which are also provided by these plans. Contributions made to these defined contribution plans are expensed as incurred.

Amounts recognised in profit or loss

	2022 $m	2021 $m
Current service cost	**17**	17
Net interest expense	**1**	4
Expense recognised in profit or loss as part of employee benefits expenses	**18**	21

Amounts recognised in other comprehensive income

Remeasurements		
Return on plan assets (excluding amounts included in net interest expense)	**30**	(65)
Actuarial loss arising from changes in demographic assumptions	**-**	5
Actuarial (gain) arising from changes in financial assumptions	**(136)**	(34)
Actuarial loss/(gain) arising from experience	**3**	(3)
Remeasurement (gain) on defined benefit plans recognised in other comprehensive income	**(103)**	(97)

32. Defined benefit superannuation plans (cont.)

Amounts included in the Consolidated Statement of Financial Position

	Note	2022 $m	2021 $m
Present value of funded defined benefit obligations		**600**	757
Fair value of plan assets		**(631)**	(691)
Net defined (surplus)/benefit liability		**(31)**	66
Recognised in the Consolidated Statement of Financial Position as follows:			
Defined benefit superannuation plan asset	12	**(81)**	(25)
Defined benefit superannuation plan liability	21	**50**	91
Net defined (surplus)/benefit liability		**(31)**	66
Net liability at beginning of financial year		**66**	155
Transfer to defined contribution superannuation plans		**3**	3
Expense recognised in profit or loss		**18**	21
Amounts recognised in other comprehensive income		**(103)**	(97)
Employer contributions		**(15)**	(16)
Net (surplus)/liability at end of financial year		**(31)**	66

Movements in the present value of defined benefit obligations

	2022 $m	2021 $m
Opening defined benefit obligations	**757**	769
Current service cost	**17**	20
Interest expense	**21**	20
Contributions by plan participants	**6**	6
Actuarial loss arising from changes in demographic assumptions	**-**	5
Actuarial (gain) arising from changes in financial assumptions	**(136)**	(34)
Actuarial loss/(gain) arising from experience	**3**	(3)
Benefits paid	**(61)**	(20)
Taxes, premiums and expenses paid	**(4)**	(3)
Contributions to accumulation section	**(3)**	(3)
Closing defined benefit obligations	**600**	757

Movements in the fair value of plan assets

	2022 $m	2021 $m
Opening fair value of plan assets	**691**	614
Interest income	**20**	16
(Loss)/gain on plan assets (excluding amounts included in net interest expense)	**(30)**	65
Employer contributions	**15**	16
Contributions by plan participants	**5**	6
Benefits paid	**(60)**	(20)
Taxes, premiums and expenses paid	**(7)**	(3)
Transfer to defined contribution superannuation plans	**(3)**	(3)
Closing fair value of plan assets	**631**	691

32. Defined benefit superannuation plans (cont.)

Categories of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the end of the reporting period are as follows:

2022	EF %	EISS %	SSS, SASS, and SANCS %
Australian equities	**17**	**27**	**18**
International equities	**19**	**20**	**33**
Fixed interest securities	**10**	**11**	**5**
Property	**7**	**11**	**6**
Cash	**6**	**7**	**14**
Alternatives/other	**41**	**24**	**24**

2021			
Australian equities	18	24	20
International equities	20	22	33
Fixed interest securities	16	17	6
Property	8	13	8
Cash	11	7	12
Alternatives/other	27	17	21

All plan assets are held within investment funds which do not have a quoted market price in an active market.

The fair value of plan assets include no amounts relating to any of AGL's own financial instruments, or any property occupied by, or other assets used by AGL.

Principal actuarial assumptions

The principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) were as follows:

2022	EF %	EISS %	SSS, SASS, & SANCS %
Discount rate active members	**5.3**	**5.3**	**5.3**
Discount rate pensioners	**5.3**	**5.3**	**-**
Expected salary increase rate	**2.5**	**3.5**	**3.1**
Expected pension increase rate	**2.6**	**2.7**	**-**

2021			
Discount rate active members	2.9	2.9	3.2
Discount rate pensioners	2.9	2.9	-
Expected salary increase rate	2.5	3.5	2.4
Expected pension increase rate	2.0	2.0	-

32. Defined benefit superannuation plans (cont.)

Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligation			
	Increase 2022 $m	Decrease 2022 $m	Increase 2021 $m	Decrease 2021 $m
Discount rate (0.5 percentage point movement)	**(30)**	**35**	(43)	47
Expected salary increase rate (0.5 percentage point movement)	**12**	**(11)**	15	(15)
Expected pension increase rate (0.5 percentage point movement)	**10**	**(9)**	14	(13)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

Funding arrangements and employer contributions

Employer contributions are determined based on actuarial advice and are set to target the assets of the plans exceeding the total of members' vested benefits. Funding levels are reviewed regularly. Where assets are less than vested benefits, a management plan must be established to restore the coverage to at least 100%.

AGL expects to contribute $13 million to the defined benefit plans during the year ending 30 June 2023.

The weighted average duration of the defined benefit obligation as at 30 June 2022 was EF 10 years; EISS 11 years; and SSS, SASS and SANCS 12 years.

Defined contribution superannuation plans

AGL makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the year ended 30 June 2022 was $48 million (2021: $49 million).

ACCOUNTING POLICY

Defined benefit superannuation plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised directly in other comprehensive income, in the period in which they occur.

Changes in the net defined benefit liability, including all actuarial gains and losses that arise in calculating AGL's obligation in respect of the plan are recognised in other comprehensive income when they occur. All other expenses relating to the defined benefit plans are recognised as an expense in the profit or loss. Any defined benefit superannuation plan asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Defined benefit superannuation plans

Various actuarial assumptions are utilised in the determination of AGL's defined benefit obligations. AGL uses external actuarial experts to determine these assumptions.

33. Share-based payment plans

AGL operates the following share-based payment plans:

- The Share Reward Plan; and
- The Long-Term Incentive plan.

AGL has the following other equity arrangements:

- The Share Purchase Plan; and
- The Restricted Equity Plan.

Share Reward Plan (SRP)

The SRP is AGL's complying broad-based employee share plan that enables eligible employees to be granted up to $1,000 of ordinary shares in AGL for no consideration each financial year. The SRP is governed by the AGL General Employee Share Plan Rules. The grant of shares is subject to the achievement of performance metrics and can therefore be scaled down in years where all objectives are not met. Shares granted pursuant to the SRP are subject to a trading restriction of the earlier of three years or the participant's cessation of employment.

Eligible participants include all AGL employees with at least 12 months service at the eligibility date (generally 1 September following the financial year end). Participants in the long-term incentive plan are excluded from any SRP grant.

Details of share movements in the SRP during the year are set out below:

Grant date	Balance at 1 July Number	Granted during the year Number	Fair Value per share $	Released during the year Number	Balance at 30 June Number
2022					
30 September 2021	**-**	**293,737**	**$ 5.96**	**(58,764)**	**234,973**
28 September 2020	**212,037**	**-**	**-**	**(44,505)**	**167,532**
28 September 2019	**124,221**	**-**	**-**	**(23,970)**	**100,251**
28 September 2018	**117,260**	**-**	**-**	**(117,260)**	**-**
Total Share Reward Plan shares	**453,518**	**293,737**		**(244,499)**	**502,756**
2021					
28 September 2020	-	233,496	$14.39	(21,459)	212,037
28 September 2019	136,629	-	-	(12,408)	124,221
28 September 2018	127,556	-	-	(10,296)	117,260
29 September 2017	76,836	-	-	(76,836)	-
Total Share Reward Plan shares	341,021	233,496		(120,999)	453,518

The expense recognised in profit or loss, as part of employee benefits expense during the year in relation to the SRP, was $2 million (2021: $3 million).

Long-Term Incentive (LTI) Plan

The LTI plan provides for a grant of performance rights to eligible participants subject to AGL's performance against pre-determined metrics over a four-year performance period (prior to FY20, a three-year performance period applied). The LTI is governed by the AGL Employee Share Plan Rules. Participation is determined annually at the discretion of the Board.

Generally, performance rights are forfeited on cessation of employment. The Board has discretion with reference to the relevant facts and circumstances of the cessation to vest all or part of the balance, or to authorise a portion of the award to be retained and assessed post-employment.

In FY20, the LTI performance period was extended from three years to four years to better reflect the business planning cycle. To ensure executives a smooth transition to the extension of the performance period, a Bridging Grant was made at the same quantum as the FY20 LTI to supplement the new four-year grant by providing an opportunity for LTI vesting every year.

33. Share-based payment plans (cont.)

Current LTI Plans

For the FY22 plan, the performance rights are subject to two performance hurdles, based on:

- Relative Total Shareholder Return (Relative TSR) - 75% weighted; and
- Carbon Transition metrics - 25% weighted

For the FY21 plan, the performance rights are subject to three performance hurdles, weighted equally, based on:

- Relative TSR;
- Return on Equity (ROE); and
- Carbon Transition metrics

For the FY20 plan, the performance rights are subject to two performance hurdles, weighted equally, based on:

- Relative TSR; and
- ROE

Relative TSR is calculated by ranking AGL's TSR on a relative basis against the peer group, being S&P/ASX100 companies.

ROE measures the amount of Underlying Profit returned as a percentage of average monthly shareholders equity.

Carbon Transition is calculated through three transition metrics. These metrics are based off emissions intensity, controlled renewable capacity and green and carbon neutral revenue.

The performance period for the outstanding LTI plans as at 30 June 2022 are as follows:

- FY22: Four years from 1 July 2021 to 30 June 2025
- FY21: Four years from 1 July 2020 to 30 June 2024
- FY20: Four years from 1 July 2019 to 30 June 2023

The number of shares vested are determined by the vesting schedules detailed in the tables below.

Relative TSR vesting schedule

AGL's TSR ranking against comparator group	Percentage of performance rights which vest		
LTI Plan	FY22	FY21	FY20
Below 50th percentile	Nil	Nil	Nil
50th – 75th percentile	50 – 100%	50 – 100%	50 – 100%
At or above 75th percentile	100%	100%	100%

ROE vesting schedule

Percentage of performance rights which vest	AGL's average ROE per LTI plan		
LTI plan	FY22	FY21	FY20
Nil	N/A	Below 5.0%	Below 8.5%
50 – 90%	N/A	5.0% - 6.5%	8.5% – 10.5%
90 – 100%	N/A	6.5% - 8.0%	10.5% – 12.5%
100%	N/A	At or above 8.0%	At or above 12.5%

Carbon Transition vesting schedule

FY22 plan percentage of performance rights which vest	Controlled intensity at 30 June 2025	% Controlled renewable & storage capacity at 30 June 2025	Green & carbon neutral products & services in FY25
0%	above 0.885	below 29.4%	below 16.5%
50 - 100%	0.885 - 0.823	29.4% - 36.9%	16.5% - 22.1%
100%	below 0.823	above 36.9%	above 22.1%

33. Share-based payment plans (cont.)

FY21 plan percentage of performance rights which vest	Controlled intensity in FY24	% Controlled renewable & storage capacity at 30 June 2024	Green & carbon neutral products & services in FY24
0%	above 0.895	below 28%	below 15.5%
50 - 100%	0.895 - 0.845	28% - 34%	15.5% - 20%
100%	below 0.845	above 34%	above 20%

Details of performance rights movements in the FY22 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date $	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2022							
FY22 LTI – 29 Oct 2021	**Relative TSR**	**-**	**1,074,516**	**$1.59**	**-**	**(76,525)**	**997,991**
FY22 LTI – 29 Oct 2021	**Carbon Transition**	**-**	**358,167**	**$4.80**	**-**	**(25,508)**	**332,659**
Total share rights		**-**	**1,432,683**	**$2.39**	**-**	**(102,033)**	**1,330,650**

Details of performance rights movements in the FY21 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date $	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2022							
FY21 LTI – 28 Oct 2020	**Relative TSR**	**248,384**	**-**	**$3.86**	**-**	**(89,163)**	**159,221**
FY21 LTI – 28 Oct 2020	**ROE**	**248,384**	**-**	**$10.64**	**-**	**(89,449)**	**158,935**
FY21 LTI – 28 Oct 2020	**Carbon Transition**	**248,384**	**-**	**$10.64**	**-**	**(89,449)**	**158,935**
Total share rights		**745,152**	**-**	**$8.38**	**-**	**(268,061)**	**477,091**
2021							
FY21 LTI – 28 Oct 2020	Relative TSR	-	258,299	$3.86	-	(9,915)	248,384
FY21 LTI – 28 Oct 2020	ROE	-	258,299	$10.64	-	(9,915)	248,384
FY21 LTI – 28 Oct 2020	Carbon Transition	-	258,299	$10.64	-	(9,915)	248,384
Total share rights		-	774,897	$8.38	-	(29,745)	745,152

Details of performance rights movements in the FY20 Bridging Grant LTI Plan and the FY20 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date $	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2022							
FY20 LTI – 18 Oct 2019	**Relative TSR**	**239,218**	**11,180**	**$8.76**	**-**	**(45,915)**	**204,483**
FY20 LTI – 18 Oct 2019	**ROE**	**239,189**	**11,180**	**$16.02**	**-**	**(45,914)**	**204,455**
FY20 Bridging Grant – 18 Oct 2019	**Relative TSR**	**185,417**	**-**	**$8.63**	**-**	**(19,546)**	**165,871**
FY20 Bridging Grant – 18 Oct 2019	**ROE**	**185,398**	**-**	**$16.81**	**-**	**(19,546)**	**165,852**
Total share rights		**849,222**	**22,360**	**$12.53**	**-**	**(130,921)**	**740,661**
2021							
FY20 LTI – 18 Oct 2019	Relative TSR	297,945	-	$8.76	-	(58,727)	239,218
FY20 LTI – 18 Oct 2019	ROE	297,917	-	$16.02	-	(58,728)	239,189
FY20 Bridging Grant – 18 Oct 2019	Relative TSR	223,048	-	$8.63	-	(37,631)	185,417
FY20 Bridging Grant – 18 Oct 2019	ROE	223,030	-	$16.81	-	(37,632)	185,398
Total share rights		1,041,940	-	$12.53	-	(192,718)	849,222

33. Share-based payment plans (cont.)

Performance rights grant

The fair value of performance rights granted are measured by reference to the fair value. The estimate of the fair value is measured based on the Monte Carlo simulation method. The contractual life of the performance rights is used as an input into this model. Expected volatility is based on the historical share price volatility over the past three years.

	2022 FY22 LTI	2021 FY21 LTI	2020 FY20 LTI
Grant date	**29 October 2021**	28 October 2020	18 October 2019
Weighted average fair value at grant date	**$2.39**	$8.38	$12.72
Share price at grant date	**$5.72**	$12.93	$19.13
Expected volatility	**27.0%**	23.0%	21.0%
Expected dividend yield	**6.0%**	5.3%	4.8%
Risk free interest rate (based on government bonds)	**0.7%**	0.2%	0.8%

The expense recognised in profit or loss as part of employee benefits expense during the year in relation to performance rights granted to executives under the LTI Plan was $2 million (2021: nil).

Shares purchased on-market

During the financial year ended 30 June 2022, 293,737 (2021: 308,720) AGL shares were purchased on-market at an average of $5.96 (2021: $14.66) per share, for a total consideration of $1,750,673 (2021: $4,525,545), to satisfy employee entitlements pursuant to the SRP and the LTI Plan.

Other equity arrangements

Share Purchase Plan (SPP)

The SPP is AGL's salary sacrifice plan that enables eligible employees to contribute up to $5,000 per financial year from their ongoing fixed remuneration and/or short-term incentive (STI) award into acquiring ordinary shares in AGL. The SPP is governed under the AGL General Employee Share Plan Rules. Shares granted pursuant to the SPP are subject to a trading restriction of the earlier of four years (from the start of the financial year in which they are acquired) or the participant's cessation of employment. The holding lock is in place to provide for a deferral of income tax for participants.

Eligible participants include all permanent AGL employees. Non-Executive Directors, the Managing Director and Chief Executive Officer, and members of the executive team are excluded from SPP participation.

Details of share movements in the SPP during the year are set out below:

Share movements	Balance at 1 July Number	Granted during the year Number	Fair Value per share $	Released during the year Number	Balance at 30 June Number
2022					
Employees	**531,681**	**378,196**	**$7.08**	**(244,433)**	**665,444**
Total share purchase plan shares	**531,681**	**378,196**		**(244,433)**	**665,444**
2021					
Employees	333,851	296,199	$11.06	(98,369)	531,681
Total share purchase plan shares	333,851	296,199		(98,369)	531,681

33. Share-based payment plans (cont.)

Restricted Equity Plan (REP)

The REP provides for a grant of restricted shares, either as the deferral component of STI awards for executives, or for other purposes (for example, sign-on or retention awards).

Generally, restricted shares are forfeited on cessation of employment. The Board has discretion with reference to the relevant facts and circumstances of the cessation to vest all or part of the balance, or to authorise a portion of the award to be retained and vest post-employment.

Details of share movements in the REP during the year are set out below:

Share movements	Balance at 1 July Number	Granted during the year Number	Weighted average fair value per share $	Released during the year Number	Balance at 30 June Number
2022					
Current Managing Director and Chief Executive Officer	**-**	**17,975**	**$9.20**	**-**	**17,975**
Former Managing Director and Chief Executive Officer	**42,510**	**-**	**-**	**(21,255)**	**21,255**
Employees	**65,207**	**-**	**-**	**(32,929)**	**32,278**
Total restricted equity plan shares	**107,717**	**17,975**		**(54,184)**	**71,508**
2021					
Former Managing Director and Chief Executive Officer	21,378	42,510	$15.53	(21,378)	42,510
Employees	28,065	70,714	$14.27	(33,572)	65,207
Total restricted equity plan shares	49,443	113,224		(54,950)	107,717

Shares purchased on-market

During the financial year ended 30 June 2022, 396,171 (2021: 313,027) AGL shares were purchased on-market at an average price of $7.10 (2021: $11.26) per share, for a total consideration of $2,719,583 (2021: $3,526,583), to satisfy employee entitlements pursuant to the SPP and REP.

ACCOUNTING POLICY

Share-based payments

The fair value of performance rights granted to eligible employees pursuant to the AGL Long-Term Incentive Plan is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights. The fair value at grant date is determined by an independent valuer.

At the end of each reporting period, AGL revises its estimate of the number of performance rights expected to vest. The amount previously recognised as an expense is only adjusted when the performance rights do not vest due to non-market related conditions.

Pursuant to the AGL Share Reward Plan, shares are issued to eligible employees for no consideration. On the grant date, the market value of the shares issued is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. Shares under the AGL Share Reward Plan are subject to disposal restrictions and holding locks.

34. Related party disclosures

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of AGL, directly or indirectly, including the Directors of the Parent Entity.

The aggregate remuneration made to key management personnel is set out below:

	2022 $000	2021 $000
Short-term employee benefits	**7,887**	6,100
Post-employment benefits	**210**	227
Termination benefits	**627**	-
Share-based payments	**1,340**	686
Total remuneration to key management personnel	**10,064**	7,013

Further details are contained in the Remuneration Report attached to and forming part of the Directors' Report.

Amounts owing by joint ventures and joint operations

	2022 $000	2021 $000
ActewAGL Retail Partnership	**58,808**	45,189
North Queensland Energy Joint Venture	**-**	188

The amount owing is unsecured, interest free and will be settled in cash. No expense has been recognised in the current or the prior period for bad or doubtful debts in respect of the amounts owed by joint ventures.

Amounts owing to joint ventures and joint operations

	2022 $000	2021 $000
Tilt Renewables	**16,942**	17,842

The amount owing is unsecured, interest free and will be net settled in cash.

Trading transactions with joint ventures and joint operations

	2022 $000	2021 $000
ActewAGL Retail Partnership		
AGL sold gas, electricity and environmental products to the ActewAGL Retail Partnership on normal commercial terms and conditions.		
Net amounts received	**327,049**	324,895
Tilt Renewables		
AGL sells/purchases electricity and environmental products with Tilt on normal commercial terms and conditions.		
Net amounts received/(paid)	**142,342**	(35,951)
AGL received management fees from Tilt for overseeing the operation and construction of its generation assets.		
Net amounts received	**1,519**	3,522
North Queensland Energy Joint Venture		
North Queensland Energy Joint Venture (NQE) pays management fees to AGL as the operator of NQE.		
Net amounts received	**750**	750

35. Cash and cash equivalents

(a) Reconciliation to cash flow statement

Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	2022 $m	2021 $m
Cash at bank and on hand	**127**	88
Total cash and cash equivalents	**127**	88

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2022 $m	2021 $m
Profit/(loss) for the year	**853**	(2,058)
Share of profits of associates and joint ventures	**(26)**	(9)
Dividends received from joint ventures	**17**	23
Depreciation and amortisation	**717**	707
Share-based payment expense	**1**	-
(Gain) in fair value of financial instruments	**(213)**	(393)
Net gain on disposal of property, plant and equipment	**3**	1
Non-cash finance costs	**135**	113
Capitalised finance costs	**(2)**	(2)
Impairment of investments in associates	**(14)**	-
Impairment and onerous contract expenses	**(773)**	3,737
Changes in assets and liabilities		
(Increase) in trade and other receivables	**(1,261)**	(324)
Decrease/(Increase) in inventories	**49**	(1)
(Increase) in derivative financial instruments	**(1)**	(85)
Decrease/(Increase) in other financial assets	**180**	(17)
(Increase) in other assets	**(4)**	(103)
Increase in trade and other payables	**1,416**	391
(Decrease) in provisions	**(178)**	(80)
(Decrease)/Increase in other liabilities	**(1)**	54
(Increase)/Decrease in net tax assets	**329**	(704)
Net cash provided by operating activities	**1,227**	1,250

(c) Reconciliation of changes in liabilities arising from financing activities

Year ended 30 June 2022	Balance at beginning of financial year $m	Net proceeds/ (repayments) $m	Non-cash movements $m	Balance at end of financial year $m
Liabilities arising from financing activities				
USD senior notes	**1,019**	**-**	**(14)**	**1,005**
Medium term notes	**-**	**-**	**-**	**-**
Bank loans	**1,950**	**(280)**	**-**	**1,670**
CPI bonds	**67**	**(9)**	**2**	**60**
Other loans	**-**	**-**	**-**	**-**
Lease liabilities	**159**	**(20)**	**11**	**150**
Deferred transaction costs	**(10)**	**-**	**3**	**(7)**
	3,185	**(309)**	**2**	**2,878**

35. Cash and cash equivalents (cont.)

Year ended 30 June 2021	Balance at beginning of financial year $m	Net proceeds/ (repayments) $m	Non-cash movements $m	Balance at end of financial year $m
Liabilities arising from financing activities				
USD senior notes	1,164	-	(145)	1,019
Medium term notes	599	(599)	-	-
Bank loans	985	965	-	1,950
CPI bonds	75	(8)	-	67
Other loans	122	(122)	-	-
Lease liabilities	174	(26)	11	159
Deferred transaction costs	(11)	(4)	5	(10)
	3,108	206	(129)	3,185

ACCOUNTING POLICY

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash. The carrying amount represents fair value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts and accounts relating to dividend payments held in escrow.

36. Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
  - Amortised cost
  - Fair value through profit or loss ('FVTPL')
  - Fair value through other comprehensive income ('FVOCI')
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

	Carrying value								
	Financial assets				Financial liabilities				
2022 $m	FVTPL	FVOCI	Amortised cost	Hedges	FVTPL	FVOCI	Amortised cost	Hedges	Total
Cash and cash equivalents	-	-	127	-	-	-	-	-	127
Other financial assets	-	13	-	-	-	-	-	-	13
Trade and other receivables	-	-	3,130	-	-	-	-	-	3,130
Future deposits and margin calls	-	-		-	-	-	(104)	-	(104)
Derivative financial instruments	4,775	5	-	230	(3,839)	-	-	(9)	1,162
Borrowings	-	-	-	-	(955)	-	(1,773)	-	(2,728)
Finance lease liabilities	-	-	-	-	-	-	(150)	-	(150)
Trade and other payables	-	-	-	-	-	-	(3,164)	-	(3,164)
Deferred consideration	-	-	-	-	-	-	(150)	-	(150)
Total	**4,775**	**18**	**3,257**	**230**	**(4,794)**	**-**	**(5,341)**	**(9)**	**(1,864)**

	Carrying value								
	Financial assets				Financial liabilities				
2021 $m	FVTPL	FVOCI	Amortised cost	Hedges	FVTPL	FVOCI	Amortised cost	Hedges	Total
Cash and cash equivalents	-	-	88	-	-	-	-	-	88
Other financial assets	-	213	-	-	-	-	-	-	213
Trade and other receivables	-	-	1,889	-	-	-	-	-	1,889
Future deposits and margin calls	-	-	76	-	-	-	-	-	76
Derivative financial instruments	1,084	5	-	111	(373)	-	-	(39)	788
Borrowings	-	-	-	-	(969)	-	(2,057)	-	(3,026)
Finance lease liabilities	-	-	-	-	-	-	(159)	-	(159)
Trade and other payables	-	-	-	-	-	-	(1,838)	-	(1,838)
Deferred consideration	-	-	-	-	-	-	(168)	-	(168)
Total	1,084	218	2,053	111	(1,342)	-	(4,222)	(39)	(2,137)

(b) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Financial instruments (cont.)

There were no material transfers between Level 1 and Level 2 during the year.

2022	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	**8**	**-**	**-**	**8**	**8**
Unlisted investment funds	**5**	**-**	**-**	**5**	**5**
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	**108**	**-**	**108**	**-**	**108**
Interest rate swap contracts - cash flow hedges	**122**	**-**	**122**	**-**	**122**
Forward foreign exchange contracts - cash flow hedges	**-**	**-**	**-**	**-**	**-**
Energy derivatives - economic hedges	**4,775**	**3,080**	**1,277**	**418**	**4,775**
Other	**5**	**-**	**-**	**5**	**5**
Total financial assets	**5,023**	**3,080**	**1,507**	**436**	**5,023**
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	**(8)**	**-**	**(8)**	**-**	**(8)**
Interest rate swap contracts - cash flow hedges	**(1)**	**-**	**(1)**	**-**	**(1)**
Energy derivatives - economic hedges	**(3,839)**	**(2,269)**	**(332)**	**(1,238)**	**(3,839)**
Total financial liabilities	**(3,848)**	**(2,269)**	**(341)**	**(1,238)**	**(3,848)**

2021	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	8	-	-	8	8
Unlisted investment funds	205	-	-	205	205
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	96	-	96	-	96
Interest rate swap contracts - cash flow hedges	13	-	13	-	13
Forward foreign exchange contracts - cash flow hedges	2	-	2	-	2
Energy derivatives - economic hedges	1,084	210	214	660	1,084
Other	5	-	-	5	5
Total financial assets	1,413	210	325	878	1,413
Financial liabilities					
Derivative financial instruments					
Interest rate swap contracts - cash flow hedges	(37)	-	(37)	-	(37)
Forward foreign exchange contracts - cash flow hedges	(2)	-	(2)	-	(2)
Energy derivatives - economic hedges	(373)	(135)	(101)	(137)	(373)
Total financial liabilities	(412)	(135)	(140)	(137)	(412)

Management has assessed that the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) to be comparable to fair value.

36. Financial instruments (cont.)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

- Receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value if the effect of discounting is material.
- The fair value of forward foreign exchange contracts is calculated as the present value of expected future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties. Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties.
- The fair value of borrowings is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of energy derivatives is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of lease liabilities is estimated as the present value of future cash flows discounted where the effect of discounting is material.
- The fair value of deferred consideration is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

	2022 $m	2021 $m
Opening balance	**741**	456
Total gains or losses recognised in profit or loss		
Settlements during the year	**(456)**	33
Changes in fair value	**(917)**	229
Acquisition	**-**	(7)
Transfer from Level 3 to Level 2[1]	**(1)**	-
Premiums	**-**	5
Purchases	**(12)**	25
Disposals	**(156)**	-
Closing balance	**(801)**	741

1. Contract fell into observable market curve during the financial year.

The total gains or losses for the year included a loss of $870 million relating to energy derivative Level 3 contracts held at the end of the reporting period (2021: a gain of $189 million). Fair value gains or losses on energy derivatives are included in other expenses in the line item 'Gain on fair value of financial instruments' in Note 4.

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10 percent is $(276) million and lower by 10 percent is $276 million (profit after tax (decrease)/increase)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

(c) Capital risk management

AGL's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure of debt and equity.

In order to maintain or adjust the capital structure, AGL may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. AGL's overall capital management strategy remains unchanged from 2021.

The capital structure of AGL consists of net debt (borrowings offset by cash and cash equivalents) and total equity (comprising issued capital, reserves and retained earnings).

AGL monitors capital on the basis of the gearing ratio and funds from operations (FFO) to interest expense cover.

36. Financial instruments (cont.)

The gearing ratio is calculated as net debt divided by adjusted total capital. Net debt is calculated as total borrowings, adjusted for cross currency swap hedges and deferred borrowing costs, less cash and cash equivalents. Adjusted total capital is calculated as total equity less the hedge reserve plus net debt. The gearing ratio at the end of the reporting period was as follows:

	2022 $m	2021 $m
Current borrowings	**355**	305
Non-current borrowings	**2,523**	2,880
Total borrowings	**2,878**	3,185
Adjustment for cross currency swap hedges and deferred borrowing costs	**(89)**	(100)
Adjusted total borrowings	**2,789**	3,085
Cash and cash equivalents	**(127)**	(88)
Net debt	**2,662**	2,997
Total equity	**6,517**	5,506
Hedge reserve	**(79)**	25
Adjusted equity	**6,438**	5,531
Net debt	**2,662**	2,997
Adjusted total capital	**9,100**	8,528
Gearing ratio	**29.2%**	35.1%

(d) Financial risk management

AGL's activities expose it to a variety of financial risks, including market risk (interest rate risk, foreign currency risk and energy price risk), credit risk and liquidity risk. AGL's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on its financial performance. AGL uses a range of derivative financial instruments to hedge these risk exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management policy and framework. The Board has established the Audit & Risk Management Committee (the Committee), which is responsible for approving AGL's risk management policy and framework for identifying, assessing and managing risk. The Committee is also responsible for reviewing and updating the risk profile, monitoring the effectiveness of the risk management framework and reviewing at least annually the implementation of the risk management policy and framework. The Committee reports regularly to the Board of Directors on its activities.

AGL has written policies covering specific areas, such as interest rate risk, foreign currency risk, energy price risk, credit risk, liquidity risk, and the use of derivative and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis.

(e) Interest rate risk management

AGL is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts or other hedging instruments.

AGL regularly analyses its interest rate exposure, by taking into consideration forecast debt positions, refinancing, renewals of existing positions, alternative financing, hedging positions and the mix of fixed and floating interest rates.

At the end of the reporting period, AGL had the following financial assets and liabilities exposed to floating interest rate risk:

Floating rate instruments	2022 $m	2021 $m
Financial assets		
Cash and cash equivalents	**127**	88
Total financial assets	**127**	88
Financial liabilities		
USD senior notes (after effect of cross currency swaps)	**860**	860
Bank loans	**1,670**	1,950
Interest rate swap contracts	**(1,545)**	(1,600)
Total financial liabilities	**985**	1,210

36. Financial instruments (cont.)

Interest rate swap contracts - cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

Outstanding hedging instruments cash flow hedge - receive floating, pay fixed contracts	Average contracted fixed interest rate 2022 %	2021 %	Notional principal amount 2022 $m	2021 $m	Carrying value of outstanding hedging instruments 2022 $m	2021 $m
Less than 1 year	**1.60**	2.65	**470**	255	**6**	(5)
1 to 2 years	**1.63**	1.60	**400**	470	**12**	(8)
2 to 3 years	**0.94**	1.63	**150**	400	**9**	(10)
3 to 4 years	**1.24**	0.65	**50**	50	**4**	-
4 to 5 years	**1.50**	1.24	**500**	50	**38**	(1)
5 years or more	**1.33**	1.34	**350**	875	**51**	-
Total			**1,920**	2,100	**120**	(24)

	Financial year	2022 $m	2021 $m
Aggregate notional amount of variable rate borrowings		**1,920**	2,100
Aggregate notional principal of the outstanding interest rate swaps		**1,920**	2,100
Included in this amount:			
Forward interest rate swap contracts		**375**	500
Of which:			
Commences in	**2022**		150
Commences in	**2023**	**125**	100
Commences in	**2024**	**200**	200
Commences in	**2025**	**50**	50

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian Bank Bill Swap (BBSW) reference rate. AGL will settle the difference between the fixed and floating interest rate on a net basis. During the year, some hedges have been de-designated due to forecast change. All underlying forecast transactions remain highly probable.

Interest rate sensitivity

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the end of the reporting period, if interest rates had been 150 basis points higher or lower and all other variables were held constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease) 2022 $m	2021 $m[1]	Other comprehensive income increase/(decrease) 2022 $m	2021 $m
Interest rates +1.5% (150 basis points)	**(9)**	(4)	**2**	4
Interest rates -1.5% (150 basis points)	**9**	4	**-**	(4)

1. Interest rate sensitivity in FY21 was based on 50 basis points movement.

(f) Foreign currency risk management

AGL undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Foreign currency risk arises primarily from overseas term borrowings and firm commitments for the purchase of plant and equipment which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and cross currency swap contracts.

Forward foreign exchange contracts - cash flow hedges

AGL's Corporate Treasury policy requires the hedging of foreign currency risk using forward foreign exchange contracts. The Corporate Treasury's policy is to hedge currency exposures of anticipated cash flows in excess of $2 million and to not enter into forward foreign exchange contracts until a firm commitment is in place.

36. Financial instruments (cont.)

AGL enters into contracts to purchase plant and equipment denominated in foreign currencies. AGL enters into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

There were $1 million of forward foreign exchange contracts outstanding at the end of the reporting period (2021: $139 million). The fair value of those contracts is not material.

Cash Flow Hedge - Outstanding contracts	Average exchange rate 2022	Average exchange rate 2021	Contract value (foreign currency) 2022 $m	Contract value (foreign currency) 2021 $m	Contract value (local currency) 2022 $m	Contract value (local currency) 2021 $m	Carrying value of outstanding hedging instruments 2022 $m	Carrying value of outstanding hedging instruments 2021 $m
Buy JPY								
0 to 6 months	**71.56**	72.41	**100**	1,002	**1**	14	**-**	(2)
6 - 12 months	**-**	72.08	**-**	300	**-**	4	**-**	(1)
1 - 2 years	**-**	71.24	**-**	100	**-**	1	**-**	-
Buy US dollars								
0 to 6 months	**-**	0.76	**-**	90	**-**	117	**-**	2
Buy Euro								
0 to 6 months	**-**	0.63	**-**	2	**-**	3	**-**	-

Cross currency swap contracts

Under cross currency swap contracts, AGL has agreed to exchange specified foreign currency loan principal and interest amounts at agreed future dates at fixed exchange rates. Such contracts enable AGL to eliminate the risk of movements in foreign exchange rates related to foreign currency denominated borrowings.

The fair value of cross currency swaps at 30 June 2022 was an asset of $100 million (2021: asset of $96 million), of which $143 million (2021: $54 million) is in a cash flow hedge relationship, $(48) million (2021: $43 million) is in a fair value hedge relationship and $5 million (2021: $(1) million) relates to the currency basis of the cross currency swaps.

The following tables detail the cross currency swap contracts in hedges outstanding at the end of the reporting period:

Outstanding contracts	Average interest rate 2022 %	Average interest rate 2021 %	Average exchange rate 2022	Average exchange rate 2021	Contract value (foreign currency) 2022 $m	Contract value (foreign currency) 2021 $m	Contract value (local currency) 2022 $m	Contract value (local currency) 2021 $m	Fair value/ carrying amount 2022 $m	Fair value/ carrying amount 2021 $m
Buy US dollars										
1 to 5 years	**3.09**	2.72	**0.888**	0.888	**300**	300	**338**	338	**100**	86
5 years or more	**3.10**	2.73	**0.757**	0.757	**395**	395	**522**	522	**0**	10

Foreign currency exchange rate sensitivity

The following sensitivity analysis has been determined based on the exposure to foreign currency exchange rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the end of the reporting period, if the Australian dollar had weakened or strengthened by 10% against the respective foreign currencies where all other variables remain constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease) 2022 $m	Profit/(loss) after tax increase/(decrease) 2021 $m	Other comprehensive income increase/(decrease) 2022 $m	Other comprehensive income increase/(decrease) 2021 $m
AUD exchange rates +10.0%	**-**	-	**(6)**	(16)
AUD exchange rates -10.0%	**-**	-	**8**	20

36. Financial instruments (cont.)

(g) Energy price risk management

AGL is exposed to energy price risk associated with the purchase and/or sale of electricity, gas, oil and environmental products. AGL manages energy risk through an established risk management framework consisting of policies to place appropriate risk limits on overall energy market exposures and transaction limits for approved energy commodities, requirements for delegations of authority on trading, regular reporting of exposures and segregation of duties.

It is AGL's policy to actively manage the energy price exposure arising from both forecast energy supply and customer energy load. AGL's risk management policy for energy price risk is to hedge forecast future positions for up to five years into the future.

Exposures to fluctuations in the wholesale market energy prices are managed through the use of various types of hedge contracts including derivative financial instruments.

The following table details the fair value of energy derivatives outstanding at the end of the reporting period:

	2022 $m	2021 $m
Energy derivative financial assets - current		
Energy derivatives - economic hedges	**4,559**	447
	4,559	447
Energy derivative financial assets - non-current		
Energy derivatives - economic hedges	**216**	637
	216	637
Energy derivative financial liabilities - current		
Energy derivatives - economic hedges	**3,475**	264
	3,475	264
Energy derivative financial liabilities - non-current		
Energy derivatives - economic hedges	**364**	109
	364	109

Energy derivatives – economic hedges

AGL has entered into certain derivative instruments for economic hedging purposes under the Board-approved risk management policies, which do not satisfy the requirements for hedge accounting under AASB 9 *Financial Instruments*. These derivatives are therefore required to be categorised as held for trading and are classified in the Consolidated Statement of Financial Position as economic hedges. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss as part of (loss)/gain on fair value of financial instruments.

36. Financial instruments (cont.)

Energy price sensitivity

The following table details the sensitivity to a 10 percent increase or decrease in the energy contract market forward prices. A sensitivity of 10 percent has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in market prices.

At the end of the reporting period, if the forward prices had been 10 percent higher or lower and all other variables were held constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease)		Other comprehensive income increase/(decrease)	
	2022 $m	2021 $m	2022 $m	2021 $m
Energy forward price +10%	**(79)**	(127)	**-**	-
Energy forward price -10%	**78**	130	**-**	-

The movement in profit after tax is mainly attributable to an increase/decrease in the fair value of certain energy derivative instruments which are not hedge accounted by AGL. The movement in other comprehensive income is due to the reclassification and/or amortisation of historical hedge accounted derivatives.

(h) Hedge effectiveness

The following table details the effectiveness of the hedging relationships and the amounts reclassified from hedging reserve to profit or loss:

	Cash flow hedges				Fair Value Hedges
2022	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	**143**	**122**	**-**	**-**	**-**
- Liabilities	**-**	**(1)**	**-**	**-**	**(48)**
Total carrying amount of the hedging instrument	**143**	**121**	**-**	**-**	**(48)**
Change in value of hedging instrument	**89**	**143**	**-**	**-**	**(92)**
Change in value of hedged item	**(89)**	**(143)**	**-**	**-**	**94**
Change in value of the hedging instrument recognised in reserve	**2**	**123**	**-**	**-**	**n/a**
Amount recognised in profit or loss on discontinued hedge relationships	**-**	**3**	**-**	**-**	**-**
Hedge ineffectiveness recognised in profit or loss[1]	**-**	**-**	**-**	**-**	**(2)**
Amount reclassified from hedge reserve to profit or loss[2]	**87**	**21**	**-**	**-**	**n/a**
Balance in cash flow hedge reserve for continuing hedges	**(4)**	**127**	**-**	**-**	**n/a**

1. Included in the line item 'Gain on fair value of financial instruments' within other expenses in the Consolidated Statement of Profit or Loss.
2. The profit or loss from foreign exchange movement of hedging instrument largely offsets by the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

36. Financial Instruments (cont.)

	Cash flow hedges				Fair Value Hedges
2021	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	54	13	2	-	43
- Liabilities	-	(37)	(3)	-	-
Total carrying amount of the hedging instrument	54	(24)	(1)	-	43
Change in value of hedging instrument	(87)	47	(1)	31	(63)
Change in value of hedged item	87	(47)	1	(31)	66
Change in value of the hedging instrument recognised in reserve	(16)	18	-	-	n/a
Amount recognised in profit or loss on discontinued hedge relationships	-	2	-	-	-
Hedge ineffectiveness recognised in profit or loss[1]	-	-	-	-	(3)
Amount reclassified from hedge reserve to profit or loss[2]	(71)	29	-	31	n/a
Balance in cash flow hedge reserve for continuing hedges	(15)	(20)	-	-	n/a

1. Included in the line item 'Gain on fair value of financial instruments' within other expenses in the Consolidated Statement of Profit or Loss.
2. The profit or loss from foreign exchange movement of hedging instrument largely offsets by the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

(i) Credit risk management

AGL manages its exposure to credit risk using credit risk management policies which provide credit exposure limits and contract maturity limits based on the credit worthiness of counterparties. AGL's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

Trade and other receivables consist of approximately 3.95 million residential, small business and large commercial and industrial services to customers, in New South Wales, Victoria, South Australia, Queensland and Western Australia. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for expected credit loss is raised. AGL does not have any significant credit risk exposure to any single customer or any group of customers.

AGL limits its exposure to credit risk by investing surplus funds and entering into derivative financial instruments only with approved financial institutions that have a credit rating of at least A from Standard & Poor's and within credit limits assigned to each financial institution. Derivative counterparties are limited to high creditworthy financial institutions and other organisations in the energy industry. AGL also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

At the end of the reporting period, there was a significant concentration of credit risk with certain counterparties in relation to energy derivatives undertaken in accordance with the AGL's hedging and risk management activities. The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

AGL does not hold any collateral or other credit enhancements to cover this credit risk.

(j) Liquidity risk management

Liquidity risk is the risk that AGL will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of AGL's short, medium and long-term funding and liquidity management requirements.

AGL manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details AGL's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which AGL can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

36. Financial instruments (cont.)

2022	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities						
Trade and other payables	**3,164**	**-**	**-**	**-**	**-**	**3,164**
USD senior notes	**262**	**17**	**35**	**339**	**703**	**1,356**
Bank loans	**28**	**120**	**330**	**1,370**	**-**	**1,848**
CPI bonds	**6**	**7**	**14**	**43**	**-**	**70**
Lease liabilities	**15**	**14**	**27**	**43**	**216**	**315**
Deferred consideration	**-**	**38**	**39**	**124**	**-**	**201**
	3,475	**196**	**445**	**1,919**	**919**	**6,954**

2021	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities						
Trade and other payables	1,838	-	-	-	-	1,838
USD senior notes	22	22	257	272	678	1,251
Bank loans	12	287	201	1,549	-	2,049
CPI bonds	6	6	13	40	14	79
Lease liabilities	14	14	27	57	230	342
Deferred consideration	-	37	38	121	42	238
	1,892	366	536	2,039	964	5,797

The following table details AGL's liquidity analysis for its derivative financial instruments. The amounts are based on the undiscounted net cash inflows and outflows on those derivatives instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. For interest rate swaps, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

2022	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Derivative financial instruments						
Gross settled						
Cross currency swap contracts - pay leg	**(204)**	**(22)**	**(45)**	**(266)**	**(635)**	**(1,172)**
Cross currency swap contracts - receive leg	**261**	**16**	**32**	**283**	**703**	**1,295**
Net receive/(pay)	**57**	**(6)**	**(13)**	**17**	**68**	**123**
Net settled						
Interest rate swap contracts	**(2)**	**-**	**-**	**-**	**-**	**(2)**
Energy derivatives	**(2,466)**	**(1,386)**	**(1,029)**	**(711)**	**(18)**	**(5,610)**
	(2,411)	**(1,392)**	**(1,043)**	**(694)**	**50**	**(5,489)**

2021	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Derivative financial instruments						
Gross settled						
Cross currency swap contracts - pay leg	(12)	(12)	(208)	(228)	(626)	(1,086)
Cross currency swap contracts - receive leg	20	20	255	265	626	1,186
Net receive/(pay)	8	8	47	37	-	100
Net settled						
Interest rate swap contracts	(14)	(12)	(11)	(7)	-	(44)
Forward foreign exchange contracts	(2)	(1)	-	-	-	(3)
Energy derivatives	(147)	(164)	(157)	(172)	(124)	(764)
	(155)	(169)	(121)	(142)	(124)	(711)

36. Financial instruments (cont.)

ACCOUNTING POLICY

Financial assets

Non-derivative financial assets

Classification

AGL classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on AGL's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether AGL has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income. AGL reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, AGL measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on AGL's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which AGL classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

On initial recognition, AGL elects to classify each equity instrument as FVTPL or FVOCI. AGL subsequently measures all equity investments at fair value. Where AGL has elected to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains or losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when AGL's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of equity instrument financial assets classified as FVTPL are recognised in expenses in the statement of profit or loss as applicable.

Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

AGL documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. AGL documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

36. Financial instruments (cont.)

ACCOUNTING POLICY

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, AGL may elect to designate only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. Gains or losses related to the time value element of the option are recognised in a cost of hedging reserve.

When cross-currency contracts are used to hedge forecast transactions, AGL may elect to designate only the change in fair value of the cross-currency contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the cross-currency contracts are recognised in the cash flow hedge reserve in equity. The change in the currency basis spread element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, AGL may designate the full change in fair value of the cross-currency contract (including currency basis spread) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire cross-currency contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of hedge contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Fair value of financial instruments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices and rates.

37. Parent entity information

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Financial position

	2021 $m	2021 $m
Assets		
Current assets	**379**	301
Non-current assets	**11,753**	13,902
Total assets	**12,132**	14,203
Liabilities		
Current liabilities	**615**	544
Non-current liabilities	**6,655**	9,245
Total liabilities	**7,270**	9,789
Equity		
Issued capital	**5,918**	5,601
Reserves		
Loss reserve	**(1,047)**	(1,047)
Employee equity benefits reserve	**(1)**	(1)
Hedge reserve	**93**	(25)
Retained earnings	**(101)**	(114)
Total equity	**4,862**	4,414

Financial performance

Profit for the year	**334**	(1,047)
Other comprehensive Income/(loss)	**118**	2
Total comprehensive income for the year	**452**	(1,045)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The Parent Entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts in respect of its wholly owned Australian subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 27 and 31 respectively.

Contingent liabilities

The Parent Entity is a party to various legal actions and claims which have arisen in the ordinary course of business. The Parent Entity has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly owned subsidiaries.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Capital expenditure commitments

As at 30 June 2022, the Parent Entity had commitments for the acquisition of property, plant and equipment of $4 million (2021: $4 million) and its share of joint operations capital commitments was nil (2021: nil).

38. Summary of other significant accounting policies

AGL Energy Limited (the Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office is Level 24, 200 George Street, Sydney NSW 2000 Australia.

The consolidated financial statements comprise the Parent Entity and its controlled entities (together referred to as AGL). For the purposes of preparing the consolidated financial statements, the Parent Entity is a for-profit entity.

The principal activities of AGL are described in Note 1.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 19 August 2022.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and equity instrument financial assets, which are measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the functional and presentation currency of AGL, unless otherwise noted.

The Parent Entity is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial statements are rounded off to the nearest million dollars, unless otherwise indicated.

The significant accounting policies that have been adopted in the preparation and presentation of the consolidated financial statements are set out below.

(c) Adoption of new and revised accounting standards and Interpretations

AGL has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 July 2021. These did not have any material impact on the disclosures or on the amounts recognised in AGL's consolidated financial statements.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Entity and entities (including special purpose entities) controlled by the Parent Entity (its subsidiaries). Control is achieved when the Parent Entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(e) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

(f) Standards and Interpretations on issue not yet adopted

The following accounting standards, accounting standard amendments and interpretations are due for adoption for the year ending 30 June 2024:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current;
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates; and
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The standards and interpretations listed above and the impact of the IBOR reform are not expected to have a material impact on AGL's financial results or financial position on adoption.

39. Subsequent events

Board and management renewal

As announced on 30 May 2022, AGL is currently undertaking a Board and Management Renewal process, including a search process for a new Chair of the Board and Managing Director and CEO. The process is ongoing at the date of this report and AGL will make announcements to ASX once the roles are appointed.

Review of strategic direction

As announced on 30 May 2022, AGL is in the process of undertaking a review of strategic direction. The review will focus on four key areas, review of existing strategies, decarbonisation objectives, optimal energy mix and capital structure. Initial outcomes of the review are expected to be presented in late September 2022.

Apart from the matters identified above and in the financial statements or notes thereto, there has not been any other matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in future financial periods.

Directors' Declaration

For the year ended 30 June 2022

In accordance with a resolution of the Directors of AGL Energy Limited, the Directors declare that:

a. in their opinion, there are reasonable grounds to believe that AGL Energy Limited will be able to pay its debts as and when they fall due and payable;

b. the financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 38(a) to the financial statements;

c. in their opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated entity's financial position and performance for the year ended 30 June 2022;

d. there are reasonable grounds to believe that AGL Energy Limited and the subsidiaries identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785; and

e. the Directors have received the declarations required by s.295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2022.

Signed on behalf of the Board.

Peter Botten
Chairman
19 August 2022

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

The Board of Directors
AGL Energy Limited
200 George Street
Sydney NSW 2000

19 August 2022

Dear Board Members,

Auditor's Independence Declaration to AGL Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the audit of the financial report of AGL Energy Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report
to the Members of AGL Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AGL Energy Limited ("AGL" or the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Potential financial reporting impact of climate change	
The potential financial reporting impact of climate change affects AGL in a number of ways, as set out in the operating and financial review section within the annual report and in Note 15, Note 16 and Note 19 to the financial statements of the financial report. The associated audit risks we have identified include: • Forecast assumptions used in assessing the recoverable amount of property, plant and equipment and intangible assets. In particular, forecast price and volume assumptions and their interrelationship with forecast emissions costs and energy procurement costs may not appropriately reflect actual changes in supply and demand due to the potential impact of climate change. • As disclosed in Section 3.2.4 of the operating & financial review within the annual report and Note 15 to the financial statements, management has brought forward the closure dates of thermal coal power stations in line with AGL's climate commitments announced in February 2022. The forecast useful lives of the thermal coal power stations may be further reduced as Australian federal and state governments move towards 'net zero' emissions targets. As a consequence, the depreciation expense may be materially increased, a material impairment of property, plant and equipment may be required in the future and the provision for environmental rehabilitation may need to be materially increased due to the potential acceleration of timing of performing rehabilitation. As disclosed in Section 3.2.4 of the operating and financial review within the annual report, AGL has not produced a stand-alone Task Force on Climate-related Financial Disclosure (TCFD) report this year. AGL will release updated TCFD scenario analysis of different decarbonisation pathways for the National Electricity Market following the review of strategic direction which AGL is currently completing. The	We held discussions with management and a group of internal specialists with specific climate change, audit and accounting specialisation to identify how the potential financial reporting impact of climate change affects the financial statements. In respect of forecast assumptions used by management in assessing the recoverable amount of property, plant and equipment and intangible assets, our procedures included, but were not limited to: • in conjunction with our valuation specialists assessing and challenging the key assumptions for forecast price and volume assumptions used in the forecast cash flows, by comparing these assumptions to historical results, economic data and industry forecasts, considering the potential impact of climate change, where applicable. In doing this, we obtained third party reports and information assessing the National Electricity Market, which included information related to energy pricing, emissions costs, procurement costs, supply, demand, government policy and estimated plant closure dates. This included the Australian Energy Market Operator's 2022 Integrated System Plan and other third-party National Electricity Market outlook reports. In respect of the forecast useful lives adopted by management, our procedures included, but were not limited to: • assessing and challenging management's changes to useful lives during the year, including the impact to the financial statements, and assessing and challenging management's assertion as at 30 June 2022 that no further changes were required to useful lives as a consequence of the potential impact of climate change. In doing this, we obtained third party reports and information assessing the National Electricity Market, which included information related to energy pricing, emissions costs, procurement costs, supply, demand, government policy and estimated plant closure dates. This included the Australian Energy Market Operator's 2022 Integrated System Plan and other third-party National Electricity Market outlook reports.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
results of the review of strategic direction, including different decarbonisation pathways, may have a further impact on forecast assumptions used in assessing the recoverable amount of property, plant and equipment and intangible assets and forecast useful lives of thermal coal power stations as disclosed in Note 16.	We have also assessed the appropriateness of the disclosures included in Note 15, Note 16 and Note 19 to the financial statements and consistency with the operating and financial review section of the Annual Report.
Potential impact of administered pricing and spot market suspension of the National Electricity Market As disclosed in Note 25 to the financial statements, a series of conditions affecting the National Electricity Market between 12 and 23 June 2022 triggered administered pricing, spot market suspension from 15 to 23 June 2022 and around 500 separate market interventions under the National Electricity Rules. There is judgment in determining any compensation receivable or payable associated with these events and therefore a risk that such compensation receivable or payable is not appropriately recorded or disclosed.	Our procedures included, but were not limited to: • obtaining an understanding of the process flows and key controls management has in place to determine the compensation receivable or payable as a result of administered pricing and spot market suspension of the National Electricity Market; • assessing and challenging management's recognition of compensation receivable or payable associated with these events by comparing to provisional compensation amounts published by the Australian Energy Market Operator ("AEMO"); and • assessing management's disclosure of contingent assets and contingent liabilities for compensation which cannot be reliably measured as at 30 June 2022 for further compensation claims that may be made by Market Participants or approved by AEMO and the Australian Energy Market Commission ("AEMC") under the National Electricity Rules for the market interventions made by AEMO in June 2022. We have also assessed the appropriateness of the disclosures included in Note 25 to the financial statements.
Carrying value of property, plant and equipment and intangible assets As disclosed in Note 15 and 16 to the financial statements, as at 30 June 2022 property, plant and equipment totaling $6,012 million and intangible assets totaling $3,252 million, including goodwill of $2,446 million, are included in the consolidated statement of financial position.	Our procedures included, but were not limited to: • obtaining an understanding of the process flows and key controls associated with the valuation models prepared by management and approved by the Board used to estimate the recoverable amount of each CGU and impairment charges, where applicable;

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
An impairment of $246 million was recorded during the year relating to Newcastle Gas Storage Facility, Newcastle Gas Peaker development rights and Collins Street lease right-of-use assets as disclosed in Note 15. Management conducts annual impairment tests (or more frequently if impairment indicators exist) to assess the recoverable amount of property, plant and equipment and intangible assets. This assessment is performed through the preparation of discounted cash flow value-in-use models using impairment scenario analysis. The evaluation of the recoverable amount requires significant judgement by management in determining the key assumptions supporting the forecast cash flows of each cash generating unit ("CGU") including: • forecast energy prices in the short and long term; • forecast energy procurement costs and generation volumes; • forecast thermal coal power station closure dates; • applying appropriate discount rates; and • scenario analysis and probability weighting of each scenario to estimate the value of each CGU.	• evaluating management's methodologies and their documented basis for key assumptions utilised in the discounted cash flow valuation models, which are disclosed in Note 16; • in conjunction with our valuation specialists, assessing and challenging: o the identification of each CGU; o the identification and allocation of cash flows for the purposes of assessing the recoverable amount of each CGU; o the key assumptions for forecasting energy prices and demand used in the forecast cash flows (see 'Potential financial reporting impact of climate change' above); and o the discount rate applied by comparing to our independent estimate, third party evidence and broker consensus data; • challenging management's useful lives (see 'Potential financial reporting impact of climate change' above); • checking the mathematical accuracy of the cash flow models; • agreeing forecast cash flows to the latest forecasts approved by the Board; • assessing management's historical forecasting accuracy through retrospective analysis by comparing to actual results and whether the estimates had been determined and applied on a consistent basis; • challenging the scenarios and probability weighting of those scenarios, including further sensitivity analyses in terms of future energy prices and useful lives considering the potential impact of climate change, used in the cash flow forecasts, in addition to the discount rate used considering our independent estimates, third party evidence, economic data and industry forecasts; and • assessing and challenging the consideration by management of reasonably possible changes in key assumptions that would be required for each CGU to be impaired and considering the likelihood of such movement in those key assumptions arising. We have also assessed the appropriateness of the disclosures included in Note 4, Note 15 and Note 16 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Derivative financial instruments
 	
AGL enters into various financial instruments including derivative financial instruments, which are recorded at fair value, to economically hedge the Group's exposure to variability in interest rates, foreign exchange movements and energy prices.
 	
These derivative financial instruments include long term energy purchase and supply contracts which in some cases have significant contractual volumes and/or pricing linked to commodity prices.
 	
As at 30 June 2022, derivative financial assets totaled $5,010 million (current assets of $4,639 million and non-current assets of $371 million), as disclosed in Note 11 to the financial statements, and derivative financial liabilities totaled $3,849 million (current liabilities of $3,485 million and non-current liabilities of $364 million), as disclosed in Note 20 to the financial statements.
 	
Significant judgement is required by management in the valuation of and accounting for these derivative financial instruments including:
• understanding and applying contract terms;
• forecasting of energy prices in the short and long term;
• forecasting of emissions trading outcomes and prices; and
• applying appropriate discount rates.
	Our procedures included, but were not limited to:
	• obtaining an understanding of the internal risk management process and the systems and key controls associated with the origination and maintenance of complete and accurate information relating to contracts containing derivative financial instruments;
	• obtaining an understanding of the relevant contract terms in derivative financial instruments to assess the appropriateness of the relevant accounting applied; and
	• in conjunction with our treasury specialists, testing on a sample basis the valuation of derivative financial instruments including:
	  o assessing hedge documentation and effectiveness where appropriate;
	  o evaluating the integrity of the valuation models; and
	  o assessing the incorporation of the contract terms and the key assumptions into the valuation models, including future energy prices and future energy demand used in the forecast cash flows, and discount rates by comparing to market data.
	
	We have also assessed the appropriateness of the disclosures included in Note 11, Note 20 and Note 36 to the financial statements.

Unbilled revenue and accrued distribution costs Unbilled revenue of $767 million, as disclosed in Note 9 to the financial statements, represents the estimated value of electricity and gas supplied to customers between the date of the last meter reading and 30 June 2022 where no invoice has been issued to the customer at the end of the reporting period. Accrued distribution costs of $378 million, as disclosed in Note 17 to the financial statements, represents the estimated distribution costs related to energy consumption between the date of the last invoice from the distributor and 30 June 2022. Significant management judgment is required in the	Our procedures included, but were not limited to: • obtaining an understanding of the process flows and key controls management has in place to determine the estimate of unbilled revenue, related allowance for expected credit losses and accrued distribution costs; • understanding and challenging management's assumptions relating to volume, customer pricing and distribution tariff rates used in determining unbilled revenue and accrued distribution costs by: o on a sample basis, agreeing data underlying the calculation of the estimated volume to supporting systems, having performed testing of the key controls in those systems;

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>calculation of unbilled revenue and accrued distribution costs, including estimation of allowance for expected credit losses. Management exercise this judgement in the calculation of:
consumption profile for electricity and gas retail portfolios;
pricing applicable to customers between the last invoice date and the end of the reporting period; and
application of consumption profiles of portfolios against relevant published distribution tariff rates.</td><td>comparing the prices applied to customer consumption with historical and current data; and
comparing the distribution tariff rates applied to relevant published distribution tariff rates.
assessing and challenging the allowance for expected credit loss estimate applied to unbilled revenue by;
evaluating management's forward-looking macroeconomic assumptions and scenario weightings;
testing the completeness and accuracy of critical data elements used in the expected credit loss models; and
testing the recoverability of debtors through subsequent cash collection analysis.
in conjunction with our data analytics specialists:
calculating an independent estimate of the expected unbilled revenue at 30 June 2022 using historical customer consumption, purchase volumes and pricing data, and comparing this to the reported unbilled revenue; and
calculating an independent estimate of the expected accrued distribution costs at 30 June 2022 utilising information supplied by distributors and tariff data and comparing this to the reported accrued distribution costs.
We have also assessed the appropriateness of the disclosures in Note 2, Note 9 and Note 17 to the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 59 to 81 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of AGL Energy Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 19 August 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9365 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

Independent Limited Assurance Report to the Management of AGL Energy Limited

Conclusion

We have undertaken a limited assurance engagement on AGL Energy Limited's ('AGL') subject matter detailed below (the 'Subject Matter') presented in the 2022 Annual Report for the year ended 30 June 2022.

Subject Matter	Reporting Criteria

Selected Annual KPI scorecard disclosures
The FY2022 performance data in respect of selected Annual KPI Scorecards disclosures and performance within the 2022 Annual Report Business Value Driver tables on pages 12-22.
▪ Customers:
  ▪ Ombudsman complaints
  ▪ Number of customers on Staying Connected
  ▪ Average level of debt of customers on Staying Connected
▪ Communities & Relationships:
  ▪ Community contribution
▪ People:
  ▪ TIFR employees
  ▪ TIFR (employees + contractors)
  ▪ Fatalities (employees + contractors)
  ▪ Material breaches of Code of Conduct
  ▪ Key talent retention
▪ Environment:
  ▪ Operated scope 1 + 2 emissions (MtCO2-e)
  ▪ Controlled generation intensity (tCO2-e/MWh)
  ▪ Emissions intensity of total revenue (ktCO2-e/$m)
  ▪ Controlled renewable and battery capacity (%)
  ▪ Revenue from green energy and carbon neutral products (%)
  ▪ Environmental Regulatory Reportable incidents
	AGL's definitions and approaches as described in the 'Glossary for the Business Value Drivers' section of FY22 Annual Report and on AGL's website at www.agl.com.au .

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Subject Matter	Reporting Criteria
▪ Systems & Processes: ▪ Reportable privacy incidents ▪ Major IT incidents	

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Reporting Criteria for the year ended 30 June 2022.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ASAE 3000"), issued by the Australian Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion

AGL's responsibilities

The Management of AGL are responsible for;

- Ensuring that the Subject Matter is properly prepared in accordance with the Reporting Criteria;
- confirming the measurement or evaluation of the underlying Subject Matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information
- designing, establishing and maintaining internal controls to ensure that the Subject Matter is properly prepared in accordance with the Reporting Criteria
- selecting and applying appropriate reporting criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance engagement.

Assurance Practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on the procedures we have performed and the evidence we have obtained.

ASAE 3000 requires that we plan and perform our procedures to obtain limited assurance about whether, anything has come to our attention that causes us to believe that the Subject Matter is not properly prepared, in all material respects, in accordance with the Reporting Criteria.

A limited assurance engagement in accordance with ASAE 3000 involves identifying areas where a material misstatement of the subject matter information is likely to arise, addressing the areas identified and considering the process used to prepare the subject matter information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the subject matter information has been properly prepared, in all material respects, in accordance the Reporting Criteria.

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Our procedures included:

- Review of AGL's processes relating to stakeholder identification, engagement and responsiveness, including an assessment of stakeholder engagement outcomes and how this process and the outcomes have been presented in the 2022 Annual Report
- Review of AGL's process to identify and determine material issues to be included in the 2022 Annual Report with examination of underlying assessments and evidence on a sample basis
- Interviews with a selection of AGL executives and senior management, including AGL's sustainability management team concerning the overall governance structure, corporate sustainability strategy and policies used for managing and reporting sustainability performance across the business

- In respect of the FY22 Selected Annual KPI scorecard disclosures
  - interviews with a selection of AGL management responsible for selected FY22 Annual KPI scorecard disclosures to understand the compilation and review processes
  - conducting site visits at a sample of facilities
  - applying analytical and other review procedures including assessing relationships between the reported information and other financial and non-financial data
  - examination of evidence for a small number of transactions or events
  - analysing and inspecting on a sample basis, the key systems, processes and procedures and controls relating to the collation, validation, presentation and approval process of the information included in the 2022 Annual Report.
  - review underlying evidence on a sample basis to corroborate that the information is prepared and reported in line with the relevant reporting criteria.''

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that it is possible that fraud, error, or non-compliance with laws and regulations, where there has been concealment through collusion, forgery and other illegal acts may occur and not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and sampling or estimating such data.

Restricted Use

This report has been prepared for use by the management of AGL for the purpose of assisting directors and management in their reporting of the Selected Annual KPI scorecard disclosures. We disclaim any assumption of responsibility for any reliance on this report or on the Subject Matter to which it relates, to any person other than the management of AGL or for any purpose other than that for which it was prepared.

Matters relating to electronic presentation of information

It is our understanding that AGL may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AGL website. The security and controls over information on the web site is not evaluated or addressed by the independent auditor. The examination of the controls over the electronic presentation of this Report on the AGL web site is beyond the scope of this engagement.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PR Dobson
Partner
Sydney, 19 August 2022

Shareholding Information

The following information is provided regarding the Issued Capital of AGL as at 22 July 2022:

1. The Issued Capital consisted of 672,747,233 fully-paid ordinary shares. AGL's fully paid ordinary shares are listed on the Australian Securities Exchange under the code "AGL". Holders of AGL's fully paid ordinary shares have, at general meetings, one vote on a show of hands and, upon a poll, one vote for each fully paid ordinary share held by them.
2. There were 145,339 holders of ordinary shares.
3. There were 8,965 holders of less than a marketable parcel of 60 shares.
4. There were 57 holders of 2,548,401 performance rights.

Distribution schedule of ordinary shares

	Securities	%	No. of Holders	%
100,001 and over	381,638,449	56.73	127	0.09
10,001 to 100,000	88,323,720	13.13	4,256	2.93
5,001 to 10,000	56,444,381	8.39	7,930	5.46
1,001 to 5,000	114,310,987	16.99	49,667	34.17
1 to 1,000	32,029,696	4.76	83,359	57.35
Total	**672,747,233**	**100.00**	**145,339**	**100.00**

Substantial shareholders of AGL

In a substantial holding notice most recently updated on 27 May 2022, Michael Alexander Cannon-Brookes, Galipea Partnership and certain affiliated entities advised that as at 17 May 2022, they had an interest in 75,883,390 ordinary shares, which represented 11.28% of AGL's ordinary shares at this time.

In a substantial holding notice dated 27 June 2022, Vanguard Group advised that as at 22 June 2022, it had an interest in 33,639,621 ordinary shares, which represented 5.00% of AGL's ordinary shares at this time.

In a substantial holding notice dated 9 August 2022, BlackRock Group advised that as at 5 August 2022, it had an interest in 33,735,016 ordinary shares, which represented 5.01% of AGL's ordinary shares at this time.

Shareholdings by geographic region

	Securities	%	No. of Holders	%
Australia	666,241,783	99.03	142,398	97.98
Hong Kong	485,269	0.07	91	0.06
New Zealand	4,665,963	0.69	1,902	1.31
United Kingdom	369,236	0.06	274	0.19
USA and Canada	452,867	0.07	451	0.31
Others	532,115	0.08	223	0.15
	672,747,233	**100.00**	**145,339**	**100.00**

Shareholding Information

20 largest holders of ordinary shares

Twenty Largest Holders as at 22 July 2022	Fully-Paid Ordinary Shares	% of Total Issued Shares
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	94,691,306	14.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	90,060,241	13.39
NEWECONOMY COM AU NOMINEES PTY LIMITED <CB NOMINEES ACCOUNT>	75,883,390	11.28
CITICORP NOMINEES PTY LIMITED	33,877,937	5.04
NATIONAL NOMINEES LIMITED	13,599,128	2.02
BNP PARIBAS NOMS PTY LTD <DRP>	12,350,208	1.84
SBL POSITIONS <UBS NOMINEES A/C>	6,700,000	1.00
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,672,195	0.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,070,089	0.46
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,527,280	0.38
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,292,812	0.34
MILTON CORPORATION LIMITED	2,276,941	0.34
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,147,947	0.32
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,093,960	0.31
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,796,798	0.27
CARLTON HOTEL LIMITED	1,378,556	0.20
MS BO XU	1,300,000	0.19
BROADGATE INVESTMENTS PTY LTD	1,263,150	0.19
ACE PROPERTY HOLDINGS PTY LTD	1,160,000	0.17
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	1,104,769	0.16
	353,246,707	**52.53**

Investor Information

Website access

AGL's Investor Centre is available online at **agl.com.au/investors**. The Investor Centre provides you with easy access to important information about AGL's performance, including annual reports, investor presentations, share price graphs and general security holder information.

The Shareholder Services section in the Investor Centre also provides access to update your details with the Share Registry, Computershare, including:

- checking your holding balance;
- viewing, saving or printing interest payment summaries, transaction summaries and dividend statements for shareholders;
- updating or amending your bank account or DRP Instructions for shareholders;
- electing to receive communications electronically; and
- downloading a variety of forms.

Computershare also offers shareholders the ability to register and create a portfolio view of their holdings. Registration is free and enables shareholders to view and update multiple holdings in AGL (or other clients Computershare act as registry for) using a single login. To create a portfolio, please go to **www-au.computershare.com/investor**

Share Registry

Shareholders with enquiries about their shareholdings can also contact AGL's Share Registry:
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001 Australia

Telephone: 1800 824 513 (free call within Australia)
International: +61 3 9415 4253
Email: aglenergy@computershare.com.au
Website: **www-au.computershare.com/Investor**

When communicating with the Share Registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

Final share dividend

The final dividend of 10.0 cents per share, unfranked, will be paid on 27 September 2022. As the final dividend will only be paid via direct credit, Australian and New Zealand shareholders need to nominate a bank, building society or credit union account within these jurisdictions. Payments are electronically credited on the dividend payment date and confirmed by a mailed or electronic payment advice. Payment instructions can either be lodged online or an appropriate form can be downloaded from Computershare's website.

Dividend Reinvestment Plan

Given the status of the review of AGL's strategic direction, in order for AGL to manage its ongoing continuous disclosure obligations the Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final FY22 dividend. It is the Board's intention to reinstate the DRP when circumstances allow.

On-market share buy-back and shares purchased on-market

AGL is not currently undertaking an on-market share buy-back.

During the financial year ended 30 June 2022, 689,908 AGL shares were purchased on-market at an average price of $6.80 per share to satisfy employee entitlements under the AGL Share Reward Plan, AGL Share Purchase Plan, AGL Restricted Equity Plan and the AGL Long-Term Incentive Plan.

Reporting to shareholders

The Corporations Act requires AGL to provide shareholders with access to this Annual Report on AGL's website, unless a shareholder has specifically requested to be sent a printed copy. Shareholders seeking a printed copy of the Annual Report should contact Computershare. The online Annual Report is available at **agl.com.au/about-agl/investors/annual-reports**. Past annual reports are also available via AGL's website.

Change of name, address or banking details

Shareholders who are Issuer Sponsored should advise the Share Registry immediately of a change of name, address or banking details for dividends electronically credited to a bank account. All such changes must be advised online or in writing and cannot be accepted by telephone. For a change of name, supporting documentation must accompany your written advice. Appropriate forms can also be downloaded from the Share Registry's website.

Shareholders who are CHESS Sponsored should instruct their sponsoring broker in writing to notify the Share Registry of any change.

Tax File Number (TFN)/Australian Business Number (ABN)

It is not compulsory to provide a TFN or ABN. However AGL will be required to deduct tax at the top marginal rate from the unfranked portion of any dividend paid to shareholders who have not provided either a TFN/ABN or details of a relevant TFN exemption. TFN/ABN notification forms can be obtained by contacting the Share Registry, by lodging your details online or by downloading the appropriate form from the Share Registry's website.

Consolidation of shareholdings

Shareholders who wish to consolidate multiple shareholdings into a single shareholding should advise the Share Registry or their sponsoring broker, whichever is applicable, in writing.

Company Secretary

Melinda Hunter BCom LLB

Glossary for the Business Value Drivers

All data relates to the year ended 30 June 2022 unless specified otherwise.

Term	Explanation
Net Promoter Score (NPS)	NPS is a measure of overall brand performance and is based on how likely a customer would be to recommend AGL as an energy provider. AGL's NPS is measured quarterly via an external survey that asks customers across all energy retailers "On a scale of 0-10, how likely is it that you would recommend Retailer X to a friend or colleague?" The NPS is calculated by subtracting the proportion of responses of zeros to sixes from the proportion of responses of nines and tens. The performance measure relates to the NPS measured in Q4 of the reporting year.
Event NPS	Event NPS is a measure of customer experience and is based on how likely a customer would be to recommend AGL after the completion of a specific lifecycle event with AGL (such as moving home or joining AGL). AGL's Event NPS is measured monthly via an email survey sent to customers at the completion of an event. The survey asks customers "Based on your experience completing X, how likely are you to recommend AGL to your family and friends?" (Scale 0-10). The performance measure relates to the Event NPS measured in Q4 of the reporting year.
Ombudsman complaints	Reported figures represent complaints to the various state energy Ombudsman offices that are provided to AGL for resolution. Enquiries and complaints referred to other agencies or instances where the customer has been advised by the Ombudsman to contact AGL directly are not included. Numbers are based on complaints figures provided by the Ombudsmen of New South Wales, Victoria, Western Australia and South Australia. Complaints recorded for Queensland are based on AGL's internal complaints reporting systems until November 2017, after which time AGL started receiving monthly reports from the Queensland Ombudsman. Click Energy complaint volumes are included from April 2021 onwards.
Number of customers on Staying Connected	Staying Connected is AGL's program for energy customers who have been identified to be in financial hardship. The performance measure relates to the number of customers on the program as of 30 June in the reporting year.
Average level of debt of customers on Staying Connected	The average level of energy debt calculated represents the outstanding debt at the customer (rather than account) level as of 30 June in the reporting year. Debt levels include GST.
Total average debt across mass market customer portfolio	The average energy debt represents the outstanding debt at the customer (rather than account) level as of 30 June in the relevant reporting year. Debt levels include GST. Data excludes 'unknown customers' and commercial and industrial customers.
Total services to customers	Data comprises AGL's gas and electricity residential, small and large business, and wholesale customer energy services. From FY20, data also includes AGL's telecommunications customers, reflecting each internet, mobile and voice 'services-in-operation' (SIO) connected.
RepTrak score	The RepTrak score reflects the most recent score reported to AGL by RepTrak at the time of publication of the Annual Report. FY18 to FY22 scores reflect the score for the June quarter.
Community contribution	Data includes the AGL matched component only of donations raised to the Employee Giving program and fundraising events, not the donations given by employees. Matched amounts are included in the year in which the employee donations were made (even though the matched payment may have been made after the close the financial year). Data is exclusive of GST. From FY21, data includes management costs which have not been included in prior years as well as investments accrued in the financial year.
Underlying effective tax rate	AGL's underlying income tax expense expressed as a percentage of AGL's underlying profit.
Total injury frequency rate (TIFR)	The rate is calculated as number of lost time and medical treatment injuries classified as TIFR related in a 12-month rolling period, per million hours worked in that 12-month period.
Serious impact and fatality (SIF) potential to recordable incident KPI ratio	The ratio is a measure of incidents with a potential serious outcome against incidents where an injury has occurred.
Employee engagement	Engagement scores are calculated using the Aon Hewitt's Employee Engagement Model, utilising the ORC International methodology. From FY20, engagement is measured using the Culture Amp platform, with the methodology applied in the calculation of the scores being consistent with prior years. Southern Phone and Perth Energy employees (acquired during FY20) are included from FY21. Click Energy, Solgen and Epho employees (acquired during FY21) are included from FY22. FY22 data does not include employees from Energy360 (17 employees). The measure of 62% in FY18 is taken from the results of an engagement pulse survey conducted in early FY19 and was considered a reflection of FY18 employee engagement.
Gender mix in senior leadership pipeline (SLP)	The SLP refers to employees in Management Groups A, B, ELT and ET (excluding CEO), in accordance with AGL's Position Framework. These are equivalent to Hay Level roles 18 and above. Employees from Perth Energy (acquired during FY20) and Click Energy (acquired during FY21) are included from FY21. Employees from Southern Phone Company (acquired during FY20), Solgen and Epho (both acquired during FY21) are included from FY22. FY22 data does not include employees from Energy360 (17) as they were not fully integrated into AGL's human resource systems as at 30 June 2022.
Material breaches of Code of Conduct	Performance measure relates to the number of substantiated material breaches of AGL's Code of Conduct. Material breaches are those ranked 'High' or above according to AGL's FIRM framework.
Attrition (total workforce)	Calculated based on the total number of voluntary departures per full-time equivalent. Includes fixed term, permanent full-time, and permanent part-time employees; excludes casuals, labour hire and contract workers. Employees from Perth Energy (acquired during FY20) and Click Energy (acquired during FY21) are included from FY21. Employees from Solgen and Epho (both acquired during FY21) are included from FY22. Data does not

Glossary for the Business Value Drivers

Term	Explanation
	include employees from Southern Phone Company (129) or Energy360 (17) as they were not fully integrated into AGL's human resource systems as of 30 June 2022, and accordingly comparable data is not readily available.
Key talent retention	The performance measures relate to employees identified as 'key talent' from AGL's enterprise leadership team (ELT) and direct reports. Employees from Southern Phone Company (acquired during FY20) and Energy360 (acquired during FY22) are not included as they were not fully integrated into AGL's human resource systems as of 30 June 2022. Employees from Click Energy, Solgen and Epho (all acquired during FY21) are included from FY22.
Operated scope 1 & 2 emissions ($MtCO_2e$)	Total scope 1 and 2 emissions from facilities over which AGL had operational control during the period. Operational control is defined by the National Greenhouse and Energy Reporting Act 2007. Data is based on measured emissions from material sources, which make up approximately 99% of total scope 1 and 2 emissions, with estimates for minor sources.
Controlled generation intensity (tCO_2e/MWh)	Total scope 1 and 2 emissions divided by total sent out generation of electricity generation facilities which fit within AGL's controlled boundary[1]. Emissions data is based on measured emissions from material sources, which make up approximately 99% of total scope 1 and 2 emissions, with estimates for minor sources.
Controlled renewable and electricity storage capacity (%)	The proportion of total controlled renewable and electricity storage capacity (MW) in AGL's total controlled[1] generation and electricity storage capacity (MW), based on the registered capacity as at 30 June in the reporting year. For assets in the NEM the capacity is as per AEMO's NEM Registration and Exemption List; for Kwinana Swift Power Station the capacity is based on the maximum capacity as per AEMO's Wholesale Electricity Market data. Capacity for assets which are not operational is excluded.
Emissions intensity of total revenue ($ktCO_2e$/\$million)	Total scope 1and 2 emissions from facilities over which AGL had operational control during the period divided by AGL's total revenue. Operational control is defined by the National Greenhouse and Energy Reporting Act 2007. Emissions data is based on measured emissions from material sources, which make up approximately 99% of total scope 1 and 2 emissions, with estimates for minor sources.
Revenue from green energy and carbon neutral products and services (%)	The percentage of total revenue derived from green energy and carbon neutral products and services, based on the following: • Total revenue represents AGL's total reported revenue • Green energy revenue represents: green revenue excluding state-based green schemes; RET revenue from green charges passed through to customers; and other revenue from state-based charges passed through to customers.
Environmental regulatory reportable incidents	Comprises incidents that trigger mandatory notification provisions under legislation and/or environmental licences.
Pool generation volume	Pool generation volume refers to electricity that AGL generates that is sold into the National Electricity Market and the Western Australian Wholesale Energy Market (together termed "the pool") and considers marginal loss factors, non-scheduled generation and auxiliary usage.
Equivalent availability factor (EAF)	EAF measures the percentage of rated energy available when required. Power stations included are Liddell, Bayswater, Loy Yang A, Torrens Island, and Somerton power stations, AGL's hydroelectric power stations, and wind and solar farms under AGL's operational control (excluding Coopers Gap). Barker Inlet Power Station is included from FY21; Silverton Wind Farm is included from FY22. Kwinana Swift Power Station is not included. Site EAF is weighted by megawatt (MW) capacity.
Grid-scale batteries installed and managed (MW)	This represents the registered battery capacity used in the AGL portfolio (as at 30 June 2022) that AGL owns and manages, or has the contracted right to control the dispatch of, which comprises the Dalrymple battery.
Decentralised assets under orchestration (MW)	Decentralised assets under orchestration refers to the aggregation of flexible load and generation assets managed as a part of AGL's virtual power plant. Most of these assets are installed behind the connection point, and include assets such as residential batteries and solar, as well as flexible loads and backup generation systems at commercial and industrial customer sites.
Reportable privacy incidents	Data comprises 'eligible data breaches' as defined in the Privacy Act 1988.
Major IT incidents	Data relates to the number of major IT incidents impacting a technology service, system, network or application ranked as 'critical' or 'high' in accordance with AGL's IT incident management processes. From FY21, data includes Perth Energy (acquired during FY20), Click Energy (acquired during FY21), and any incidents related to Southern Phone services that are sold through AGL's multi-product offerings (NBN and mobile). From FY22, data includes Solgen and Epho (acquired during FY21).
Digitally active services to customers (%)	Digital Active (%) is the percentage of contracts considered to be Digital Active as a proportion of total contracts (excluding Staying Connected customers). Digital Active customers are defined as customers that have accessed one of AGL's digital channels (including MyAccount, App, Web etc.) at least once in the last 180 days. Historical data for Digital Active customers has been updated to reflect a change in the calculation methodology.

1. AGL's controlled boundary includes all electricity assets (generation and/or storage) for which AGL has: ownership; and/or operational control as defined by the National Greenhouse and Energy Reporting Act 2007; and/or contracted rights to control the dispatch of electricity of the asset.

Corporate Directory and Financial Calendar

Directory

AGL Energy Limited
ABN 74 115 061 375

Registered office

Level 24, 200 George St
Sydney NSW 2000
Australia

Mailing address:
Locked Bag 3013
Australia Square NSW 1215

Telephone: +61 2 9921 2999

Fax: +61 2 9921 2552

Web: agl.com.au

Financial calendar

19 August 2022

Full Year result and final dividend announced

2 September 2022

Record date of final dividend

27 September 2022

Payment date of final dividend

15 November 2022

Annual General Meeting

agl