Australian Shareholders' Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Company	AGL Energy
Code	AGL
Meeting	AGM
Date	22 September 2021
Venue	Online
Monitor	Helen Manning assisted by Ramaswamy Rajagopal & David Jackson

Number attendees at meeting	256 shareholders, 2 third party proxy holders and 681 guests to give a total of 939 online – as provided by the company
Number of holdings represented by ASA	466 shareholders gave us a proxy
Value of proxies	$9.4m
Number of shares represented by ASA	1.7m with open proxies varying between the different motions. 1.7m shares equates to the 13th largest shareholding in the top 20 Shareholders List published in the annual report.
Market capitalisation	$3.4b – on day of meeting
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes with chair AGL Peter Botten, Diane Smith-Gander AGL chair People and Performance Committee, Fiona Balzer ASA Policy & Advocacy Manager, Ramaswamy Rajagopal ASA, David Jackson ASA, Helen Manning ASA

SHAREHOLDERS LOOK TO AGL BOARD FOR MORE INFORMATION ON THE UPCOMING DEMERGER

The headlines following this meeting included **AGL board avoids spill but lashed on climate** (Financial Review) and **Investor revolt rocks AGL as climate demands intensify** (SMH).

The 'spill' refers to the remuneration report which attracted a greater than 25% vote against it in 2020. If it had received another greater than 25% vote against it this year it would have triggered a spill of all board positions. This was avoided.

What is meant by 'climate' here is that more than 50% of shareholders (including the ASA) showed support for Paris Agreement disclosures in the upcoming demerger documents. This support was never taken to an actual vote, as it had been conditional on a change of the constitution, which at around 5%, was overwhelmingly voted down. However, the over 50% vote sent a clear message to the board, that the majority of shareholders want to know what the company's stated path to transition is.

The need to know is happening against a backdrop of community, media and financial pressures to accelerate the decarbonisation process, both internationally and domestically. It's also coupled with poor financial performance and an extraordinary fall in the share price.

Peter Botten, the new chair of AGL stated several times during the meeting: the current financial performance of the company was unacceptable to both the directors and to the shareholders of the company. He understood that shareholders were not happy with the current share price.

These two ASA questions kickstarted the question time.

'*How should retail shareholders look at the company going forward? What benefits are there in owning AGL shares?'*

'Shareholders will be wanting to know why AGL is asking to be split. Given that we will be given more detail with the demerger documents, can you explain quite simply now: why?'

Peter Botten took fifteen minutes responding to our questions. He acknowledged that the vertically integrated model had been successful in the past, but this model no longer suited the changing conditions. The biggest earner for AGL has been its production of electricity, and the biggest component of that, has been electricity generated by coal powered stations.

When the wholesale price of electricity had been in the range of $80-$100 a megawatt hour the business had been profitable. At its current levels of between $35-$40 he didn't see that anyone would be making money.

A new model is needed to address the changing circumstances. It would need to address the rapid transition away from carbon producing coal fired power stations.

Access to capital was also mentioned, alluding to the idea that carbon intensive industries will be paying more for capital in the future. He mentioned that the new AGL would have better access to capital. The two demerged companies would have differing strategic focuses to allow for different capital investors.
He mentioned the following positives:

- AGL as having the biggest renewables portfolio on the ASX.
- In the medium to long term wholesale electricity prices will go up.
- AGL can leverage off its considerable real estate in the way of energy hubs and can leverage off its 'talented' workforce.
- The separated retail business has an 'unprecedented' customer base of 4.5m.

Peter Botten says he is 'excited' about the future and disappointed with the recent past.

The demerger documents will need to set out quite clearly the reasons for and against the demerger and indicate what AGL is doing about its current situation. Additionally, because there was such a strong vote for climate change related disclosure, we expect that AGL will be addressing this in the documentation. As shareholders we need to make informed decisions from the information we are given and we look forward to the demerger documents assisting us here.

The three hour meeting is available at https://www.youtube.com/watch?v=jZ8cEkNZOFg