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

Board required for transformation

Company/ASX Code	AGL Energy / AGL
AGM date	Tuesday 15 November 2022
Time and location	10:30am AEDT. Melbourne Recital Centre, 31 Sturt Street, Southbank, VIC
Registry	Computershare
Type of meeting	Hybrid: physical meeting and online through https://meetnow.global/MYXQ44W
Poll or show of hands	Poll on all items
Monitor	Helen Manning assisted by Ramaswamy (Raja) Rajagopal
Pre AGM Meeting?	**AGL**: With chair Patricia McKenzie, board members and co-chairs of the review of strategic direction committee Graham Cockroft and Vanessa Sullivan. Investor relations AGL: James Thompson. From the ASA: Helen Manning and Ramaswamy (Raja) Rajagopal. **With candidates nominated by major shareholder:** From the ASA: Fiona Balzer, ASA Policy and Advocacy Manager, Rachel Waterhouse, ASA CEO, Helen Manning, ASA Company Monitor. Separate in-person meetings with Mark Twidell, Kerry Schott and Christine Holman. Virtual meeting with John Pollaers.

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

The coal-fired power stations that have generated electricity and profits for AGL, are being closed down. AGL needs to change its business model to stay profitable, and this will require fresh ways of thinking.

All shareholders of AGL are now in the extraordinary situation of deciding the composition of the board at this AGM. All existing board members except one are up for election. An additional 4 non-board nominations come from the Galipea Partnership, an entity associated with Grok Ventures, and Mike Cannon-Brookes, a holder of 11.28% of AGL shares. We strongly encourage all shareholders to vote, because the company is at a critical juncture and the composition of the board will affect its direction. In this voting intention report, we will do our best, to give you as much information as we can, to assist you in making your decision on the vote.

To vote and/or to appoint the Australian Shareholders Association as your proxy please go to https://www.investorvote.com.au/AGL or fill in the paper form that has been sent to you. If you appoint the Australian Shareholders Association as your proxy, we will direct any undirected votes in the following way:

Proposed Voting Summary

No.	Resolution description	
2	Adoption of Remuneration Report	Against
3	Climate transition action plan	For
4a	Election of Graham Cockroft as a Director	For
4b	Election of Vanessa (Fernandes) Sullivan as a Director	For
4c	Election of Miles George as a Director	For
4d	Re-election of Patricia McKenzie as a Director	For
5a	Election of Mr Mark Twidell as a Director	For
5b	Election of Dr Kerry Schott AO as a Director	For
5c	Election of Professor John Pollaers OAM as a Director	Undecided
5d	Election of Ms Christine Holman as a Director	Undecided

The current board

AGL has 5 non-executive directors at the moment, of which 3 are seeking election as they have been appointed subsequent to the last AGM, and one re-election, at the upcoming 2022 AGM. There are also 4 nominations put forward by a substantial shareholder. Given the company is at a critical juncture, board composition is a very important topic for this AGM.

The AGL constitution allows for 10 board members. Were all 8 nominees to be voted in, the constitution would not then allow any additional board members (given that the CEO/MD has historically also been on the board), without a change to the constitution, the directors determining to amend that number in a meeting or one of the existing directors deciding to stand down for the best outcome for the company.

Independence

The 4 non-board originated nominations come from the Galipea partnership, an entity associated with Grok Ventures, and Mike Cannon-Brookes, a holder of 11.28% of AGL shares.

This should concern our membership of retail shareholders, because it could suggest, that this group, may be, in some way, be getting a greater influence on the board than their shareholding supports.

We note the following:

- All 4 candidates have issued (almost identical) statements of independence
- ASA representatives met for an hour with each candidate. In that short time frame, we considered the issue of independence and the capacity to act independent of the nominating shareholder. We found 4 diverse people with differing views and ways of engaging. We could see merit in all of them, and all of them were keen and excited to make a difference with AGL.

Skills matrix and what AGL needs moving forward

The notice of meeting for the AGL AGM 2022 gives the arguments for the board's endorsement/non-endorsement of all candidates. We encourage you to read it.

Specifically, it also mentions that the board considers that the following skill set is needed as:

Given the recent appointments and retirements, and the recently announced outcomes of AGL' s review of strategic direction, the Board has identified the following skills and experience to prioritise over the next phase of the Board renewal process:

· ASX listed board experience, Including mergers and acquisitions; and

· Customer, digital retail, and emerging technologies expertise.

These areas have become more pressing priorities given the recent retirements from the Board and the skills and capabilities that were represented in those directors.

We should also note that there is a conventional boards skill matrix included in the AGL 2022 annual report on page 52. AGL has a more general matrix, rather than a matrix developed in line with the strategic review.

We would encourage our members to also read the alternative skills matrix from the Mike Cannon-Brookes associated website and come to your own conclusions on what skill sets might be needed. It is worth reading to examine the contrast.

We summarise the Cannon-Brookes skills matrix as follows (from top down)

Strategic skills

- People and transformation skills
- Technology experience and understanding
- Stakeholder engagement – particularly with government and regulators
- Strategic business model innovation

Execution skills

- Employee and community engagement and transition plans
- Customer markets
- Renewables development
- Portfolio optimisation, energy markets and operations

Foundations skills

- Finance, legal and compliance, M&A/JV/partnerships, risk management, governance, shareholder communication

At the top of the list: it is all about getting the right people and retaining them. And at the bottom of the list are the usual foundation skills.

The Cannon-Brookes skills matrix appears to make more sense to an organisation that has to change itself completely, because its business model has to change.

Whilst we understand that 'ASX experience' (a skill set/experience noted as required by the current board) is needed, in a company like AGL, should it really be a top priority? We consider it is a priority that the company complies effectively with its market disclosure obligations and keeps shareholders appropriately informed throughout the required complex transformation. And we think that experience with a listed company will assist in these decisions, but is this top of the list?

Priorities are one thing. Matching required skills to actual people is another issue.

One factor to consider is that Patricia McKenzie, as the current chair, makes the case for a small, manageable, and efficient board. She has also stated that she would, and could work with whatever the result of the vote. We note that for comparison, Origin Energy has 10 board members.

We wonder if, with the complexities of the work ahead of them, a board of nine or ten board members for AGL could be more appropriate for the difficult tasks facing AGL at this point in time.

The 4 non-board nominated board members may appear to come as a bit of a package, but Mark Twidell has been endorsed by the board. We think that's an excellent endorsement and we link to his CV below. To endorse the remaining 3 nominees may potentially limit the board (with its stated preference for a small and manageable board) to no new additions in the foreseeable future. However, we wonder if the AGL board needs all the help it can get, and that a greater diversity of views could lead to better decision making.

Kerry Schott comes with obvious credentials. A more fulsome CV than the necessarily abbreviated version on the notice of meeting is available on Kerry Schott CV

Christine Holman. Her CV is (likewise) available on Christine Holman CV

John Pollaers. His CV (likewise) available on John Pollaers CV

and the board endorsed Mark Twidell gives a CV (likewise) available on Mark Twidell CV

The backdrop, the bigger picture

The scale of the decarbonisation and the race to renewables that is occurring in the rich countries of the world is beyond amazing. It is involving staggering amounts of money and is presenting huge technological challenges. If you need to have a perspective on this challenge, we could make available to you the presentation made to the local ASA Double Bay branch on 18 October 2022, by previous ASA CEO and longtime volunteer, John Cowling.

When Woolworths puts solar panels on its supermarket roofs it will take part in the global movement towards decarbonisation. When AGL joins this global movement, it needs to change the very foundations of its business, and the way it has historically made money.

For AGL the transformation to zero carbon electricity generation is existential. The process so far has involved huge upheavals (see the link to Fiona Balzer's excellent Equity article on AGL and the cancelled demerger plan here.)

The current board has had little time to function and demonstrate to shareholders it is up to the job. Of the 4 directors seeking (re-)election, 3 haven't been on the board for a full year, and the most recent appointment was in September 2022. The longest serving director is the Chair, Patricia McKenzie who was appointed 1 May 2019.

AGL needs to decarbonise, find real ways to make money in the future, whilst remaining competitive. It also needs to manage its usual risks in the current economic climate which includes soaring customer power bills, and ensuring power supply. All of us need affordable power in our homes, and to keep the costs low to produce the goods we need in our economy. All of us benefit from reducing the risks of global warming. Renewable power will ultimately be cheaper and cleaner but require very large investments in generation, storage and transmission to realize these savings. A public company needs to make money to stay in business. The dividends flow to shareholders, who are both individuals and the institutions such as superannuation funds. The institutions fund our future businesses and our retirement.

It is really important that we get the best people coming together on the AGL board. They will provide the strategy and governance to manage the transformation of AGL to a sustainable future. There is a big job ahead, and a hitherto embattled AGL, needs to be given a chance to get on with it. The voting now is important.

Summary of ASA Position

The ASA has looked as carefully, as was possible at all the nominees and will vote as shown. We take the voting of your open proxy seriously, and also appreciate receiving directed proxies where you have voted to express your expectations of the company.

Consideration of accounts and reports - No vote required

<u>Financial performance</u>

AGL achieved a statutory profit after tax of $860 million for FY22 and an underlying profit after tax of $225 million, down nearly 60% on FY21 and down nearly 80% on the highs achieved during FY19 and FY20.

Not surprisingly, the share price has tended to track this decline in operating profit, down about 75%. The reasons for the profit declines are fairly well understood and are similar to those experienced by Origin Energy (ORG), namely the increasing availability of low-cost renewable power (when available) and the increasing cost of base load (mostly coal-fired) power which cannot be easily adjusted to cope with the daily ups and downs in demand.

In addition, most coalfired power plants are now quite aged and prone to unpredictable and expensive breakdowns. There have also been problems with coal supply to some plants forcing buyers onto the very expensive spot markets for coal.

Finally, the energy market is subject to complex derivative and hedging instruments which can result in both significant losses and gains, depending on the terms of the contracts. Understanding the impacts of these instruments is well beyond the experience of most retail investors but as also shown by Origin Energy, they can create dramatic differences between statutory and underlying profits.

Financial Summary

(As at FY22)	**2022**	**2021**	**2020**	**2019**	**2018**
NPAT ($m)	860	(2058)	1007	905	1582
UPAT ($m)	225	537	808	1040	1018
Share price ($)	8.25	8.20	17.05	20.01	22.48
Dividend (cents)	26	75	98	119	117
Simple TSR (%)	3.78	(47.51)	(9.89)	(6.40)	(7.25)
EPS (cents) - Statutory	131.6	(330.3)	157.2	138.0	241.2
EPS (cents) - Underlying	34.4	86.2	126.1	158.6	155.2
CEO total remuneration, actual ($m)	2.182	N/A	3.898	3.198	1.946

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

Additional to the table:

- The statutory profit included $485 million of significant items related to onerous contract provision revaluation, impairments, and costs associated with separation, restructuring and integrations, and a movement in the fair value of financial instruments of $149 million
- Total AGL customer services: 4.2 million, broadly flat on FY21
- Total generation volumes: 40,755 GWh, broadly flat on FY21
- Over $150 million of targeted operating cost reductions delivered in FY22; on track to deliver $100 million of sustaining capital expenditure reductions by the end of FY23
- AGL's development pipeline continues to progress, with the 250 MW Torrens Island grid-scale battery anticipated to be operational in the first half of 2023, FID reached on the Broken Hill battery project, and approval received for the 500 MW Liddell and the 200 MW Loy Yang grid-scale batteries.

Key events

In June 2021, AGL announced an intention to demerge its business into two separate companies: a 'bad' carbon heavy company with the old coal-fired power station generators and a 'good' 'clean' retailer. The case for demerging was never strongly made: the independent report on the matter, basically said that in the absence of a fully priced takeover the demerger was in the best interests of shareholders. On 30 May 2022 the demerger proposal was withdrawn. This followed pressure from an erstwhile partner in a takeover consortium, who then went on to acquire an 11.28% share in the company: entities associated with Mike Cannon-Brookes.

In not proceeding with the demerger, a review of strategy was promised. The review of strategic direction outcomes and FY23 guidance was released on the 29 September 2022.

In brief, the strategic review was decarbonisation focused: it set goals to exit coal-fired power stations by 2035 and to replace the generation with renewables and storage. Interim targets were set for 2030 and a cost of $20 billion was mentioned for this. The dates and the targets are ambitious but some consider that they are not ambitious enough. It could also be argued that it lacks the consideration of a path to a new vision: where AGL should go into the future.

Key Board or senior management changes

When the announcement was made to withdraw the demerger on 30 May 2022 the following key changes were announced

- The chairman Peter Botten and CEO Graeme Hunt were resigning when a replacement was to be appointed.
- Jacqueline Hey, a non-executive director resigned immediately
- Diane Smith-Gander was to resign when the results were to be announced.
- Graham Cockroft and Vanessa Sullivan were to co-chair the strategic review.

On 19 September 2022 the following changes were announced

- Patricia McKenzie became chair as Peter Botten resigned, effective that day.
- Miles George was appointed to the board.
- Diane Smith-Gander resigned from the board, effective that date.
- The chief financial officer, Damien Nicks was to become interim chief executive officer as Graeme Hunt finished that role on 30 September 2022.
- Finance and energy executive Gary Brown to act as interim chief financial officer.

ASA focus

Clearly, in our pre-AGM meeting with AGL we talked about the votes for the board positions and flagged this as our focus.

Additionally, we produced 2 tables. The first shows the extraordinary effect of hedging on the business and the second the declining margin of the electricity portfolio.

It is worth being reminded that AGL has the ongoing challenge of managing its ‘normal business’. For this reason, we include them here, just to remind everyone of the complexity of the issues facing AGL.

Statutory Profit VS Underlying Profit After – Impact of Hedging

	FY22	FY21	FY20	FY19
Statutory Profit after tax	860	(2058)	(1007)	905
Significant Items	(486)	2929	21	10
(Profit)/loss on fair value of financial instruments (a)	(149)	(334)	308	198
Underlying Profit after tax	225	537	808	1040
Included in Significant Items:				
Movement in onerous contracts (b)	713	(1348)		
(Profit)/loss on fair value of financial instruments (c)	-	-	(216)	139

Electricity Portfolio Profitability (Page 44 of AR 2022 and prior year's AR)

Electricity Portfolio Profitability	FY22	FY21	FY20	FY19
Electricity Portfolio Revenue ($m)	6614	6934	7712	7010
Electricity Portfolio Margin ($m)	1020	1574	1796	1989
Electricity Portfolio Margin (%)	15.4%	22.7%	23.2%	28.4%

AGL's financial performance has been significantly affected by the declining margin of the Electricity Portfolio, which has been historically significant as a proportion of AGL's profits.

Adoption of Remuneration Report

A remuneration report describes the framework for the current remuneration structure, the outcomes for the reporting year, and changes to be made for the year ahead. We supply details of the AGL remuneration report in Appendix 1. The report was signed off by the chair of the people and performance committee, Dianne Smith-Gander. She is no longer with AGL. The chairman at the time of writing the annual report, Peter Botten is no longer there. The chief executive officer (CEO), Graeme Hunt, is no longer with the company. The chief financial officer is now the interim CEO. If a new CEO is appointed, the chances will be, that the remuneration will change further. We supply our usual framework table, that we use to compare across companies.

In thinking about what we can constructively say here, we have done the following:

- We looked at what remuneration was awarded in the year to see if it was excessive to those departing (particularly the previous CEO), and if the interim CEO is being paid excessively. We don't think so. The response we base that conclusion on, is to be seen in Appendix 1.

- The carbon metric: Last year we voted against the remuneration report because the carbon metric had been reduced as a proportion of the total long-term incentive (LTI). We would encourage future frameworks that are based on strategy to reflect in the metrics. Therefore, a carbon metric should be set to promise extra remuneration to those producing results which go beyond expectations. The Climate Transition Action Plan (CTAP) of September 2022 (p9) promises future metrics in the LTI that will align to the plan. The detail of the new metric hadn't been determined by the time the report was written. For example: if the CTAP which roughly equates to a 1.8 degree is considered an achievable goal and something equating to a 1.5 degree is considered extraordinary then this could be reflected in the incentive as a 'stretch'. The detail hasn't been determined but the promise has been made.
- The carbon metric needs to be set as a proportion of the incentive and that hadn't been done at the time the report was written. It is an important component, but not the only component.
- Our guidelines and issues with remuneration are published and clear. We maintain on-going relationships with the companies that we monitor and this dialogue will continue next year.

The remuneration report couldn't suggest changes for the year ahead, due to timing and ultimately because the key people are no longer standing. It is difficult to attract and maintain people with the current problems at AGL. We cannot vote for a remuneration report that is unlikely to be implemented and has a number of shortcomings.

We will be voting against the remuneration report.

Climate Transition Action Plan

AGL has produced a [2022 climate transition plan (CTAP).]

This is part of a new idea to have a "say on climate" resolution. The adoption of such a plan is non-binding and advisory only. It is to demonstrate that AGL has a commitment to communicating transparently with shareholders about its approach to decarbonisation. AGL intends to provide shareholders with this report every 3 years, so that they can express their views. Should material changes to the plan be made within the 3 years, a revised plan will be put to the shareholder vote at the following AGM. (We note: The ASA published guidelines suggest this report should be provided every year)

Key elements of the CTAP include:

- *Targeting the closure of the Loy Yang A Power Station by the end of FY35, up to a decade earlier than previously announced;*
- *Reducing our annual greenhouse gas emissions by at least 17% by FY24 following the closure of Liddell Power Station in 2023, and by 52% by FY35 following the closure of Bayswater Power Station in 2033, against a FY19 baseline[1][1];*
- *Net Zero for operated Scope 1 and 2 emissions following the closure of all AGL's coal-fired power stations;*

[1] Emissions comprise Scope 1 and 2 greenhouse gas emissions from AGL's operated facilities, as reported under the National Greenhouse and Energy Reporting Act (2007)

- *Future plans to develop Scope 3 decarbonisation pathway to Net Zero by 2050; and*
- *Commitments to continue to advocate for a responsible transition that balances energy reliability and affordability with the need to decarbonise, and to working with and supporting its people and communities through a responsible and orderly transition.*

As Australia's largest electricity generator, AGL is also Australia's largest greenhouse gas emitter. Over 95% of AGL's scope 1 emissions come from the combustion of coal at the Liddell, Bayswater and Loy Yang A power stations. The closure of these plants will therefore be significant.

Since 2018, AGL has used the Task Force on Climate-related Financial Disclosures (TCFD) framework to report on its governance, strategy, risks and opportunities and performance in relation to climate change. As part of this initiative, AGL was committed to using scenario analysis to regularly update its forecasts, in relation to the pace of the climate transition, and its impacts on the business.

In 2020, the TCFD report and climate scenario analysis was used to look closely at the possible impacts of climate change on the business out to 2050, and to expand the analysis further to include a scenario in which the full objectives of the Paris Agreement are met. This formed a report called 'Pathways to 2050.'

The CTAP also uses the scenario analysis from the TCFD framework. Each subsequent report has highlighted the difficulties of reaching the Paris agreement and each report shows that targets are improving because the expectation is that decarbonisation will occur faster than anticipated.

AGL has had excellent reporting in the past. The issue is not with reporting. It lies with the huge challenge of decarbonisation that the reporting shows.

There is some ambiguity in the CTAP and uncertainty around what is achievable. The current plan aligns with a 1.8 degrees climate scenario and argues that this in itself is ambitious and will require significant investment $20bn, partnerships, and rapid change. It will not satisfy the climate activists and indeed Grok is voting against it. The ASA feels that it is a step in the right direction and while we would expect to see improvements as time goes by for now it is a rational and responsible approach. There is however an alternate view that without that ambition of 1.5 degrees, AGL will not put in place a strategy that will get them there.

This year the ASA supports the motion in that it is addresses some necessary and significant changes with the closure of Loy Yang A, a decade earlier than previously planned.

We encourage shareholders to consider this carefully and vote accordingly.

We are of the view that decarbonisation will speed up and that pressure will continue on AGL to do its part. And that is a good thing.

We will be supporting the motion.

Election or re-election of directors

There are currently 5 non-executive directors, of which only one isn't up for election. Of the four, only one has been on the board longer than a year. The interim chief executive officer, Damien Nicks has not been appointed to the board. He was previously the chief financial officer. He has only been in the role since 30 September 2022. Two of the non-executive directors are female, of which, Patricia McKenzie, became the chair on 19 September 2022.

We encourage our members to read the notice of meeting to find the board-endorsed directors' details.

Graham Cockroft

Mr Cockroft's qualifications are in finance.

He has been a non-executive director since 1 January 2022. He is chair of the people and performance committee and a member of the audit & risk management committee and the nominations committee. He was co-chair of the committee that oversaw the review of AGL's strategic direction.

He has over 30 years of experience in the international energy industry and has a strong background in finance.

The directors look to his significant financial expertise and experience in the energy industry to recommend him. They also see him adding strength and leadership to the committees on which he serves, including the chair of the people and performance committee.

We will support the directors and vote our undirected proxies in support of his election.

Vanessa (Fernandes) Sullivan

Her qualifications are in finance and she is a graduate of the Australian Institute of Company Directors.

She has been a non-executive director since 1 March 2022. She is chair of the safety and sustainability committee, a member of the people and performance committee and the nominations committee. She was co-chair of the committee that oversaw the review of AGL's strategic direction.

She is an experienced non-executive director and executive in the energy, low emissions, sustainability and water sectors. She has over 20 years commercial, financial and strategy experience working with both government and private sector organisations.

The directors look to her significant sustainability expertise and experience in the energy industry as being valuable.

We will support the directors and vote our undirected proxies in support of her election.

Miles George

His qualifications are in engineering and he is a graduate of the Australian Institute of Company Directors. He holds an MBA.

He has been a non-executive director since 19 September 2022.

His experience is in the energy and infrastructure sectors with a focus on development, investment and financing in the renewable industry in Australia and internationally.

The directors look to his significant experience in the energy and infrastructure sectors, with a focus on renewable energy industry as valuable.

We will support the directors and vote our undirected proxies in support of his election.

Patricia McKenzie

Her qualifications are in the law and she is a fellow of the Australian institute of company directors.

She has been a non-executive director since 2019 and the chair of AGL since 19 September 2022. She is chair of the nominations committee and a member of the people and performance committee.

The directors look to Ms McKenzie's skill and experience, in particular her significant energy sector expertise and experience. They consider that she also has considerable strength and leadership as chair of the board.

We will support the directors and vote our undirected proxies in support of her re-election.

We encourage our members to read the notice of meeting for each of the non-board-endorsed nominee directors' details.

Mr Mark William Grimsey Twidell

As well as reading the CV in the notice of meeting we also encourage our members to read Mark Twidell CV

The directors look to his significant energy transition experience, customer facing skills developed at Tesla, battery experience and emerging technologies expertise valuable.

We note that you can see that he has worked on real projects involving fast rollouts of the new technologies required, and that he has invaluable knowledge of new technologies. From our meeting with him, we also think he understands culture, and its importance .

The current AGL directors support his election and so do we. We will direct our undirected proxies for his election.

Dr Kerry Elizabeth Schott AO

As well as reading the CV in the notice of meeting we also encourage our members to read Kerry Schott CV

The board does not endorse Kerry Schott because it already feels that that there is strong energy expertise represented on the board.

We feel that Kerry Schott is so undeniably impressive, and so widely acknowledged as such, that it would be a mistake not to have her on the board.

We will direct our undirected proxies to her election.

Professor John Carl Pollaers OAM

As well as reading the CV in the notice of meeting we also encourage our members to read John Pollaers CV

The board does not support John Pollaers and sets out its reasons.

Grok believes AGL requires John's leadership on its board to spearhead AGL's culture reset and business transformation.

We encourage our membership to think quite carefully about these views because any consideration of a spearhead of AGL is really important right now.

The reality is that the number of people who are capable of doing the big job that is required here would be small. The work required to transform AGL has never been done before.

We cannot anticipate how determining the composition of the board, in this unusual way, will affect its dynamics. We acknowledge that his differences from the other (potential) directors may add value, and that there needs to be a balance of collegiality and diversity for the board to function well and make the best decisions possible.

We need to vote undirected proxies on the choices before us. We need a strong case for his inclusion where we may be limiting a future board expansion by voting for him. We will ask him to address the meeting and explain why he is a good choice for the board. We will remain undecided until then and we will determine our vote at the meeting.

Ms Christine Francis Holman

As well as reading the CV in the notice of meeting we encourage our members to read Christine Holman CV

The board does not support Christine Holman's election and sets out its reasons.

Grok Ventures believes AGL will greatly benefit from Christine's governance expertise, and customer focused lens, as it executes on much needed, and large scale transformation.

We encourage our membership to think quite carefully about these alternative views because the composition of the board of AGL is really important right now.

We also cannot anticipate how determining the composition of the board, in this unusual way, will affect its dynamics.

The ASA considers that she has a full workload with three existing board positions, and AGL would make four. One of those board positions is director of CSR which has a substantial holding in the Tomago Aluminium Smelter, a major AGL customer. On one hand this directorship may raise concerns regarding managing the conflict of interest (which requires stepping out of meetings where the contract is discussed). On the other hand, having experience with a large customer negotiating its energy requirements will provide a useful alternative viewpoint in the AGL boardroom. In our meeting with her she has promised that she would resign from one of her positions were she to be elected. We will ask her, in her address to the meeting, to confirm that her workload will be reduced if she is voted onto the board.

We will ask her to address the meeting to explain why she is a good choice for the board. We will remain undecided until then and we will determine our vote at the meeting.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.

Appendix 1
Remuneration framework detail

When we queried AGL on the departing CEO's actual remuneration we got the following response:

As Mr Hunt commenced as the MD & CEO on 1 July 2021, the remuneration figures disclosed in the statutory remuneration table provide an indication of his take home pay for FY22 as it contains his fixed remuneration ($1,526,432 salary + $23,568 super + $8,435 benefits) and full STI award for FY22 ($445,517). In addition to this, the restricted shares allocated in August 2021 and released on 1 July 2022 ($165,347 allocation value) may be included in realised remuneration, resulting in a total remuneration figure of $2.17m for the year, excluding any accounting valuations of the FY22 LTI offer.

The remuneration report is found in the annual report for 2022 from pages 59 to 81 inclusive. AGL adheres to a pay structure that is normal with companies that the ASA monitors. To an outsider, this might seem both complicated, and a lot of money. The report is clear to read once you understand that. For example, on the fixed remuneration component of pay we have headings such as 'What is the purpose of fixed remuneration' and then headings for how it is established, what the changes were this year and any extraordinary considerations. In other words, this is quite clear to a reader. We summarize for the 3 components of remuneration:

Fixed annual remuneration (FAR)

- Purpose: to attract and retain personnel
  - Considering market benchmarks in peer companies
  - At a level reflecting skill and experience
  - Reviewed annually
- Damien Nicks (at the time that the report was written was the chief financial officer) got a 9.5% increase to $775,000 (and also a retention payment – see below). He was the only key management person to receive an increase.

  When we questioned AGL on the salary that he was receiving as interim CEO we were given the following response:

Mr Nicks will receive an additional monthly payment of $62,500 (pro-rated for any partial month) for the period in which he acts in the Interim CEO role. This amount was determined with reference to the fixed remuneration of the outgoing incumbent, Mr Hunt, whose remuneration was established against appropriate market benchmarks when he was appointed permanently to the role effective 1 July 2021. The fixed remuneration of Mr Nicks in his CFO role, plus the additional Interim CEO allowance will position his monthly salary at a similar level to that of his predecessor. However, it should be noted that Mr Nicks' STI and LTI opportunities remain unchanged from those in his substantive CFO role, and that the allowance will not form part of fixed remuneration for the purposes of the calculation of any incentives for FY23. This approach has been implemented to keep the arrangements simple with the cessation of the allowance the only adjustment required upon the appointment of a permanent MD & CEO.

The remuneration was established at this level to provide recognition of the additional responsibilities of Mr Nicks in the Interim CEO role through a challenging period for AGL. The process for appointing a MD & CEO is continuing and the remuneration for the permanent incumbent will be determined with reference to market benchmarks and relative experience.

Short term incentive (STI) (p63 of the annual report)

- Purpose: to reward for financial returns and progressing AGL's strategy and purpose
- What they are: (slight difference to last year)
  - 55-60% financial (cf 50-60% last year). 'Net profit after tax' (cf underlying profit last year). 'Cost reduction' also factored this year
  - Strategic 25% (last year 15% safety, 7.5 customer satisfaction, 7.5% employee engagement)
  - Individual 15-20% (cf 10-20% last year)
- How established: qualifications abound?!

Long Term incentive (LTI) (p69 of the annual report)

- Purpose: to reward for delivering long-term performance
- What they are:
  - 75% TSR
  - 25% carbon transition

(we note: the climate transition document page 9 states that *Climate transition metrics aligned to AGL's Climate Transition Action Plan will be included in future Remuneration Reports.*

Retention Awards

The ASA doesn't usually like retention awards. But this is certainly a situation where they are probably needed.

- Damien Nicks (then chief financial officer and now interim chief executive) was provided a retention award of $600,000 in August 2021, 33% paid on Jan 2022 and remaining 67% paid as 50% cash and 50% equity in August 2022
- Markus Brokhoff (chief operating officer) $450,000 retention August 2021, 50% cash and 50% equity in August 2022
- Corbett. Monthly allowance $35,714 (up to a max $250,000) to be paid. Ceased in May 2022 – when demerger was withdrawn (at that date

CEO rem. Framework for FY22 as per AR22	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.550	44%	1.550	30%
STI - Cash	0.341	9.5%	0.519	10%
STI - Equity	0.341	9.5%	0.519	10%
LTI	1.294	37%	2.589	50%
Total	3.526	100.0%	5.177	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. **At least for the part of the year FY23 where Damien Nicks is interim CEO this will be meaningless because he will retain his STI and LTI from his previous position. Should a CEO be appointed all of this might be different anyway.** *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.