



ASX & Media Release

Shareholder letter

7 October 2022

In accordance with ASX Listing Rule 3.17, please see the attached copy of a letter being sent to shareholders in relation to the outcomes of AGL's review of its strategic direction and AGL's 2022 Annual General Meeting.

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for 185 years, AGL supplies around 4.2 million energy and telecommunications customer services. We're committed to becoming a leading multi-service energy 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 Transition Action Plan. 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

Shareholder update: A clear path forward



7 October 2022

Dear Shareholder

On 29 September, AGL set out its new strategic direction – one that shapes a stronger, more sustainable future for your company by embarking on one of Australia’s most significant decarbonisation initiatives.

This important milestone in our company’s 185-year history coincided with my first company update as Chair of AGL and part of a renewed Board and Executive team with deep expertise and commitment to delivering for all shareholders.

After nearly 40 years in the Australian energy sector, I am extremely proud to Chair this great company as we reshape its energy portfolio and accelerate its transition to an integrated low-carbon energy leader.

We look forward to taking our shareholders through our plans and introducing you to our leadership team at the Annual General Meeting (AGM) on 15 November 2022.

The AGM will also be an important opportunity for all shareholders to decide the composition of your Board. I will make further comments in this regard later in this letter.

We’ve listened and acted

We firmly believe AGL’s new strategy is in the best interests of the company and its shareholders, having listened to our stakeholders – governments, regulators, investors, communities and our shareholders – and will ensure AGL remains a strong and sustainable company.

A lot has changed in the past 12 months, for AGL and for Australia. The war in Ukraine, global supply chain issues and the rising cost of living, including rising electricity prices, have put pressure on households and businesses.

Around the world, there has been sustained political and social momentum for faster decarbonisation, and in Australia we have seen various state and federal government initiatives focused on climate change

action, which for the first time in many years, have provided a clear market signal for investors.

In the energy sector itself, the pace of decarbonisation is rapidly accelerating, and as Australia’s largest emitter, AGL has a significant role to play in materially reducing the nation’s carbon footprint.

We will continue to build on our history as Australia’s leading private investor in renewable energy and operator of the largest portfolio of renewable and battery assets of any ASX-listed company.

A new strategic direction and a clear pathway to decarbonisation

It is in this context that AGL has developed its new strategy and set a clear and responsible pathway to decarbonisation.

A key part of this is bringing forward AGL’s exit from coal by targeting the closure of the Loy Yang A power station by the end of FY35 – up to a decade earlier than previously announced.

This earlier closure will reduce AGL’s annual greenhouse gas emissions¹ from around 40 million tonnes annually to Net Zero following the closure of our coal-fired generation assets, supporting the transition to a lower carbon world aligned with the Paris Agreement goals².

Importantly, AGL remains on track to close the Liddell power station in April 2023 and the Bayswater power station is still targeted for closure between 2030 and 2033.

Decarbonisation presents a meaningful growth opportunity

Our plan is much more than a story about closures. Two decades ago, AGL began building what is now the largest renewables and firming portfolio of any ASX-listed company.

To deliver our new strategic direction – and ensure reliable energy supply – AGL will aim to significantly grow its investment in renewable and firming capacity from the \$4.8 billion already invested, with an ambition to supply up to 12GW of renewable and firming capacity by 2036, estimated to require investment of up to \$20 billion³.

AGL's interim target is to have up to 5GW of new renewables and firming in place by 2030, funded from a combination of assets on AGL's balance sheet, offtakes and via partnerships – with battery, wind and solar priority investments.

AGL currently has a 3.2 GW pipeline of high-quality energy projects, including 300 MW under construction, and will expand upon this to support its growth ambitions. This includes the 250 GW Torrens Island grid-scale battery, due for completion in mid-2023, the 50 MW Broken Hill battery, currently under construction as well as the 500 MW Liddell battery, the 200 MW Loy Yang battery and the 250 MW Muswellbrook Pumped Hydro project.

Committed to delivering for our customers and shareholders

AGL's unwavering focus on its customers, and the ~4.2 million energy and telecommunications services it supplies to them, remains. AGL will continue to supply affordable energy, as well as supporting electrification and the transition to a low-carbon future.

Shareholders will benefit from a stronger and more sustainable business that will be uniquely positioned in the transitioning energy market. The earlier targeted exit from coal strengthens AGL's ESG credentials and recognises the increasing ESG pressure from investors and consumers that has been impacting AGL and the wider energy industry, reducing the demand for AGL's equity and debt. We believe new investors will value and recognise the significant opportunity ahead of us and see the opportunity to participate in the energy transition.

This ambitious and achievable strategy aims to deliver a responsible and accelerated transition to a low carbon future for our customers, communities, employees, shareholders and our planet.

Continuing to support our people and communities

It's critical that the accelerating energy transition considers our local communities and the local jobs that

have been sustained for decades by coal generation. With up to 12 years through to the targeted retirement of the Loy Yang A Power Station, AGL will continue to work with our people, communities, federal and state governments and other stakeholders to deliver change in a manner that is responsible and well managed and to ensure that our people and communities are supported.

Alongside the progressive decarbonisation of its generation portfolio, retiring coal generation and investing in new renewable and firming capacity, AGL will redevelop thermal sites in the Hunter, Torrens Island and the Latrobe Valley into industrial Energy Hubs, further supporting local industry and job opportunities.

Board and management renewal

With a significantly renewed Board and management team, AGL today has the deep knowledge, diverse skills, and future-ready focus to take the company forward in a way that enhances long-term shareholder value and meets community expectations.

In addition to my appointment as Chair, AGL also recently appointed Miles George as an Independent Non-Executive Director. Mr George is the former Chair of the Clean Energy Council and adviser to the energy market regulator AEMC and operator AEMO on the energy transition. He is the third new Director appointed in the last 12 months, joining Vanessa Sullivan and Graham Cockcroft who co-chaired the committee that oversaw the Review of Strategic Direction. These Directors join myself and Mark Bloom, who has been on the Board since July 2020 and is the Chair of AGL's Audit & Risk Management Committee.

Vanessa is an experienced non-executive director and ESG and energy transition specialist who has over 20 years' commercial, financial and strategy experience working with both government and private sector organisations, including as an independent member of Queensland's Hydrogen Taskforce.

Graham Cockcroft is an international energy executive with over 30 years' experience in the international energy industry across the energy chain and under different political, economic and regulatory regimes. Graham has a strong financial background and extensive experience in strategy and business development.

You will have the opportunity to vote on the election of Miles George, Vanessa Sullivan, Graham Cockcroft and myself at the AGM.

In terms of management renewal, the process for appointing a new CEO is continuing as planned and there is currently a short list of Australian and global candidates. Managing Director and Chief Executive Officer Graeme Hunt finished in his role on 30 September 2022, at which point Chief Financial Officer Damien Nicks assumed the role of interim Chief Executive Officer. Finance and energy executive Gary Brown will act as Interim Chief Financial Officer.

Director nominations for the AGM

As previously advised, Galipea Partnership (an entity associated with Grok Ventures and Mike Cannon-Brookes) (Grok) has nominated four candidates for election as directors at the AGM. As we have said in the past, the Board respects the rights of shareholders to nominate candidates and remains open to discussing appropriate Board members with Grok or any other shareholder. However, it is unusual for a non-controlling shareholder (11.28%) to nominate four candidates for election to the Board.

While we understand that Grok's nominations were made in what it believes are the best interests of your company, given the depth of energy market and transition experience already represented on the renewed AGL Board, the Board is of the view that appointing all four of the Grok candidates would not add to the overall effectiveness of the Board. Additionally, as AGL's Constitution limits the number of directors to ten, appointing the remaining Grok candidates to the Board could limit the Board's ability to bring on additional directors who possess priority skills identified in the Board skills matrix, such as ASX listed experience, mergers and acquisitions and customer, digital and emerging technologies expertise.

The AGL Board has considered the skills and experience of each candidate in the context of the Board skills matrix of the renewed Board. Based on the information available and interactions to date, the Board believes that Mark Twidell, who brings customer facing experience as well as more than 30 years of experience in the international energy sector, most recently as Director, Energy Programs at Telsa, would prove a valuable addition to the Board.

For these reasons, the AGL Board has recommended that shareholders vote in favour of Mr Twidell's election

at the AGM. The Board recommends that shareholders vote against the other Grok candidates for the reasons set out in the Notice of Meeting.

Further details about the AGM and the candidates for election as directors are contained in the Notice of Meeting for the AGM.

Say on Climate

AGL recently released its first [Climate Transition Action Plan](#), demonstrating its commitment to communicating transparently with all its stakeholders about its approach to decarbonisation.

Shareholders will have the opportunity to vote on the Climate Transition Action Plan through the 'Say on Climate' resolution at the AGM.

I look forward seeing you at the AGM.

Yours sincerely



Patricia McKenzie
AGL Energy Chair

¹ Operated Scope 1 and Scope 2 greenhouse gas emissions as reported under the National Greenhouse and Energy Reporting Act 2007.

² Based on scenario modelling of the National Electricity Market (NEM) undertaken by ACIL utilising a carbon budget for the NEM which is consistent with limiting global temperature increases to well below two degrees Celsius above pre-industrial levels. The ability for AGL to execute on this target will be subject to uncertainties and risks further described on pages 25 and 26 of AGL's Investor Presentation dated 29 September 2022, including ongoing market and structural developments within Australia's energy markets. AGL will continue to work with key stakeholders, including State and Federal governments, with a view to ensuring a balanced and responsible transition. For the reasons set out on pages 10 and 11 of AGL's 2022 Climate Transition Action Plan, this is not aligned with the Paris Agreement's higher ambition of limiting global warming to 1.5 degrees above pre-industrial levels.

³ Based on capital cost estimates from AEMO Inputs, Assumptions and Scenarios Workbook, June 2022, adjusted for AGL views where considered appropriate.