

Board of Directors

The Directors present their report together with the financial statements of AGL Energy Limited and its controlled entities for the year ended 30 June 2019. The following sections form part of this Directors' Report – Purpose, Values & Strategy (pages 6-7); Operating Environment (pages 8-9); How We Create Value (pages 10-11); Business Value Drivers (pages 12-25); Corporate Governance Summary (pages 28-33); Other Required Disclosures (pages 34-36); Operating and Financial Review (pages 37-57); and Remuneration Report (pages 58-81).

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 July 2018 and up to the date of this Report are Brett Redman (Managing Director & CEO) (appointed on 1 January 2019), Graeme Hunt, Les Hosking, Jacqueline Hey, John Stanhope, Peter Botten, Diane Smith-Gander, Patricia McKenzie (appointed on 1 May 2019), Belinda Hutchinson (retired on 12 December 2018) and Andy Vesey (retired on 23 August 2018).

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



Graeme Hunt

Non-Executive Director since September 2012 and Chairman since 27 September 2017.

Age 62.

MBA, BMET, FAus IMM

Current Directorships:

Chairman of BIS Industries Limited and Member of CSIRO Energy Advisory Council.

Former Directorships of listed companies over the past 3 years:

Graeme was a Director of Broadspectrum Limited from 7 May 2010 until 31 December 2016, and held the position of Managing Director and Chief Executive Officer from 1 November 2012 until 31 December 2016.

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.



Brett Redman

Managing Director & CEO since January 2019. Age 49.

BCom, FCA, GAICD

Current Directorships: Nil.

Former Directorships of listed companies over the past 3 years:

Experience: Brett has over 25 years of experience in senior finance roles in large blue-chip industrial companies, with expertise in leading group strategy and finance in the Energy and Utilities sector. Before joining AGL in 2007, Brett held numerous finance roles at BOC in the South Pacific and North America, Email and CSR, which was complemented by his background in chartered accounting at Deloitte. Prior to Brett's appointment as AGL's Managing Director and CEO, Brett was AGL's CFO since 2012, where he was responsible for leading growth initiatives including the acquisitions of the Loy Yang A and Macquarie power stations, as well as the creation of the Powering Australian Renewables Fund.



Peter Botten AC, CBE

Non-Executive Director since October 2016. Age 64.

BSc, ARSM

Current Directorships:

Council Member of the Australia PNG Business Council, Chairman of the Oil Search Foundation, Business for Development Australia, Hela Provincial Health Authority, the National Football Stadium Trust in Papua New Guinea and Managing Director of Oil Search Limited (appointed on 28 October 1994).

Former Directorships of listed companies over the past 3 years:

Experience: Peter has been Managing Director of Oil Search Limited since 1994, overseeing its development into a major Australian Securities Exchange-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.



Jacqueline Hey

Non-Executive Director since March 2016. Age 53.

BCom, Grad Cert (Mgmt), GAICD

Current Directorships:

Director of Qantas Airways Limited (commenced 29 August 2013), Bendigo and Adelaide Bank Limited (commenced 5 July 2011), Cricket Australia and Member of Brighton Grammar School Council.

Former Directorships of listed companies over the past 3 years:

Jacqueline was a director of Australian Foundation Investment Company Ltd from 31 July 2013 until 18 January 2019.

Experience: Jacqueline enjoyed a successful executive career prior to becoming a full-time company director in 2011. Jacqueline has extensive experience in the areas of information technology, telecommunications and marketing. Jacqueline worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.

Board of Directors

Composition of Board Committees as at 30 June 2019

| Director | Status | Audit & Risk Management Committee | People & Performance Committee | Safety, Sustainability & Corporate Responsibility Committee | Nominations Committee |
|--------------------|-------------------------|-----------------------------------|--------------------------------|---|-----------------------|
| Graeme Hunt | Independent | | | | Chair |
| Brett Redman | Managing Director & CEO | | | | |
| Jacqueline Hey | Independent | ✓ | | Chair | ✓ |
| Les Hosking | Independent | ✓ | | ✓ | ✓ |
| Patricia McKenzie | Independent | ✓ | ✓ | | ✓ |
| Peter Botten | Independent | | ✓ | ✓ | ✓ |
| John Stanhope | Independent | Chair | ✓ | | ✓ |
| Diane Smith-Gander | Independent | | Chair | ✓ | ✓ |



Leslie Hosking

Non-Executive Director since November 2008. Age 74.

Current Directorships:

Director of Magnis Energy Technologies Limited and Adjunct Professor of the University of Sydney John Grill Centre for Project Leadership.

Former Directorships of listed companies over the past

3 years: Les was a Non-Executive Director of Adelaide Brighton Limited from 10 June 2003 until 16 May 2018 and held the position of Chairman from 17 May 2012 until 16 May 2018.

Experience: Les has over 30 years of experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry. He was also previously a Director of The Carbon Market Institute Limited, Innovation Australia Pty Limited, Australian Energy Market Operator Limited (AEMO), and Managing Director and Chief Executive Officer of NEMMCo.



Patricia McKenzie

Non-Executive Director since May 2019. Age 63. LLB FAICD

Current Directorships:

Director of The Housing Connection.

Former Directorships of listed companies over the past 3

years: Patricia was a director of APA Group from January 2011 until 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. Patricia was previously the Chair of Essential Energy and a director of Macquarie Generation and Transgrid. She was 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 the Australian Energy Market Operator (AEMO), of which she was a Director from 2009 to 2011.



Diane Smith-Gander AO

Non-Executive Director since September 2016. Age 61. BEc, MBA, FAICD, FGIA, Hon. DEC, FAIM, GAICD

Current Directorships:

Chair of Safe Work Australia and the Asbestos Safety and Eradication Council, Director of Wesfarmers Limited (commenced 27 August 2009), Committee for Economic Development of Australia (CEDA), North Queensland Airports Group and Keystart Loans Group, Deputy Chair of The UWA Business School Advisory Board and Member of the Norton Rose Fulbright Australia Partnership Council.

Former Directorships of listed companies over the past

3 years: Diane was a Director of Broadspectrum Limited from 22 October 2010 until 16 September 2016, and held the position of Chair from 25 October 2013 until 16 September 2016.

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, and Group Executive IT and Operations, Westpac Banking Corporation.



John Stanhope AM

Non-Executive Director since March 2009. Age 68. BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI

Current Directorships:

Chairman of Australia Post, Port of Melbourne, The Bionics Institute of Australia and Melbourne Jazz Limited, Chancellor of Deakin University and Vice Chair of the International Integrated Reporting Council.

Former Directorships of listed companies over the past 3

years: Nil.

Experience: John has many years of experience in senior positions in financial, communications and other commercial roles. He was previously a member of the Financial Reporting Council and a Director of RACV Ltd and of Telstra Corporation Limited.

Board of Directors

Directors' Interests

The relevant interest of each Director in the share capital of AGL 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

| | |
|--------------------|--------|
| Brett Redman | 74,770 |
| Les Hosking | 8,701 |
| Graeme Hunt | 12,500 |
| John Stanhope | 8,251 |
| Jacqueline Hey | 8,228 |
| Peter Botten | 7,390 |
| Diane Smith-Gander | 5,670 |
| Patricia McKenzie | 0 |

No options have been granted over any securities or interests of AGL or the consolidated entity. Brett Redman also holds performance rights allocated as LTI awards under AGL's Long-Term Incentive Plan, which are detailed on page 75 of the Remuneration Report.

Directors' Meetings

The number of Directors' Meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of AGL during the financial year ended 30 June 2019 were:

| Directors' Name | Regular Board Meetings | | Special Board Meetings | | Audit & Risk Management Committee | | People and Performance Committee | | Safety, Sustainability and Corporate Responsibility Committee | | Nominations Committee | |
|--------------------|------------------------|----|------------------------|---|-----------------------------------|---|----------------------------------|---|---|---|-----------------------|---|
| | A | B | A | B | A | B | A | B | A | B | A | B |
| Graeme Hunt | 11 | 11 | 9 | 9 | | | | | | | 6 | 6 |
| Brett Redman | 6 | 6 | 6 | 6 | | | | | | | | |
| Jacqueline Hey | 11 | 11 | 9 | 9 | 5 | 5 | | | 6 | 6 | 6 | 6 |
| Les Hosking | 11 | 11 | 9 | 9 | 5 | 5 | | | 6 | 6 | 6 | 6 |
| Peter Botten | 10 | 11 | 8 | 9 | | | 3 | 3 | 5 | 6 | 5 | 6 |
| Diane Smith-Gander | 11 | 11 | 8 | 9 | | | 6 | 6 | 6 | 6 | 6 | 6 |
| John Stanhope | 11 | 11 | 8 | 9 | 5 | 5 | 6 | 6 | | | 6 | 6 |
| Patricia McKenzie | 2 | 2 | 3 | 3 | 1 | 1 | 2 | 2 | | | | |
| Belinda Hutchinson | 5 | 5 | 1 | 2 | 1 | 2 | 2 | 3 | | | 4 | 4 |
| Andy Vesey | 1 | 1 | | | | | | | | | | |

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 25 occasions when Non-Executive Directors also attended some of the meetings of committees, of which they were not members.

Directors also participated in informal meetings and telephone conferences. AGL makes extensive 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.

Company Secretaries

John Fitzgerald was appointed Company Secretary on 1 October 2015. In December 2007, John was appointed General Counsel and continues to hold that position in addition to his role as Company Secretary. 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 admitted as a Solicitor of the Supreme Court of New South Wales and has been practising in projects, mining and energy law for over 20 years.

Melinda Hunter was appointed as an additional Company Secretary on 23 May 2017. 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 15 years.

Dividends

The annual dividend for the year ended 30 June 2019 was 119.0 cents per share (80% franked) compared with 117.0 cents per share (80% franked) for the prior year. The FY19 dividend includes an interim dividend of 55.0 cents per share paid on 22 March 2019 and a final dividend of 64.0 cents per share payable on 20 September 2019.

For more information on dividends, refer to the Other Required Disclosures on page 34.

Other Required Disclosures

These Other Required Disclosures (pages 34 to 36) are attached to and form part of the Directors' Report.

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.

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.

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.

4. Non-audit services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu Australia. Disclosure of the details of these services can be found in Note 26 of the Financial Report 2019.

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 \$25,000 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 Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act. There is also in place an agreed rotation policy for the senior auditor of Deloitte Touche Tohmatsu Australia. 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 Touche Tohmatsu Australia during this or prior periods.

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.

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 2019.

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 Secretaries, 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.

8. Dividends

The Directors have declared a final dividend of 64.0 cents per share, compared with 63.0 cents per share for the prior final dividend. The annual dividend for the year ended 30 June 2019 was 119.0 cents per share compared with 117.0 cents per share for the prior year. The dividend will be 80% franked and will be paid on 20 September 2019. The record date to determine shareholders' entitlements to the final dividend is 22 August 2019. Shares will commence trading ex-dividend on 21 August 2019.

The following dividends have been paid or declared by the Directors since 30 June 2018:

| | |
|---|---------------|
| Final dividend of 63.0 cents per share (80% franked) paid on 21 September 2018 | \$413 million |
| Interim dividend of 55.0 cents per share (80% franked) paid on 22 March 2019 | \$361 million |
| Final dividend of 64.0 cents per share (80% franked) payable on 20 September 2019 | \$420 million |