

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

Other Required Disclosures

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.

AGL targets a payout ratio of approximately 75% of Underlying Profit after tax and a minimum franking level of 80%.

Pursuant to the AGL 80% franking policy, in recent years AGL has paid the unfranked component of dividends out of certain foreign source income (known as Conduit Foreign Income, or CFI). This is relevant only for non-resident shareholders. The effect is that the unfranked portion of the dividend is not subject to Australian dividend withholding tax. The CFI balance will be fully utilised for the 2019 final dividend, with only a portion of the unfranked component paid out of CFI.

Unfranked dividends sourced from CFI have no tax implications for Australian resident shareholders.

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2019 final dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade during each of the 10 trading days commencing 26 August 2019. The last date for shareholders to elect to participate in the DRP for the 2019 final dividend is 23 August 2019.

9. Subsequent events

Share buy-back

On 8 August 2019, AGL announced its intention to undertake an on-market buy-back of up to 32,791,252 shares (being approximately 5% of AGL's issued ordinary shares). AGL reserves the right to vary, suspend or terminate the buy-back at any time.

Acquisition of Perth Energy Holdings Pty Ltd

On 8 August 2019, AGL announced it had agreed to purchase 100% of the outstanding share capital of Perth Energy Holdings Pty Ltd for consideration of up to \$93 million, based on enterprise value.

The transaction is on a cash and debt free basis and is subject to a number of conditions precedent, including regulatory approval, which were not satisfied at the date of this report.

Apart from the matters identified above and elsewhere in this Directors' Report and the AGL Financial Report, the Directors are not aware of any other matter or circumstance that has arisen since 30 June 2019 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 the future.

10. 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 the Australian Securities & Investment Commission (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.

11. Corporate governance

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

12. 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.

During the financial year ended 30 June 2019, there were four alleged non-compliances in relation to an event that occurred in late May 2018 at Bayswater Power station when diesel overflowed from an onsite storage tank, with a small amount of diesel making its way into a nearby creek. Two of these alleged non-compliances became the subject of regulatory action by the NSW Environment Protection Authority (EPA) under relevant environmental legislation, with two penalty infringement notices being issued to AGL Macquarie Pty Limited. There were also two official cautions that were issued to AGL Macquarie Pty Limited in relation to this event.

There were other alleged non-compliances, which have not resulted in any regulatory action. These were notified to the relevant regulator, and reported under the AGL site licence conditions in accordance with the respective legal requirements.