

## 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](http://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.