

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 33. Share-based payment plans

AGL operates the following share-based payment plans:

- The share reward plan; and
- The long-term incentive plan.

AGL has the following other equity arrangements:

- The share purchase plan; and
- The restricted equity plan.

#### Share Reward Plan (SRP)

The SRP is AGL's complying broad-based employee share plan that enables eligible employees to be granted up to \$1,000 of ordinary shares in AGL for no consideration each financial year. The SRP is governed by the AGL General Employee Share Plan Rules. The grant of shares is subject to the achievement of performance metrics and can therefore be scaled down in years where all objectives are not met. Shares granted pursuant to the SRP are subject to a trading restriction of the earlier of three years or the participant's cessation of employment.

Eligible participants include all AGL employees with at least 12 months service at the eligibility date (generally 1 September following the financial year end). Participants in the long-term incentive plan are excluded from any SRP grant.

Details of share movements in the SRP during the year are set out below:

Grant date	Balance at 1 July Number	Granted during the year Number	Fair Value per share \$	Released during the year Number	Balance at 30 June Number
<b>2019</b>					
28 September 2018	-	154,024	\$19.20	(15,600)	138,424
29 September 2017	96,444	-	-	(14,858)	81,586
30 September 2016	111,818	-	-	(16,366)	95,452
30 September 2015	120,231	-	-	(120,231)	-
<b>Total share reward plan shares</b>	<b>328,493</b>	<b>154,024</b>		<b>(167,055)</b>	<b>315,462</b>
<b>2018</b>					
29 September 2017	-	106,856	\$23.10	(10,412)	96,444
30 September 2016	127,351	-	-	(15,533)	111,818
30 September 2015	136,213	-	-	(15,982)	120,231
30 September 2014	68,244	-	-	(68,244)	-
<b>Total share reward plan shares</b>	<b>331,808</b>	<b>106,856</b>		<b>(110,171)</b>	<b>328,493</b>

The expense recognised in profit or loss, as part of employee benefits expense during the year in relation to the SRP, was \$3 million (2018: \$2 million).

#### Long-Term Incentive (LTI) Plan

The LTI plan provides for a grant of performance rights to eligible participants subject to AGL's performance against pre-determined metrics over a three-year performance period. The LTI is governed by the AGL Employee Share Plan Rules. Participation is determined annually at the discretion of the Board.

Generally, performance rights are forfeited on cessation of employment. The Board has discretion with reference to the relevant facts and circumstances of the cessation to vest all or part of the balance, or to authorise a portion of the award to be retained and assessed post-employment.

#### Current LTI Plans

The performance rights are subject to two performance hurdles, weighted equally, based on:

- Relative Total Shareholder Return (Relative TSR); and
- Return on Equity (ROE).

Relative TSR is calculated by ranking AGL's TSR on a relative basis against the peer group, being S&P/ASX100 companies.

ROE measures the amount of Underlying Profit returned as a percentage of average monthly shareholders equity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 33. Share-based payment plans (cont.)

The performance period for the outstanding LTI plans as at 30 June 2019 are as follows:

FY19: Three years from 1 July 2018 to 30 June 2021

FY18: Three years from 1 July 2017 to 30 June 2020

FY17: Three years from 1 July 2016 to 30 June 2019

The number of shares vested are determined by the vesting schedules detailed in the tables below.

#### Relative TSR vesting schedule

AGL's TSR ranking against comparator group	Percentage of performance rights which vest		
	FY19	FY18	FY17
LTI Plan			
Below 50th percentile	Nil	Nil	Nil
50th – 75th percentile	50 – 100%	50 – 100%	50 – 100%
At or above 75th percentile	100%	100%	100%

#### ROE vesting schedule

Percentage of performance rights which vest	AGL's average ROE per LTI plan		
	FY19	FY18	FY17
LTI plan			
Nil	Below 10%	Below 11.5%	Below 9%
50 – 90%	10% – 12%	N/A	N/A
50 – 100%	N/A	11.5% – 14%	9% – 10%
90 – 100%	12% – 14%	N/A	N/A
100%	At or above 14%	At or above 14%	At or above 10%

Details of performance rights movements in the FY19 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date \$	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2019							
FY19 LTI – 24 Oct 2018	Relative TSR	-	188,694	\$7.18	-	(24,464)	164,230
FY19 LTI – 24 Oct 2018	ROE	-	188,668	\$16.12	-	(24,463)	164,205
FY19 LTI – 14 December 2018	Relative TSR	-	2,779	\$9.78	-	-	2,779
FY19 LTI – 14 December 2018	ROE	-	2,779	\$17.13	-	-	2,779
<b>Total share rights</b>		-	<b>382,920</b>	<b>\$11.68</b>	-	<b>(48,927)</b>	<b>333,993</b>

Details of performance rights movements in the FY18 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date \$	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2019							
FY18 LTI – 28 Sep 2017	Relative TSR	206,891	-	\$10.05	-	(66,788)	140,103
FY18 LTI – 28 Sep 2017	ROE	206,871	-	\$20.86	-	(66,782)	140,089
<b>Total share rights</b>		<b>413,762</b>	-	<b>\$15.46</b>	-	<b>(133,570)</b>	<b>280,192</b>
2018							
FY18 LTI – 28 Sep 2017	Relative TSR	-	213,320	\$10.05	-	(6,429)	206,891
FY18 LTI – 28 Sep 2017	ROE	-	213,301	\$20.86	-	(6,430)	206,871
<b>Total share rights</b>		-	<b>426,621</b>	<b>\$15.46</b>	-	<b>(12,859)</b>	<b>413,762</b>

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For the year ended 30 June 2019

### 33. Share-based payment plans (cont.)

Details of performance rights movements in the FY17 LTI Plan during the year are set out below:

Grant date	Performance hurdle	Balance at 1 July Number	Granted during the year Number	Fair value per SPR at grant date \$	Vested during the year Number	Forfeited during the year Number	Balance at 30 June Number
2019							
FY17 LTI – 1 Sep 2016	Relative TSR	146,347	-	\$7.96	-	(14,221)	132,126
FY17 LTI – 1 Sep 2016	ROE	146,323	-	\$16.72	-	(14,216)	132,107
FY17 LTI – 29 Sep 2016	Relative TSR	83,031	-	\$9.10	-	(13,883)	69,148
FY17 LTI – 29 Sep 2016	ROE	83,030	-	\$17.11	-	(13,882)	69,148
<b>Total share rights</b>		<b>458,731</b>	<b>-</b>	<b>\$12.59</b>	<b>-</b>	<b>(56,202)</b>	<b>402,529</b>
2018							
FY17 LTI – 1 Sep 2016	Relative TSR	174,587	-	\$7.96	-	(28,240)	146,347
FY17 LTI – 1 Sep 2016	ROE	174,563	-	\$16.72	-	(28,240)	146,323
FY17 LTI – 29 Sep 2016	Relative TSR	84,565	-	\$9.10	-	(1,534)	83,031
FY17 LTI – 29 Sep 2016	ROE	84,563	-	\$17.11	-	(1,533)	83,030
<b>Total share rights</b>		<b>518,278</b>	<b>-</b>	<b>\$12.59</b>	<b>-</b>	<b>(59,547)</b>	<b>458,731</b>

#### LTI Transitional Arrangements

To ensure executives were not unfairly disadvantaged by the closure of the pre-FY16 annual banking plan, the Board introduced a transitional arrangement for FY16 and FY17 where executives were provided a grant of restricted shares. This was to provide continuity in the annual vesting opportunities (in FY16 and FY17) pursuant to the old plan. The transitional share grants were subject to a 12 month restriction period from grant, being September 2016 and September 2017.

- The first transitional share grant (\$1.1 million, relating to FY16) was granted in September 2016 and vested in September 2017.
- The second and final transitional share grant (\$1.1 million, relating to FY17) was granted in September 2017 and vested in September 2018.

#### Performance rights grant

The fair value of performance rights granted are measured by reference to the fair value. The estimate of the fair value is measured based on the Monte Carlo simulation method. The contractual life of the performance rights is used as an input into this model. Expected volatility is based on the historical share price volatility over the past three years.

	2019 FY19 LTI	2018 FY18 LTI	2017 FY17 LTI
Grant date	24 Oct 2018	14 Dec 2018	28 Sep 2017
Weighted average fair value at grant date	\$11.65	\$13.45	\$15.46
Share price at grant date	\$18.48	\$19.50	\$23.23
Expected volatility	20.0%	20.0%	20.0%
Expected dividend yield	5.1%	5.1%	3.9%
Risk free interest rate (based on government bonds)	2.0%	2.0%	2.1%

The expense recognised in profit or loss as part of employee benefits expense during the year in relation to performance rights granted to executives under the LTI Plan was \$3 million (2018: \$4 million).

#### Shares purchased on-market

During the financial year ended 30 June 2019, 237,116 (2018: 401,340) AGL shares were purchased on-market at an average price of \$20.01 (2018: \$23.43) per share, for a total consideration of \$4,744,676 (2018: \$9,403,396), to satisfy employee entitlements pursuant to the SRP and the LTI Plan.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 33. Share-based payment plans (cont.)

#### Other equity arrangements

##### Share Purchase Plan (SPP)

The SPP is AGL's salary sacrifice plan that enables eligible employees to contribute up to \$5,000 per financial year from their ongoing fixed remuneration and/or short-term incentive (STI) award into acquiring ordinary shares in AGL. The SPP is governed under the AGL General Employee Share Plan Rules. Shares granted pursuant to the SPP are subject to a trading restriction of the earlier of four years (from the start of the financial year in which they are acquired) or the participant's cessation of employment. The holding lock is in place to provide for a deferral of income tax for participants.

Eligible participants include all permanent AGL employees. Non-Executive Directors, the Managing Director and Chief Executive Officer, and members of the executive team are excluded from SPP participation.

Details of share movements in the SPP during the year are set out below:

Share movements	Balance at 1 July Number	Granted during the year Number	Fair Value per share \$	Released during the year Number	Balance at 30 June Number
2019					
Employees	141,286	116,253	\$20.26	(37,267)	220,272
<b>Total share purchase plan shares</b>	<b>141,286</b>	<b>116,253</b>		<b>(37,267)</b>	<b>220,272</b>
2018					
Non-Executive Directors	19,540	-	-	(19,540)	-
Employees	91,919	70,947	\$23.48	(21,580)	141,286
<b>Total share purchase plan shares</b>	<b>111,459</b>	<b>70,947</b>		<b>(41,120)</b>	<b>141,286</b>

##### Restricted Equity Plan (REP)

The REP provides for a grant of restricted shares, either as the deferral component of STI awards for executives, or for other purposes (for example, sign-on or retention awards). The LTI transitional grants were provided for executives pursuant to the REP. The REP is governed pursuant to the AGL Employee Share Plan Rules.

Generally, restricted shares are forfeited on cessation of employment. The Board has discretion with reference to the relevant facts and circumstances of the cessation to vest all or part of the balance, or to authorise a portion of the award to be retained and vest post-employment.

Details of share movements in the REP during the year are set out below:

Share movements	Balance at 1 July Number	Granted during the year Number	Weighted average fair value per share \$	Released during the year Number	Balance at 30 June Number
2019					
Current Managing Director and Chief Executive Officer <sup>1</sup>	3,571	3,476	\$21.49	(3,571)	3,476
Former Managing Director and Chief Executive Officer <sup>2,3</sup>	152,692	71,603	\$21.51	(224,295)	-
Employees	64,395	22,228	\$20.37	(52,678)	33,945
<b>Total restricted equity plan shares</b>	<b>220,658</b>	<b>97,307</b>		<b>(280,544)</b>	<b>37,421</b>
2018					
Managing Director and Chief Executive Officer <sup>4,5</sup>	195,452	79,692	\$22.55	(122,452)	152,692
Employees	101,997	49,599	\$22.55	(83,630)	67,966
<b>Total restricted equity plan shares</b>	<b>297,449</b>	<b>129,291</b>		<b>(206,082)</b>	<b>220,658</b>

- Mr Redman, in his former role as CFO, was granted 3,476 restricted share awards on 21 August 2018 as part of the FY18 performance year STI plan. The restricted shares vest after a period of twelve months, subject to continued service and forfeiture conditions.
- Mr Vesey was granted 55,931 restricted share awards on 21 August 2018 as part of the FY18 performance year STI plan. The restricted shares vested upon resignation.
- Mr Vesey was granted 15,672 restricted share awards on 15 February 2019 as part of the FY19 performance year STI plan. The restricted shares vested upon resignation.
- Mr Vesey was granted 56,415 restricted share awards on 23 August 2017 as part of the FY17 performance year STI plan. The restricted shares vest after a period of twelve months, subject to continued service and forfeiture conditions.
- Mr Vesey was granted 23,277 restricted share awards on 29 September 2017 as part of the transitional arrangements for closure of the pre-FY16 LTI Plan, to make up for the forgone annual vesting opportunity. The restricted shares vest after a period of twelve months, subject to continued service and forfeiture conditions.

##### Shares purchased on-market

During the financial year ended 30 June 2019, 213,560 (2018: 200,238) AGL shares were purchased on-market at an average price of \$20.71 (2018: \$22.88) per share, for a total consideration of \$4,423,559 (2018: \$4,581,445), to satisfy employee entitlements pursuant to the SPP and REP.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 33. Share-based payment plans (cont.)

#### ACCOUNTING POLICY

##### Share-based payments

The fair value of performance rights granted to eligible employees pursuant to the AGL Long-Term Incentive Plan is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights. The fair value at grant date is determined by an independent valuer.

At the end of each reporting period, AGL revises its estimate of the number of performance rights expected to vest. The amount previously recognised as an expense is only adjusted when the performance rights do not vest due to non-market related conditions.

Pursuant to the AGL Share Reward Plan, shares are issued to eligible employees for no consideration and vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve.

### 34. Related party disclosures

#### Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of AGL, directly or indirectly, including the Directors of the Parent Entity.

The aggregate remuneration made to key management personnel is set out below:

	2019 \$000	2018 \$000
Short-term employee benefits	9,758	11,552
Post-employment benefits	237	229
Termination benefits	3,313	939
Share-based payments	2,599	2,713
<b>Total remuneration to key management personnel</b>	<b>15,907</b>	<b>15,433</b>

Further details are contained in the Remuneration Report attached to and forming part of the Directors' Report.

#### Amounts owing by joint ventures and joint operations

ActewAGL Retail Partnership	53,392	63,911
Powering Australian Renewables Fund	151	2,570
North Queensland Energy Joint Venture	188	188

The amount owing is unsecured, interest free and will be settled in cash. No expense has been recognised in the current or the prior period for bad or doubtful debts in respect of the amounts owed by joint ventures.

#### Amounts owing to joint ventures and joint operations

Powering Australian Renewables Fund	7	-
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The amount owing is unsecured, interest free and will be net settled in cash.