3. Remuneration Report

This Remuneration Report forms part of the Directors' Report.

Message from the Chair of the People & Performance Committee

Dear shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for AGL Energy Limited (AGL) and its consolidated entities for the year ended 30 June 2020 (FY20).

Financial year 2020 – challenging and uncertain times

The rapid onset of the COVID-19 pandemic turned our world upside down in the second half of FY20.

AGL management acted quickly to protect our people with a large proportion of our workforce working remotely and ensuring appropriate support and health measures for those who continued to work at our generation sites.

The Board is very proud of the reaction of all of our people in these trying times. Their commitment, particularly our frontline employees, to ensuring AGL continued to operate as a full service business during the periods of social restriction to enable the continued supply of power to our customers and support those customers in hardship is noteworthy.

AGL entered the year with a strong balance sheet and access to adequate finance. This underpinned the continuation of our share buy-back throughout the year. Market and customer demand held up throughout the year, albeit with mix changes. AGL is, however, not immune from the economic impacts of the pandemic. Many of our customers are affected and in real hardship, impacting their ability to pay their bills. This has resulted in an increase in bad and doubtful debt of $20 million. An additional $18 million has also been incurred to ensure employees and contractors were able to work safely and securely at AGL generation sites to enable the ongoing supply of power during the pandemic restrictions. As foreshadowed last year, the material decline in wholesale energy prices has impacted our FY20 results but has been mitigated through our risk management practices, including our hedging program and the breadth and performance of our generating assets.

AGL achieved Underlying Profit after tax within our guidance range for FY20. We have also been able to continue to pay dividends to our shareholders.

The People & Performance Committee has taken into account the sentiments of our shareholders, our customers and the broader community towards levels of executive remuneration in light of the economic impact of COVID-19 on the communities within which we operate.

FY20 remuneration outcomes

Fixed reward

A market-based increase of 10.7% in the fixed remuneration of then Executive General Manager, Wholesale Markets, Richard Wrightson was the only adjustment to key management personnel (KMP) fixed remuneration. This was made early in FY20 prior to the announcement of Mr Wrightson's resignation on 20 August 2019. The People & Performance Committee was satisfied that other KMP's fixed remuneration appropriately reflected their skills and experience at the time.

No changes are being made to KMP fixed remuneration levels for FY21. The Board concurred with management's recommendation that the economic impact on AGL's customers and our community arising from the COVID-19 pandemic made any remuneration increases inappropriate.

The remuneration packages for the two new KMP welcomed during FY20, Chief Operating Officer Markus Brokhof and Chief Customer Officer Christine Corbett were set at market levels necessary to attract candidates of appropriate skills and experience. These packages were set prior to the COVID-19 pandemic.

Variable reward outcomes

In thinking about the short-term incentive (STI) the Board is mindful of the current stresses on some of our customers and the community more broadly. However, we have also taken into account the experience of our shareholders over the past year and our ability to maintain our dividend payments as well as complete the share buy-back.

Our Statutory Profit after tax for the year was $1,015 million. Adjusted for non-cash fair value movements in financial instruments and significant items (Perth Energy acquisition costs and the partial impairment of AGL's position in the Powering Australian Renewables Fund, totalling $17 million), our Underlying Profit after tax was $816 million. $38 million of COVID-19 related costs were included in Underlying Profit. Given the challenging financial conditions experienced this year and the headwinds of materially lower energy prices this is an extremely good result and credit must be given to management for delivery. Total dividends paid to shareholders in FY20 amount to $719 million and our share buy-back program bought back 32.7 million shares in FY20 at a cost of $620 million.

In addition, the Board is delighted with progress made on our customer and people measures. Notwithstanding a trying year, AGL experienced strong growth in customer numbers and achieved the number one ranking of our peer energy tier 1 retailers in terms of Net Promoter Score (NPS). For the first time since AGL has measured NPS, our score was positive. AGL's employee engagement score also improved markedly this financial year. Total injury frequency rate (TIFR) improved on last year, with the high potential near miss ratio maintained at FY19 levels.

Reflecting these results, STI awards to our executives were in the range of 70.8% to 90.4% of maximum opportunity, with the Managing Director & CEO being awarded 80.0% of his maximum opportunity.

The People & Performance Committee recognises the AGL employee community has banded together during this difficult time to 'keep the lights on' for our customers. We have therefore applied our discretion to offer the maximum $1,000 grant of AGL shares under the FY20 Share Reward Plan.

The performance conditions for the FY18 long-term incentive (LTI) were tested and this grant vested at 28%. This result reflected that the company did not meet the relative total shareholder return (TSR) measure (being placed at the 22.58th percentile of the S&P/ASX100 comparator group) but partially met the three-year average return on equity (ROE) hurdle at 11.73% adjusted for share buy-backs.

Non-Executive Director fees

During the year, a 2.0% increase was applied to the fees for Non-Executive Directors, effective 1 January 2020.

Changes to the remuneration framework for FY21 and beyond

This Board continues to review and refine AGL's executive remuneration framework to ensure that it remains contemporary and provides an appropriate balance between attracting and motivating our executives while delivering on our strategy for our shareholders and our customers. The changes approved for implementation in FY20 include the increase in the level of STI deferral for executives other than the Managing Director & CEO (from 10% to 25%), with the Managing Director & CEO maintaining 50% STI deferral, and the increased deferral period from one year to two years for all executives. A transitional approach was taken for existing executives in FY20 as a step to phase in the larger and longer deferral period whereby half of the deferred STI component will be released after one year and the remainder after two years. New/incoming executives in FY20 are subject to the full two-year restriction period.

In addition to the inherent uncertainty of economic recovery from COVID-19, AGL continues to face a number of operating headwinds into FY21, including lower wholesale prices for electricity. This makes goal setting for FY21 a difficult exercise. Beyond setting financial performance measures for FY21, we will also make the following changes:

- continuing to evolve the STI scorecards to align with our key strategic objectives each year, providing meaningful stretch goals in terms of safety, our customers and our people underpinning our financial goals, and
- as announced on 30 June 2020, AGL plays a vital role in Australia's energy market and the transition to a more sustainable future. AGL's leadership position in this transition includes taking a market leading position by including carbon transition metrics in our LTI plan for our executives from FY21. These targets are a first step in supporting our target of net zero emissions by 2050 by recognising the leadership role that executives have in delivering our carbon transition plan. Full vesting outcomes represent significant stretch above this plan.

In addition to the existing relative TSR and ROE metrics for the LTI, the new metric will be weighted at one-third of the award and will encompass three sub-metrics to ensure a balanced assessment of AGL's carbon transition, rather than relying on one single carbon metric. These sub-metrics, including their vesting schedules, are detailed in Section 3.3.5. This introduction of a third component to the LTI indicates to stakeholders that AGL is prioritising long-term climate-related objectives and positions AGL as a market leader in Australia.

I invite you to read AGL's Remuneration Report and trust you will find that it clearly outlines the links between strategy, performance and executive remuneration outcomes. Your directors believe that our people, including our executive team, have performed admirably in these trying times and that FY20 remuneration outcomes are balanced and fair in light of our financial performance and the experience of shareholders in terms of share price, dividends and buy-backs.

We welcome your feedback on these remuneration practices and disclosures and look forward to your continued support at our 2020 AGM.

Yours sincerely,

Diane Smith-Gander AO
Chair, People & Performance Committee

Remuneration Report

For the year ended 30 June 2020

Summary of FY20 performance and remuneration outcomes

How we create value

Business Value Drivers	CUSTOMERS	COMMUNITY & RELATIONSHIPS	PEOPLE	ENVIRONMENT
	INFRASTRUCTURE	FINANCE	SYSTEMS & PROCESSES	

How we think and act

AGL Values	Care in every action		Integrity always
	Better together	Deliver your best	Shape tomorrow

What we want to achieve

Strategic Priorities	Growth	Transformation	Social Licence

	Short-term incentive	Long-term incentive
FY20 performance: achievements and progress	**Safety:** TIFR was 3.3 (against 3.6 in FY19); high potential near miss to recordable incident ratio was 0.9:1. **Customer:** AGL recorded a first-time positive NPS result of +2.3, an improvement of 13.4 points from the FY19 score of -11.1. This is the first time since 2008 that AGL's NPS has been positive and the company finished the year as the number one tier 1 retailer nationally[1]. **Engagement:** AGL's FY20 employee engagement score is 73%, up from 68% in FY19, compared with the Australia resources and utilities sector[2] of 67%. All business units improved from last year's results. **Profit:** Underlying Profit after tax was $816 million, down 21.5%. **Growth:** Completed Southern Phone Company and Perth Energy acquisitions. **Transformation:** Investments made (battery partnerships and Barker Inlet Power Station) to help provide energy reliability and security during peak periods and supporting customer affordability. **Social Licence:** Customer support programs in place during the bushfires and in response to COVID-19. Climate Statement released, providing transparency on AGL's commitment to carbon transition, with metrics introduced into executive incentives from FY21.	**Relative TSR:** Three-year TSR to 30 June 2020 of -21.349%, equating to the 22.58th percentile against the S&P/ASX100 Index. **ROE:** 11.73% average ROE over the three-year performance period ended 30 June 2020 (excluding buy-backs).

1. Source: AGL Customer Attitude to Service Survey June 2020.
2. Source: Culture Amp Resource & Utilities (Australia) 2020 emerging benchmark, comprising 23 companies and 12,700 response.

	Fixed remuneration	Short-term incentive	Long-term incentive
FY20 remuneration outcomes: rewards delivered	Only one executive received a fixed remuneration increase during FY20, being Mr Wrightson, which was agreed prior to his resignation. No other executives received an increase due to either being new to their role or appropriately remunerated at the time commensurate with their skills and experience. Further details are provided in section 3.3.2.	STI awards **Managing Director & CEO:** • 80.0% of maximum **Other executives:** • 70.8-90.4% of maximum	FY20 vesting (FY18 grant) **Relative TSR:** • 50% of grant • 0% of Rights vesting **ROE:** • 50% of grant • 55% of Rights vesting (excluding buy-backs) **Total vesting: 28%**

3.1 Introduction

The directors present the Remuneration Report for AGL Energy Limited (AGL) and its consolidated entities for the year ended 30 June 2020 (FY20), prepared in line with the *Corporations Act 2001 (Cth)*. The Report forms part of the Directors' Report and provides shareholders with an understanding of the remuneration principles in place for key management personnel (KMP) and the resulting outcomes for FY20.

AGL KMP are the Managing Director & CEO and certain AGL executives with operational and/or financial responsibility (together referred to in this Report as 'executives'), and the Non-Executive Directors. For FY20 the executives defined as KMP are the Managing Director & CEO, the Chief Financial Officer (CFO) and the Executive General Managers (EGMs) of the two major business units: Customer Markets and Integrated Energy (a new business unit, encompassing the previous Wholesale Markets and Group Operations business units).

During FY20 the following changes to the executives occurred:

- Christine Corbett joined AGL as its new Chief Customer Officer on 1 July 2019.
- On 20 August 2019, Richard Wrightson tendered his resignation and he subsequently ceased to be KMP on 28 February 2020. AGL took this opportunity to revise its organisational structure, combining the Wholesale Markets and Group Operations business units under a newly created executive role, Chief Operating Officer, which replaced the EGM roles for Wholesale Markets and Group Operations.
- After an extensive local and international search, Markus Brokhof joined AGL on 1 April 2020 as its new Chief Operating Officer, relocating from Switzerland to run AGL's newly combined business unit: Integrated Energy.
- Doug Jackson ceased to be KMP on 31 March 2020, however continues employment with AGL to undertake a detailed handover to Mr Brokhof. It is expected that Mr Jackson will cease employment with AGL midway through FY21.

Table 3.1.1: Key management personnel

Name	Position	Dates
Non-Executive Directors		
Current		
Graeme Hunt	Chairman	Full year
Peter Botten	Non-Executive Director	Full year
Jacqueline Hey	Non-Executive Director	Full year
Les Hosking	Non-Executive Director	Full year
Patricia McKenzie	Non-Executive Director	Full year
Diane Smith-Gander	Non-Executive Director	Full year
John Stanhope	Non-Executive Director	Full year
Executives		
Current		
Brett Redman	Managing Director & CEO	Full year
Markus Brokhof	Chief Operating Officer	From 1 April 2020
Christine Corbett	Chief Customer Officer	Full year
Damien Nicks	CFO	Full year
Former		
Doug Jackson	EGM, Group Operations	Until 31 March 2020[1]
Richard Wrightson	EGM, Wholesale Markets	Until 28 February 2020[2]

1. Mr Jackson ceased to be a KMP on 31 March 2020. He continues to be an employee.
2. Mr Wrightson ceased to be a KMP on 28 February 2020 and an employee on 30 April 2020.

3.2 Remuneration strategy and framework

The remuneration strategy is underpinned by AGL's purpose of supporting progress for all of its stakeholders. Within this purpose, the objective of the remuneration strategy is to support and drive AGL's strategic priorities of Growth, Transformation and Social Licence.

The remuneration framework is underpinned by the AGL Business Value Drivers: Customers, Community & Relationships, People, Environment, Infrastructure, Systems & Processes, and Finance, with the aim of creating long-term value for shareholders and other stakeholders. AGL reviews its remuneration framework regularly to ensure it continues to evolve and be fit-for-purpose and drives performance outcomes that deliver on AGL's strategy.

AGL strives to create a remuneration framework that drives a performance edge, ensuring there is a strong link between executive pay and the achievement of company performance and returns to shareholders. This is supported by a minimum shareholding policy that applies to all executives and non-executive directors. Refinements to the framework were implemented for executives in FY20. The updated elements of AGL's remuneration framework are detailed on the following page.

AGL is committed to ensuring that its remuneration framework is equitable and supports the objective of increasing female representation at all levels of the company.

Remuneration Report

For the year ended 30 June 2020

FY20 remuneration framework

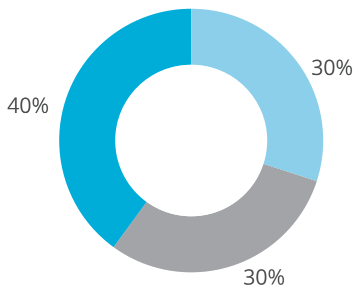
Fixed remuneration	Short-term incentive	Long-term incentive
Objective		
To attract and retain executives with the right capability and experience.	To reward executives for delivering financial returns and progress relative to AGL's strategy.	To reward executives for long-term performance, encourage shareholding and deliver long-term value creation for shareholders and other stakeholders.
Inputs		
• Skills and experience • Role complexity • Responsibility Benchmarked against companies ranked 11-50 on the ASX.	**Annual performance period** • Financial measures 50-60% • Strategic measures 30% • Individual strategic measures 10-20% • Performance outcome range 0-100% of maximum opportunity *Award (% of fixed remuneration)* **Managing Director & CEO:** • 60% target • 100% maximum **Other executives:** • 70% target • 84% maximum	**Four-year performance period** • 50%: relative total shareholder return (TSR) measured against the S&P/ASX100 • 50%: return on equity (ROE) *Award (% of fixed remuneration)* **Managing Director & CEO:** • 65% threshold • 130% maximum **Other executives:** • 40-50% threshold • 80-100% maximum
AGL approach		
AGL initially sets fixed remuneration at a level reflective of the inputs above. Fixed remuneration is reviewed annually by the Board, considering performance during the year, relevant market data, tenure, skills and experience.	The starting point for considering STI outcomes is Statutory Profit. The Board may adjust Statutory Profit in consideration of any non-cash fair value movements in financial instruments and non-recurring significant items that materially affect AGL's financial results to derive Underlying Profit after tax. This is to ensure that management are not unfairly advantaged or disadvantaged by items outside their control. An executive delivering against all financial and strategic objectives would normally achieve a target STI outcome.	Relative TSR provides a comparative performance benchmark against the external market. Straight line vesting from 50-100% of award for 50th to 75th percentile performance against peer group (S&P/ASX100). ROE provides a measure of the effectiveness with which AGL is deploying shareholders' funds. Vesting from 50-100% of the award for performance against the approved ROE target range.
Delivery		
Base salary and superannuation.	Cash and Restricted Shares (no performance conditions apply, restrictions lifted after two years) **Managing Director & CEO:** • 50% cash • 50% Restricted Shares **Other executives:** • 75% cash • 25% Restricted Shares	Performance Rights which vest after four years, subject to meeting the performance conditions.
FY20 changes		
FY20 represents the first year of AGL's new remuneration framework. For existing executives prior to FY20, the following arrangements have been implemented to ensure a smooth transition to the new framework.	To ensure executives experienced a smooth transition to the increased deferral period, 50% of the deferred FY20 STI award will vest after one year and 50% after two years. In addition, the deferral component for other executives has been increased from 10% to 25%. This arrangement does not apply to new/incoming executives.	To ensure executives experienced a smooth transition to the extension of the performance period, a bridging grant was made at the same quantum as the FY20 LTI grant by providing an opportunity for LTI vesting every year so that there is no gap for relevant executives. The bridging grant will be tested after three years. This arrangement does not apply to new/incoming executives.

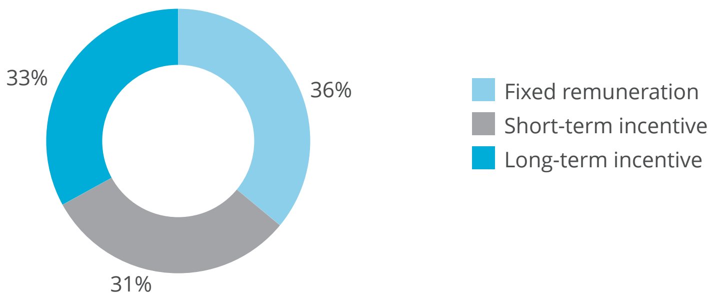
Total remuneration

The level and mix of remuneration is designed to reward the achievement of both short and long-term objectives which, in turn, align executive and shareholder experiences through share ownership and value.

3.2.1 Remuneration mix

The remuneration mix is structured to attract and retain appropriately. The FY20 remuneration mix at maximum for executives is summarised below.





The variable/at-risk component of total remuneration is 70% and 64% at maximum for the Managing Director & CEO and other executives respectively. The level of variable/at-risk remuneration is broadly consistent with the average in S&P/ASX50 Index companies.

3.3 FY20 performance and executive remuneration outcomes

3.3.1 AGL five-year performance

		FY20	FY19	FY18[1]	FY17	FY16
Statutory Profit/(Loss)	($m)	1,015	905	1,582	539	(408)
Underlying Profit	($m)	816	1,040	1,018	802	701
Statutory earnings per share (EPS)	(cents)	158.4	138.0	241.2	80.5	(60.5)
Underlying EPS	(cents)	127.4	158.6	155.2	119.8	103.9
Dividends	(cents)	98	119	117	91	68
Closing share price at 30 June	($)	17.05	20.01	22.48	25.50	19.29
Return on equity[2]	(%)	10.0[3]	12.5[3]	13.1[3]	10.2[3]	8.3

1. Restated for adoption of AASB 9 Financial Instruments and AASB 16 Leases.
2. Used to calculate a portion of executives' LTI outcomes.
3. Includes share buy-backs.

3.3.2 Fixed remuneration approach and outcomes

The overall objective in establishing fixed remuneration is to attract and retain the right person for the job to lead AGL in tackling the challenges confronting the energy industry. Fixed remuneration at AGL therefore needs to be competitive to ensure the company is able to attract and retain those executives with experience in companies or industries undergoing similar transformation.

AGL's approach is to set executive's fixed remuneration initially at a level reflecting their skill and experience that allows progressive increases to apply as the executive performs and becomes more experienced in their role. Generally, for internal promotions, fixed remuneration levels will be set towards the lower end of market comparators. Fixed remuneration is reviewed annually in the context of market positioning and performance. This may or may not result in an increase for executives.

A market-based increase of 10.7% in the fixed remuneration of then EGM, Wholesale Markets, Richard Wrightson was the only adjustment to executive fixed remuneration. This was made early in FY20 prior to the announcement of Mr Wrightson's resignation on 20 August 2019. The other executives did not receive any fixed remuneration increase in FY20 due to either being new to their role, or AGL being satisfied that their level of remuneration was appropriate at the time commensurate with their skills and experience.

Two new executives joined AGL during FY20, being Markus Brokhof and Christine Corbett. Their remuneration packages were set at market levels necessary to attract candidates of appropriate skills and experience.

AGL is committed to gender pay equity across employees, including executives. With respect to the current executives in roles of equivalent size, there is no gender gap in fixed remuneration.

No changes are being made to executives' fixed remuneration levels for FY21. The Board concurred with management's recommendation that the economic impact on AGL's customers and the community arising from the COVID-19 pandemic made any remuneration increases inappropriate.

3.3.3 STI approach and outcomes

The objective of the STI is to reward executives for delivering financial returns and progress relative to AGL's strategy consistent with the delivery of value creation for shareholders.

Executives have STI scorecards which establish performance expectations across financial (50-60%), strategic (30%) and individual (10-20%) performance measures. Assessment of actual performance against these measures determines the scorecard outcome for executives in the range of 0-100% of maximum STI opportunity. In general, the Board expects an executive delivering against all performance objectives to achieve STI opportunities at their target levels.

Net profit after tax is the key financial measure to drive shareholder returns and operate as efficiently as possible in the market within which AGL operates. The strategic measures are focused on safety, customer and employee engagement. Individual strategic objectives focus on growth, transformation and social licence to drive the overall AGL strategy consistent with the delivery of value creation for shareholders.

FY20 STI outcomes for executives are detailed in Table 3.3.3.1. The group STI scorecard outcomes are detailed in Table 3.3.3.2, and the individual strategic objective outcomes are shown in the subsequent tables. AGL is not immune from the impacts of COVID-19 in the second half of FY20. Many of AGL's customers are affected and in real hardship, impacting their ability to pay their bills. This has resulted in an increase in bad and doubtful debt of $20 million. An additional $18 million has also been incurred to ensure employees and contractors were able to work safely and securely at AGL generation sites to enable the ongoing supply of power during the pandemic restrictions. Despite this, AGL achieved outcomes in the guidance range for FY20 and the Board has considered STI outcomes in light of this and the following additional key drivers:

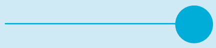
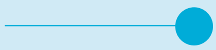
- FY20 Statutory Profit after tax was $1,015 million. Adjusted for non-cash fair value movements in financial instruments and significant items (Perth Energy acquisition costs and the partial impairment of AGL's position in the Powering Australian Renewables Fund, totalling $17 million), Underlying Profit after tax was $816 million, down 21.5% from FY19. $38 million of COVID-19 related costs were included in Underlying Profit.
- Underlying operating cash flow before interest and tax was $2,520 million. This was up $507 million from the prior year mainly due to a positive working capital movement, compared with a negative cash flow impact from working capital in the prior year. AGL's conversion of EBITDA to cash flow was 122%.
- Capital expenditure was $729 million, which included $355 million of sustaining expenditure on AGL's thermal plants and $193 million of growth expenditure.
- AGL's balance sheet remains strong. Gearing was 25.0% and AGL maintained its Baa2 credit rating through the year.
- AGL experienced strong growth in customer numbers finishing the year with a Net Promoter Score (NPS) of +2.3.
- AGL achieved a further five percentage point improvement in employee engagement from FY19 as it continues to focus on delivering on its promises to employees and creating an environment where people feel safe to speak up.
- The total injury frequency rate (TIFR) improved from 3.6 in FY19 to 3.3 in FY20. The high potential near miss to recordable incident ratio remained at FY19 levels.

Table 3.3.3.1: Actual FY20 STI outcomes

Executive	Total STI award $	Cash $[1]	Restricted Shares $[2]	Total STI paid as a % of maximum opportunity	Total STI forfeited as a % of maximum opportunity
Current					
B Redman	1,320,000	660,000	660,000	80.0%	20.0%
M Brokhof	141,759	106,320	35,439	75.4%	24.6%
C Corbett	607,600	455,700	151,900	90.4%	9.6%
D Nicks	491,883	368,913	122,970	82.7%	17.3%
Former					
D Jackson[3,4]	355,136	266,352	88,784	70.8%	29.2%
R Wrightson[3,5]	337,673	337,673	-	78.1%	21.9%

1. To be paid on 15 September 2020.
2. To be allocated once the full-year financial results have been disclosed to the market, generally in August/September 2020. For FY20 only, to ensure a smooth transition to increased deferral, 50% will vest after one year and 50% after two years (not applicable to Mr Brokhof and Ms Corbett as new executives in FY20, who will have 100% of their STI deferral component vest after two years).
3. As per the cessation of employment agreement, eligibility maintained for participation in the FY20 STI. Disclosed for KMP period only.
4. In relation to Mr Jackson's STI Restricted Shares to be granted in August/September, the Board has approved 'good leaver' treatment to apply on cessation of employment. Mr Jackson will therefore retain the STI Restricted Shares subject to post-employment vesting at the scheduled vesting dates.
5. Due to Mr Wrightson's cessation of employment in April 2020, his STI award will be paid as 100% cash on 15 September 2020 (no deferral component).

Table 3.3.3.2: STI scorecard – group performance objectives and FY20 outcomes

	Weighting		Outcome in target range	
Performance measure	MD & CEO	Other KMP	Min – Max	Outcome
Safety: total injury frequency rate (TIFR); health, safety and environment leadership, near misses	10%	10%		TIFR was 3.3 (against 3.6 in FY19), and the high potential near miss to recordable incident ratio was 0.9:1. During FY20, AGL increased leader visibility of AGL's highest severity potential incidents, and facilitated proactive behaviours with respect to incident root causes in order to proactively manage the highest risk activities.
Customer: AGL's NPS ranking against tier 1 competitors	10%	10%		AGL's NPS has improved significantly over FY20 and for the first time since the survey commenced in 2008, AGL recorded a positive NPS result for June of +2.3, an improvement of 13.4 points from the FY19 score of -11.1. While this reflects an improvement of sentiment towards the energy industry more broadly, AGL has achieved national tier 1 leadership against its major competitors measured in the survey.
Engagement: AGL employee engagement	10%	10%		AGL FY20 employee engagement score is 73%, up from 68% in FY19. All business units improved from last year's results.
Financial: AGL net profit after tax (including business unit earnings/ opex overlay, as relevant)	60%	50%		Underlying Profit after tax was $816 million, down 21.5% from FY19. FY19 STIs were adjusted downward for the impact of AGL Loy Yang A Power Station's Unit 2 outage - no further adjustments will be made in this regard for FY20. The STI target range is set at the beginning of the financial year based on AGL's budget and the perceived degree of difficulty in that budget based on internal forecasts, prevailing market conditions and information available to the Board at that time.
Individual strategic objectives: growth, transformation and social licence	10%	20%	See below.	

Individual strategic objectives and FY20 outcomes

Achieved 80.0% of maximum STI measured on:

Brett Redman
Managing Director & CEO
Term as KMP in FY20:
Full year

Group objectives
90%

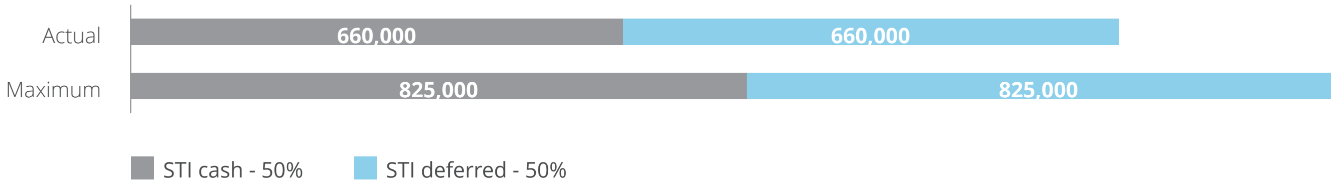
Achieved **74.0**%. Refer Table 3.3.3.2 for details.

Individual strategic objective
10%

Achieved **6.0**%.

Growth: drive AGL's growth agenda.

- Completed Southern Phone Company and Perth Energy acquisitions.
- Investments made to help provide reliability and security during peak periods and supporting customer affordability (two new battery partnerships with Maoneng Group and Vena Energy; plus Barker Inlet Power Station, the first new major dispatchable power plant since 2012).
- Strong customer growth.



Achieved 75.4% of maximum STI measured on:

Markus Brokhof
Chief Operating Officer
Term as KMP in FY20:
From 1 April 2020

Group objectives
80%

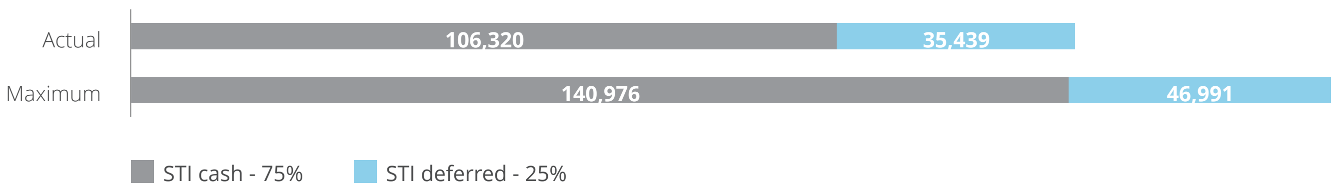
Achieved **66.25**%. Refer Table 3.3.3.2 for details.
Adjusted for business unit performance.

Individual strategic objectives
20%

Achieved **9.17**%.

Growth: development of the east coast energy market;
Social licence: commercial availability.

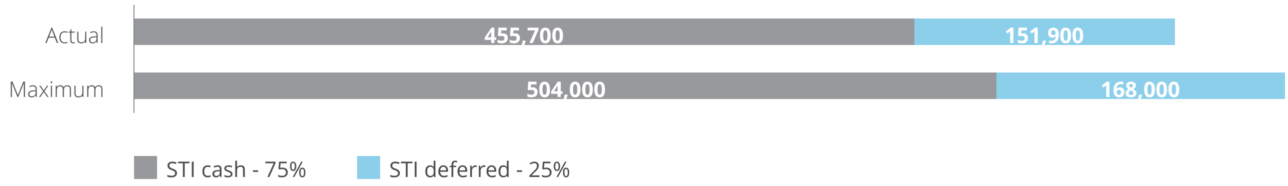
- New battery orchestration business that maintains AGL's market share of batteries under management.
- Commercial availability during FY20 was below target primarily due to a planned outage extension at Bayswater Power Station's Unit 4 and Loy Yang A Power Station's Unit 2 generator failure.



Achieved 90.4% of maximum STI measured on:

Christine Corbett
Chief Customer Officer
Term as KMP in FY20:
Full year

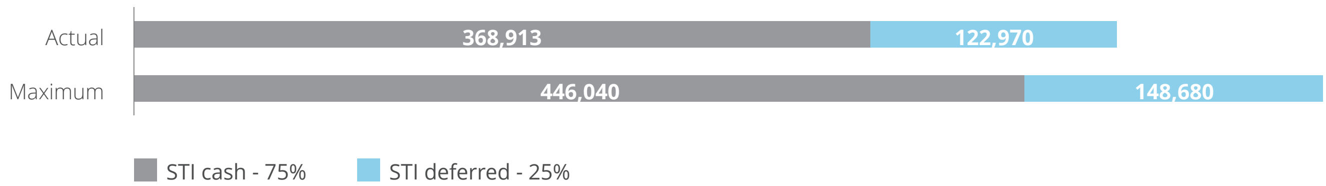
Group objectives 80%	Achieved **70.4**%. Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
Individual strategic objectives 20%	Achieved **20.0%**. **Growth:** drive growth in customer numbers; **Social licence:** drive improvement in customer experience. • Strong customer growth with 78,000 new energy services to customers and first-time growth in commercial and industrial (C&I) business since FY12. • Ombudsman complaints reduced by 31% and customer complaints down 39% compared to FY19. • Customer support programs including bill credits for volunteer firefighters during the bushfires and unqualified debt deferral under the COVID-19 Payment Support Program.



Achieved 82.7% of maximum STI measured on:

Damien Nicks
CFO
Term as KMP in FY20:
Full year

Group objective 80%	Achieved **69.4**%.Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
Individual strategic objectives 20%	Achieved **13.3%.** **Growth:** drive AGL's growth agenda; **Transformation:** drive productivity through financial discipline. • Completed Southern Phone Company and Perth Energy acquisitions. • Investments made to help provide reliability and security during peak periods and supporting customer affordability (two new battery partnerships with Maoneng Group and Vena Energy; plus Barker Inlet Power Station, the first new major dispatchable power plant since 2012). • Implemented and led key Operational Edge program with a focus on reduction in operating costs.



Former KMP

Name	Term as KMP in FY20			
Doug Jackson	Until 31 March 2020	Achieved 70.8% of maximum STI measured on:	**Group objectives** 80%	Achieved **62.5%**. Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
			Individual objectives 20%	Achieved **8.3%**. • Commercial availability during FY20 was below target primarily due to a planned outage extension at Bayswater Power Station's Unit 4 and Loy Yang A Power Station's Unit 2 generator failure.
Richard Wrightson	Until 28 February 2020	Achieved 78.1% of maximum STI measured on:	**Group objectives** 80%	Achieved **67.3%**. Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
			Individual objectives 20%	Achieved **10.8%**. • New battery orchestration business that maintains AGL's market share of batteries under management. • Barker Inlet Power Station operationalised.

3.3.4 Prior year STI awards – Restricted Shares

Table 3.3.4.1: FY19 STI Deferred Restricted Share awards outstanding (FY19 STI deferral)

Executive[1]	Allocation date	Number of awards allocated	Value at allocation date $[2]	Release date[3]
Current				
B Redman	20 August 2019	21,378	406,887	20 August 2020
Former				
D Jackson	20 August 2019	1,951	37,133	20 August 2020
R Wrightson[4]	20 August 2019	2,284	43,471	20 August 2020

1. Includes executives who were KMP at the allocation date.
2. Calculated based on allocation price of $19.033 (actual weighted average price paid for shares for all participants receiving STI deferral), rounded to the nearest dollar. Due to the residual amount being less than the value of a share, value at allocation date is slightly lower than values reported in Table 3.4.1.1.
3. STI Deferred Restricted Shares are subject to time-based restriction only and no further performance conditions apply. Therefore, on 20 August 2020, the shares were released to executives and no further restrictions applied.
4. The Board approved 'good leaver' treatment to apply on cessation of employment. Mr Wrightson retained all FY19 STI Restricted Shares which were subject to post-employment release at the scheduled release date.

Table 3.3.4.2: FY18 STI Deferred Restricted Share awards released during FY20 (FY18 STI deferral)

Executive[1]	Allocation date	Number of awards released	Value at release date $[2]	Release date[3]
Current				
B Redman	21 August 2018	3,476	64,584	21 August 2019
Former				
D Jackson	21 August 2018	2,839	52,749	21 August 2019
R Wrightson	21 August 2018	1,471	27,331	21 August 2019

1. Includes executives who were KMP at the release date.
2. Calculated based on closing share price on the release date, being $18.58.
3. STI Deferred Restricted Shares are subject to time-based restriction only and no further performance conditions apply. Therefore, on 21 August 2019, the shares were released to executives and no further restrictions applied.

3.3.5 LTI approach and outcomes

The objective of the LTI is to reward executives for delivering long-term performance, to encourage shareholding and deliver long-term value creation for shareholders.

The LTI is a Performance Rights plan which assesses AGL's performance against two key metrics, relative TSR and ROE, over a four-year period. Prior to FY20, the LTI performance period was three years. Relative TSR provides a comparative, external market performance benchmark against a peer group of companies. ROE provides a measure of the effectiveness with which AGL is deploying shareholders' funds by dividing profit after tax for a given period by the monthly average of shareholders' equity for the same period. To ensure sustained performance, average ROE over the four years is calculated at the end of the performance period. Both LTI measures are key to AGL's long-term success as they clearly link to the creation of absolute and comparative shareholder value.

FY18 LTI offer – vested during FY20

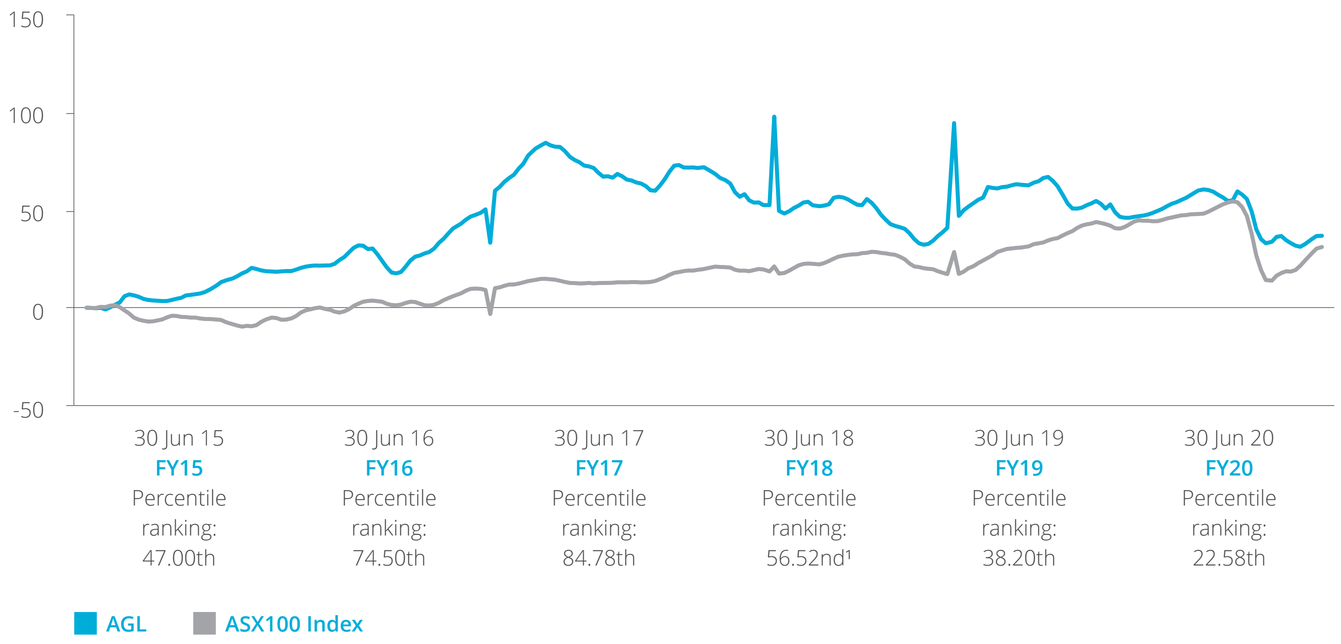
In assessing outcomes under the LTI, the Board will assess the quality of the results and the manner in which they were achieved as well as ensuring that those outcomes are aligned with the experience of AGL's shareholders.

The metrics for the FY18 plan that vested at the end of the year were relative TSR (compared to the constituent companies in the S&P/ASX100 Index) and ROE.

The vesting outcome of the FY18 LTI offer is detailed below.

Metric	Vesting schedule	Outcome	Commentary
Relative TSR	Straight-line vesting between 50-100% for 50th to 75th percentile	22.58th percentile 0% vesting	AGL's relative TSR performance over three-year performance ended 30 June 2020 was at the 22.58th percentile, resulting in nil vesting for this metric.
ROE	Straight-line vesting between 50-100% for 11.5% to 14%	11.73% average annual ROE 55% vesting	The average annual ROE for AGL over the three-year performance period was 11.73% excluding buy-backs, resulting in 55% vesting for this metric.
Total		**28% vesting**	**The combined vesting outcome for the FY18 LTI is therefore 28%.**

Relative TSR: AGL and ASX100



1. The peer group of companies for the relative TSR component of the FY16 LTI plan was Amcor, Ansell, Aristocrat Leisure, Asciano (delisted), ASX, Aurizon Holdings, AusNet Services, Brambles, Cochlear, Computershare, CSL, DUET Group (delisted), Federation Centres (now: Vicinity Centres), Healthscope, Insurance Australia Group, Medibank Private, Orora, Primary Health Care, Qantas Airways, Ramsay Health Care, Scentre Group, Sonic Healthcare, Sydney Airport, Tatts Group (delisted), Transurban Group and Woolworths.

Table 3.3.5.1: Forfeiture/Vesting/Lapse of FY18 LTI Performance Rights

Executive[1]	Grant date	Number of awards granted	Value at grant date $[2]	Vesting date	Number of awards forfeited[3]	Number of awards vested	Value vested $[4]	Number of awards lapsed	Value lapsed $[4]
Current									
B Redman	3 November 2017	26,477	409,197	30 June 2020	-	7,413	126,392	19,064	325,041
D Nicks	3 November 2017	5,586	86,332	30 June 2020	-	1,564	26,666	4,022	68,575
Former									
D Jackson[5]	3 November 2017	21,572	333,395	30 June 2020	-	6,040	102,982	15,532	264,821
R Wrightson[6]	3 November 2017	11,153	172,364	30 June 2020	621	2,948	50,263	7,584	129,307

1. Includes executives who were KMP during the financial year.
2. Calculated based on fair values shown in Note 32 to the consolidated financial report, being $10.05 for relative TSR and $20.86 for ROE.
3. Reflects the number of Performance Rights forfeited as a result of cessation of employment.
4. Calculated based on closing share price on 30 June 2020, being $17.05.
5. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Mr Jackson is still an employee, his FY18 LTI was not subject to any pro-rating.
6. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date.

FY19 LTI offer – outstanding

The terms of the FY19 LTI offer were detailed in the FY19 Remuneration Report.

Table 3.3.5.2: FY19 LTI Performance Rights forfeited/outstanding

Executive[1]	Grant date	Vesting date	Number of awards granted	Value at grant date $[2]	Number of awards forfeited[3]	Maximum value yet to vest $[2,4]
Current						
B Redman	24 October 2018	30 June 2021	41,337	481,572	-	481,572
D Nicks	24 October 2018	30 June 2021	16,164	188,311	-	188,311
Former						
D Jackson[5]	24 October 2018	30 June 2021	25,754	300,034	-	300,034
R Wrightson[6]	24 October 2018	30 June 2021	22,695	264,392	8,822	161,616

1. Includes executives who were KMP during the financial year.
2. Calculated based on fair values shown in Note 32 to the consolidated financial report, being $7.18 for relative TSR and $16.12 for ROE.
3. Reflects the number of Performance Rights forfeited as a result of cessation of employment.
4. The minimum value of the grant is zero.
5. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Mr Jackson is still an employee, his FY19 LTI will be pro-rated on cessation of employment.
6. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date.

FY20 LTI offer – grant

The metrics for FY20 are relative TSR, compared to the constituent companies in the S&P/ASX100 Index, and ROE.

Table 3.3.5.3: FY20 LTI Performance Rights

Executive[1]	Grant date	Vesting date	Number of awards granted	Value at grant date $[2]	Maximum value yet to vest $[2,3]
Current					
B Redman	18 October 2019	30 June 2023	107,054	1,326,399	1,326,399
C Corbett	18 October 2019	30 June 2023	39,926	494,683	494,683
D Nicks	18 October 2019	30 June 2023	28,268	350,241	350,241
Former					
D Jackson[4]	18 October 2019	30 June 2023	39,646	491,214	491,214

1. Includes executives who were KMP at the grant date. Due to Mr Wrightson's pending cessation of employment at the grant date, no FY20 LTI offer was made.
2. Calculated based on fair values shown in Note 32 to the consolidated financial report, being $8.76 for relative TSR and $16.02 for ROE.
3. The minimum value of the grant is zero.
4. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Mr Jackson is still an employee, his FY20 LTI will be forfeited on cessation of employment, in accordance with the terms of the plan with respect to cessation of employment during the life of the LTI Bridging Grant. The LTI grant that has the longest unserved performance period at the date of cessation will be lapsed in full.

FY20 LTI offer – terms

Relative TSR vesting schedule

AGL's relative TSR ranking against comparator group	Vesting of award subject to relative TSR measure (% of maximum)
Less than 50th percentile	0%
50th percentile to 75th percentile	Straight-line vesting between 50% and 100%
At or above 75th percentile	100%

ROE vesting schedule

AGL's average annual ROE outcome	Vesting of award subject to ROE measure (% of maximum)
Less than 8.5%	0%
8.5% to 10.5%	Straight-line vesting between 50% and 90%
10.5% to 12.5%	Straight-line vesting between 90% and 100%
At or above 12.5%	100%

LTI Bridging Grant

In FY20, the LTI performance period was extended from three years to four years to better reflect the business planning cycle. To ensure executives experienced a smooth transition to the extension of the performance period, a Bridging Grant was made at the same quantum as the FY20 LTI four-year grant by providing an opportunity for LTI vesting every year and to avoid any gap year for existing executives. The Bridging Grant will be tested after three years. New executives did not receive any bridging grant.

If an executive ceases employment as a Good Leaver during the life of the Bridging Grant, the Board will have the discretion to lapse in full the LTI grant with the longest unserved performance period at the date of cessation of employment. It is therefore expected that the FY20 LTI grant would lapse in full, with the LTI Bridging Grant retained on a pro-rata basis to ensure that the terminating executive is no better or worse off than they would have been under the old three-year performance period grant cycle. Only one executive has ceased employment with AGL during the life of the LTI Bridging Grant (Mr Wrightson) however, he was not a participant in the FY20 LTI or the LTI Bridging Grant.

The Bridging Grant is a one-off grant; in FY21, no further bridging arrangements will be made. Further details of the transitional arrangements were set out in the FY19 Remuneration Report.

The performance metrics for the LTI Bridging Grant are relative TSR, compared to the constituent companies in the S&P/ASX100 Index, and ROE.

Table 3.3.5.4: LTI Bridging Grant Performance Rights

Executive[1]	Grant date	Vesting date	Number of awards granted	Value at grant date $[2]	Maximum value yet to vest $[2,3]
Current					
B Redman	18 October 2019	30 June 2022	107,054	1,361,727	1,361,727
D Nicks	18 October 2019	30 June 2022	28,268	359,569	359,569
Former					
D Jackson[4]	18 October 2019	30 June 2022	39,646	504,297	504,297

1. Includes executives who were KMP at the grant date. Due to Mr Wrightson's pending cessation of employment at the grant date, no LTI Bridging Grant offer was made.
2. Calculated based on fair values shown in Note 32 to the consolidated financial report, being $8.63 for relative TSR and $16.81 for ROE.
3. The minimum value of the grant is zero.
4. The Board approved 'good leaver' treatment to apply on cessation of employment which allows the executive to retain, on a pro-rata basis, a number of Performance Rights subject to post-employment performance testing at the scheduled vesting date. As Mr Jackson is still an employee, his LTI Bridging Grant will be pro-rated on cessation of employment.

LTI Bridging Grant offer – terms

Relative TSR vesting schedule

AGL's relative TSR ranking against comparator group	Vesting of award subject to relative TSR measure (% of maximum)
Less than 50th percentile	0%
50th percentile to 75th percentile	Straight-line vesting between 50% and 100%
At or above 75th percentile	100%

ROE vesting schedule

AGL's average annual ROE outcome	Vesting of award subject to ROE measure (% of maximum)
Less than 8.5%	0%
8.5% to 10.5%	Straight-line vesting between 50% and 90%
10.5% to 12.5%	Straight-line vesting between 90% and 100%
At or above 12.5%	100%

LTI and the impact of COVID-19

Following a strong first half, AGL's second half of FY20 has been unprecedented, with the national impact of the bushfires in Australia, and the global impact of COVID-19.

The multi-faceted response by businesses has reflected the unprecedented nature of the challenges faced: new challenges have emerged surrounding the safety of employees and contingency planning has been brought to the forefront of strategic thinking. Some sectors have experienced more significant downturns than others. More broadly, economic indicators continue to trend downwards and redefine the baseline for both short and long-term planning.

Although the utilities sector as a whole has been less significantly impacted than many others, the headwinds facing AGL, particularly with lower wholesale energy prices, have been exacerbated by the impact of COVID-19. In addition, the need to restructure the way employees work, with minimal disruption to the business, and the increased support to customers experiencing financial hardship have led to higher operating costs and increased provisions for bad debts, respectively.

The decline in earnings will likely impact the potential vesting of the LTI awards currently on foot. With 50% of those grants subject to ROE, the achievement of performance within the target range becomes significantly more challenging to attain for participants. Similarly, achievement of above median performance in TSR relative to the peer group for threshold vesting has become more of a stretch in light of the impact to earnings and on the basis that those awards were granted when the AGL share price was relatively high. The final outcomes of these offers (FY19-FY20 LTI and the LTI Bridging Grant) will remain unknown until the final test dates (FY21-FY23).

FY21 LTI offer - metrics

It is within the above context that AGL has needed to consider remuneration planning for FY21. AGL is committed to determining the optimal way to manage the impact of changing economic conditions and business results on the LTI plan to ensure it continues to be appropriately challenging for participants, whilst also recognising the important role of the LTI in aligning executive reward with shareholder experience. In addition, consideration must also be given to the retentive aspect of the LTI in keeping executives focused on long-term objectives and the need to mitigate against the risk of carbon transition for all stakeholders.

AGL has used ROE as a measure of performance in the LTI plan since FY16, alongside relative TSR measured against the constituent companies in the S&P/ASX100 Index. For the FY21 LTI plan, a third metric will be introduced that is tied to carbon transition. AGL is a market leader for linking executive long-term variable pay to climate-related goals - a significant watershed for an organisation with a sizeable carbon footprint due to the nature of the business.

The introduction of carbon transition metrics for FY21indicates to stakeholders, both internal and external, that AGL is prioritising long-term climate-related objectives. It provides the focus for executives to deliver against carbon transition objectives, signals AGL's commitment to market transformation, and positions AGL as market-leading in Australia.

The three metrics for the FY21 LTI plan (each weighted equally at one-third of the award) will therefore be:

1. Relative TSR

2. ROE

3. Carbon transition

Relative TSR

Relative TSR highlights the comparative performance of a shareholding in AGL with other companies in the peer group (being the S&P/ASX100). It remains the most commonly used performance metric in LTI plans in ASX-listed entities as it provides a clear link between rewards and shareholder experience. The vesting schedule for relative TSR remains unchanged from prior year LTI plans, with 50% vesting occurring for performance at the 50th percentile, and 100% vesting for performance at the 75th percentile.

ROE

Setting long term ROE targets is inherently difficult in the rapidly evolving Australian energy market, particularly in an environment of falling wholesale energy prices which AGL foresees continuing for the next few years. While some of the decline in revenue can be offset by increasing customer numbers and reducing costs, this year, the exercise has been made more challenging as AGL faced increasing costs and bad debt provisions in response to the economic impacts of the COVID-19 pandemic. The Board is always striving to strike a balance between setting goals that are appropriately stretching for management while not being unattainable and that are viewed by shareholders as targeting appropriate levels of returns. While always judged by shareholders with the benefit of hindsight, the Board sets these targets prospectively based on the best information available at the time. In reviewing AGL's outlook and internal business plans which show a decline in earnings due to the continued fall in wholesale energy prices, the Board has approved a four-year vesting range of 5% to 8% for the FY21 grant (vesting schedule below). The Board recognises that while this is a drop in the ROE targets from prior years, this vesting range still provides significant stretch in the current environment. AGL is a resilient business with strong cash flows and prudent credit metrics. The company is positioned for challenging economic conditions to endure, and to take advantage of investment opportunities that may arise during the slowdown or as a result of economic stimulus.

ROE vesting schedule

AGL's average annual ROE outcome	Vesting of award subject to ROE measure (% of maximum)
Less than 5.0%	0%
5.0% to 6.5%	Straight-line vesting between 50% and 90%
6.5% to 8.0%	Straight-line vesting between 90% and 100%
At or above 8.0%	100%

Carbon transition

The new third metric will encompass three sub-metrics to ensure a balanced assessment of AGL's carbon transition: a) the emissions intensity of AGL's controlled generation fleet (measured as AGL's total greenhouse gas emissions as a proportion of its total generation); b) the controlled proportion of renewable and storage electricity capacity (measured as the proportion of total owned, operated and controlled renewables and storage capacity in AGL's total controlled generation capacity); and c) the share of total revenue derived from green energy and other carbon neutral products and services. These metrics align with the customer-led element of AGL's approach to carbon transition, as well as recognising the material objective of transitioning the generation fleet responsibly over time.

The vesting schedules for the three carbon transition sub-metrics are below. The vesting ranges have been set to ensure they are achievable while holding AGL to account for the delivery of its existing carbon transition objectives, with threshold vesting reflecting full achievement of those plans and full vesting reflecting delivery significantly in excess of those plans.

At the end of FY20, AGL's controlled emissions intensity was 0.935, heavily driven by AGL Loy Yang and AGL Macquarie. By way of example, to achieve 100% vesting AGL would need to increase its renewable footprint by 50% from today's generation level of approximately 4,200 GWh which has been developed over the last ten years.

With respect to AGL's controlled percentage renewable and storage electricity capacity, at the end of FY20 it was 22.5%. From this level to 100% vesting for example, AGL would need to significantly increase its gridscale batteries or a combination of gridscale and home batteries. To provide context, 100,000 new home batteries would have approximately a 3% impact to this metric (currently at approximately 1,700).

The percentage of total revenue derived from green energy and carbon neutral products and services at the end of FY20 was 11.5%. From this level to 100% vesting, significant development and sale of carbon neutral products is required to transition the organisation from carbon-heavy revenue. For example, for every additional $100 million of carbon neutral revenue the impact to this metric is approximately 1%.

Carbon transition vesting schedules

Controlled intensity in FY24	Vesting of award	% Controlled renewable & storage capacity at 30 June 2024	Vesting of award	Green & carbon neutral products & services in FY24	Vesting of award
More than 0.895	0%	Less than 28%	0%	Less than 15.5%	0%
0.895 to 0.845	Straight-line vesting between 50% and 100%	28% to 34%	Straight-line vesting between 50% and 100%	15.5% to 20%	Straight-line vesting between 50% and 100%
Less than 0.845	100%	More than 34%	100%	More than 20%	100%

The inclusion of the new carbon-related metrics is consistent with delivery of the five commitments contained within AGL's Climate Statement: to offer customers the option of carbon neutral prices across products; to support the evolution of Australia's voluntary carbon markets; to continue investing in new sources of electricity supply; to transition AGL's energy portfolio responsibly; and to be transparent. In addition, this aligns to AGL's purpose and strategy with respect to transformation as well as the 'environment' Business Value Driver. The definitions for these new carbon related metrics are provided in the Annual Report under Glossary for the Business Value Drivers. Two of the three sub-metrics also form part of AGL's Sustainability Linked Loan metrics.

3.3.6 Movement in Performance Rights

Table 3.3.6.1: FY20 movement in executive Performance Right holdings under the LTI plan

Executive	Balance at start of year	Acquired during year as part of remuneration	Performance Rights vested but not yet allocated[1]	Other changes during year[2]	Balance at end of year
Current					
B Redman	67,814	214,108	(7,413)	(19,064)	255,445
M Brokhof	-	-	-	-	-
C Corbett	-	39,926	-	-	39,926
D Nicks	21,750	56,536	(1,564)	(4,022)	72,700
Former					
D Jackson[3]	47,326	79,292	-	(126,618)	-
R Wrightson[4]	33,848	-	-	(33,848)	-
Total	**170,738**	**389,862**	**(8,977)**	**(183,552)**	**368,071**

1. Includes Performance Rights vested under the FY18 LTI plan but will not be allocated as shares to executives until August/September 2020.
2. Represents balance adjustments for executives joining or leaving KMP, and any units forfeited under the LTI. Includes Performance Rights forfeited under the FY18 LTI plan but will not lapse for executives until August/September 2020.
3. Mr Jackson ceased to be a KMP on 31 March 2020. His closing balance has been adjusted to reflect no further holdings as a KMP.
4. Mr Wrightson ceased to be a KMP on 28 February 2020. His closing balance has been adjusted to reflect no further holdings as a KMP.

3.4 Executive remuneration disclosure

3.4.1 Statutory remuneration

Table 3.4.1.1: Executive remuneration and benefits for FY20 (prepared in accordance with the statutory accounting requirements)

		Short-term benefits			
Executive	Year	Cash salary/ fees $[1]	Total cash incentive $[2]	Non-monetary benefits $[3]	Other short-term benefits $[4]
Current					
B Redman	**FY20**	**1,628,997**	**660,000**	**22,634**	**-**
	FY19	1,744,686	560,766	18,924	-
M Brokhof	**FY20 (from 1 Apr 2020)**	**219,749**	**106,320**	**24,788**	**3,000**
C Corbett	**FY20**	**750,645**	**455,700**	**15,258**	**-**
D Nicks	**FY20**	**686,997**	**368,913**	**17,054**	**-**
	FY19 (from 24 Aug 2018)	579,720	237,161	13,455	-
Former					
M Enzinger	FY19 (until 30 June 2019)	362,170	113,905	7,776	-
D Jackson[10]	**FY20 (until 31 Mar 2020)**	**580,029**	**266,352**	**14,593**	**-**
	FY19	773,844	334,305	19,681	-
M Reynolds	FY19 (until 30 Nov 2018)	345,612	-	6,914	-
A Vesey	FY19 (until 31 Dec 2018)	1,150,000	338,790	240,746	-
R Wrightson[11]	**FY20 (until 28 Feb 2020)**	**490,165**	**337,673**	**11,222**	**-**
	FY19	658,635	391,278	15,605	-
TOTAL	**FY20**	**4,356,582**	**2,194,958**	**105,549**	**3,000**
	FY19	5,614,667	1,976,205	323,101	-

1. Represents cash salary and fees including any salary-sacrificed items (such as additional superannuation contributions and charitable donations) and unpaid annual leave.
2. Represents cash payments under the STI achieved in the year (payable in September following the relevant financial year-end), excluding the Restricted Share portion (to be allocated in August/September following the relevant financial year-end). The Restricted Share portion is disclosed under the STI Restricted Shares column.
3. Includes benefits such as, but not limited to, the provision of car parking, expatriate benefits and fringe benefits tax (FBT) on all benefits, where applicable. FBT included is in respect of the FBT year ended 31 March 2020.
4. Includes other cash payments and benefits, such as retention and relocation payments.
5. Includes the value of all STI Restricted Shares expected to be granted in relation to the performance year.
6. Includes a proportion of the fair value of all outstanding LTI offers at the start of the year or offered during the year (including the LTI Bridging Grant). Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.
7. Includes a proportion of the fair value of all Restricted Shares held at the start of the year, or which were granted during the year, generally for retention or sign-on purposes.
8. Represents the sum of cash STIs and Performance Rights/Restricted Shares/other equity as a percentage of total remuneration, excluding termination payments.
9. Includes leave accruals upon ceasing to be a KMP.
10. Mr Jackson ceased to be a KMP on 31 March 2020. He continues to be an employee. Amounts have been disclosed for KMP period only. All termination benefits will be provided in accordance with the terms of his employment contract and will be paid on cessation of employment.
11. Mr Wrightson ceased to be a KMP on 28 February 2020, and an employee on 30 April 2020. Amounts have been disclosed for KMP period only. All termination benefits were provided in accordance with the terms of his employment contract and includes leave entitlements paid on cessation of employment.

Post-employment benefits	Share-based payments					
Superannuation/ pension $	STI Restricted Shares $[5]	LTI equity $[6]	Other equity $[7]	Total $	Performance-related %[8]	Termination benefits $[9]
21,003	**660,000**	**905,729**	**-**	**3,898,363**	**57.1%**	**-**
20,531	406,895	446,240	-	3,198,042	44.2%	-
5,251	**35,439**	**-**	**-**	**394,547**	**35.9%**	**-**
21,003	**151,900**	**123,671**	**-**	**1,518,177**	**48.2%**	**-**
21,003	**122,970**	**261,683**	**-**	**1,478,620**	**51.0%**	**-**
17,556	-	103,365	-	951,257	35.8%	-
12,832	-	63,068	-	559,751	31.6%	-
15,752	**88,784**	**268,556**	**-**	**1,234,066**	**50.5%**	**851,605**
20,531	37,145	329,853	-	1,515,359	46.3%	-
10,266	-	49,808	-	412,600	12.1%	883,214
-	338,790	601,677	-	2,670,003	47.9%	2,429,894
14,002	**-**	**25,227**	**-**	**878,289**	**41.3%**	**171,842**
20,531	43,475	178,326	-	1,307,850	46.9%	-
98,014	**1,059,093**	**1,584,866**	**-**	**9,402,062**		**1,023,447**
102,247	826,305	1,772,337	-	10,614,862		3,313,108

3.5 Non-Executive Directors' remuneration

3.5.1 Fee pool

The maximum aggregate fee pool for Non-Executive Directors is $2.75 million per annum. The fee pool is regularly reviewed by the Board and, if appropriate, adjusted (subject to shareholder approval), having regard to the anticipated time commitment, workload and responsibilities attached and the fees paid by comparable organisations. The current fee pool was approved by shareholders at the 2016 AGM.

3.5.2 Fee policy

Non-Executive Directors receive a base fee. Members of a Committee receive a Committee fee to recognise the associated higher workload and extra responsibilities, and chairing a Committee attracts a higher fee. The Chairman of the Board receives a higher base fee in recognition of the added responsibility and time commitment; but does not receive any extra fees for participating in or chairing any Committees. Fees are inclusive of superannuation. There are no additional fees in relation to the Nominations Committee.

In setting Non-Executive Directors' fees, the Board considers the following:

- time commitment
- workload
- risk and responsibility, and
- market benchmark data, sourced from companies with a similar market capitalisation.

To ensure independence, Non-Executive Directors do not receive performance-related remuneration. This allows the Board to focus on governance and both short and long-term strategy.

3.5.3 FY20 fees

During the year, a 2.0% increase was applied to the fees for Non-Executive Directors, effective 1 January 2020.

Table 3.5.3.1: Non-Executive Director fees (effective 1 January 2020)

Board/Committee	Chair fee $	Member fee $
Board base fee	603,000	201,000
Audit & Risk Management Committee	55,200	27,600
People & Performance Committee	44,900	21,200
Safety, Sustainability & Corporate Responsibility Committee	44,900	21,200

Table 3.5.3.2: Non-Executive Director remuneration for FY20

Non-Executive Director	Year	Cash fees $	Superannuation $	Total $
Current				
G Hunt	**FY20**	**575,997**	**21,003**	**597,000**
	FY19	553,169	20,531	573,700
P Botten	**FY20**	**220,148**	**20,852**	**241,000**
	FY19	206,432	19,518	225,950
J Hey	**FY20**	**249,797**	**21,003**	**270,800**
	FY19	243,619	20,531	264,150
L Hosking	**FY20**	**226,347**	**21,003**	**247,350**
	FY19	221,819	20,531	242,350
P McKenzie	**FY20**	**226,347**	**21,003**	**247,350**
	FY19 (from 1 May 2019)	35,011	3,376	38,387
D Smith-Gander	**FY20**	**253,949**	**10,501**	**264,450**
	FY19	237,419	20,531	257,950
J Stanhope	**FY20**	**253,647**	**21,003**	**274,650**
	FY19	248,569	20,531	269,100
Former				
B Hutchinson	FY19 (until 12 Dec 2018)	98,323	9,207	107,530
TOTAL	**FY20**	**2,006,232**	**136,368**	**2,142,600**
	FY19	1,844,361	134,756	1,979,117

3.6 Remuneration governance

3.6.1 Role of the People & Performance Committee

The primary purpose of the People & Performance Committee is to support the Board in fulfilling its responsibilities through the recruitment, retention and remuneration of executives with the capabilities and skills necessary to execute AGL's strategy.

The People & Performance Committee reviews and makes recommendations to the Board on the remuneration arrangements for the Managing Director & CEO, Non-Executive Directors and executives. More generally, the People & Performance Committee supports the Board in relation to matters such as governing remuneration and employment policies, procedures and programs. In addition, the People & Performance Committee's duties include overseeing talent/leadership development, providing guidance in respect of employee relations and employee engagement, and other people matters as they may arise. The complete People & Performance Charter is reviewed at least every two years and is available on AGL's website: **agl.com.au/BoardAndCommitteeCharters**.

The People & Performance Committee includes independent members of the Board, which are reviewed periodically. To assist in performing its duties and making recommendations to the Board, the People & Performance Committee has access to management and independent external consultants to seek advice on various remuneration-related matters as required. The Board's protocols in respect of the engagement of remuneration advisers are outlined in section 3.6.2.

3.6.2 Remuneration advisers

Any recommendations made by consultants in relation to remuneration arrangements of KMP must be made directly to the Board without any influence from management. There are arrangements in place to ensure any advice is independent of management. During FY20, the People & Performance Committee engaged *KPMG 3dc* to act as independent remuneration advisers. *KPMG 3dc* did not provide any remuneration recommendations as defined in the *Corporations Act 2001 (Cth)* to the People & Performance Committee during FY20.

3.6.3 Executive contract terms

Remuneration and other terms of employment for executives are formalised in service agreements. The service agreements provide for participation in short and long-term incentives in accordance with the terms of the respective plans. All service agreements are for an unlimited duration.

Table 3.6.3.1: Information relating to service agreements of executives

	Notice period[2]			
Executives[1]	**By executive**	**By AGL**	**Termination payment**[3,4]	**Post employment restraint period**
B Redman	6 months[5]	6 months	N/A	12 months
M Brokhof	6 months[5]	3 months	9 months	12 months
C Corbett	6 months[5]	3 months	9 months	12 months
D Nicks	6 months[5]	3 months	9 months	12 months

1. Includes executives who were KMP at 30 June 2020.
2. AGL can, at its election, make a payment in lieu of part or all of the notice period.
3. Maximum termination payment (exclusive of any payment in lieu of notice) payable if AGL terminates the executive's employment other than for cause.
4. Termination payments reference fixed remuneration.
5. Executives may also terminate their agreement with three months' notice in the event of a 'fundamental change', which includes circumstances where there has been a substantial diminution of role and responsibility of the executive, in which event they will be entitled to a payment equivalent to nine months' fixed remuneration.

3.6.4 Equity plan governance

Key elements of equity plan governance

Element	Details
Clawback	The Board has discretion to prescribe clawback events in which any unvested equity awards may be clawed back from executives. Clawback events include where the executive has committed any act of fraud or gross misconduct in relation to the affairs of AGL, materially breached their obligations to AGL, or has hedged the value of, or entered into a derivative arrangement in relation to, an unvested equity award or where any unvested equity award has vested as a result of a material misstatement in the financial statements of AGL.
Change of control	The Board will determine at the time a change of control event occurs how to treat unvested equity in accordance with the plan rules, and ultimately has absolute discretion in determining this treatment, taking into consideration market practice.
Hedging policy	AGL has a policy in place that prevents executives from entering into any derivative or other financial product in relation to equity plans.
Cessation of employment	*Prior to vesting date:* if an executive leaves AGL before the scheduled vesting date, they are generally not entitled to participate in the vesting event. The Board has discretion to determine the relevant treatment at termination in the event of redundancy or other involuntary termination, including bona fide retirement. *Post-vesting date:* once equity has vested, generally no further employment or other restrictions apply.
Board discretion	In relation to assessing equity awards, including treatment at vesting, the Board's overarching discretion will apply, particularly when determining whether an extraordinary event should be taken into consideration in relation to assessing the performance of AGL for the purposes of the vesting event.

3.6.5 KMP share ownership

Minimum shareholding policy

To provide for shareholder alignment, AGL operates a minimum shareholding policy for KMP and other executives reporting to the Managing Director & CEO. Shareholdings are reported in Table 3.6.5.1. Each Non-Executive Director (other than the Chairman, who already satisfied the requirements under the minimum shareholding policy) acquired shares during FY20 with a view to satisfying the requirements of the minimum shareholding policy. However, due to the unforeseen adverse impacts on AGL's share price during FY20, including the volatility caused by COVID-19, certain directors are not yet at the recommended level of shareholding corresponding to their tenure and have not yet had an opportunity to acquire further shares given AGL's Securities Dealing Policy, which prevents KMP from acquiring shares during a blackout period or when they are in possession of inside information. The Board has agreed that the date to satisfy the minimum shareholding requirement for those directors not yet at the recommended level of shareholding is 31 December 2020 and those directors have indicated their intention to acquire further AGL shares in FY21, subject to compliance with AGL's Securities Dealing Policy. All Non-Executive Directors are considered to be in compliance with the policy as at the date of this report.

The minimum shareholding policies stipulate that:

Non-Executive Directors	Executives
• over a four-year period, Directors should accumulate and thereafter maintain AGL securities to the value of 100% of the base annual Director's fee • half of the above requirement should be accumulated within two years of the date of appointment for new Directors, and • each newly appointed Director is encouraged to acquire AGL securities equal to at least 10% of the base annual Director's fee by the financial year-end in which they are appointed.	• the Managing Director & CEO should accumulate and thereafter maintain AGL securities equal to the value of 100% of fixed remuneration • the CFO should accumulate and thereafter maintain AGL securities equal to the value of 75% of fixed remuneration • remaining executives should accumulate and thereafter maintain AGL securities equal to the value of 50% of fixed remuneration, and • the above requirement should be accumulated within five years of the end of FY16 or up to five years from the date of appointment for new executives.

Movement in AGL shares

The movement during FY20 in the number of AGL shares, including Restricted Shares, held by each KMP, including their related parties, is shown below. Restricted Shares generally relate to the STI deferral, or for attraction/retention purposes in certain circumstances.

Table 3.6.5.1: KMP shareholdings

FY20	Balance at start of year	Acquired during year[1]	Other changes during year[2]	Balance at end of year	% base fees[3]	Date to satisfy requirement
Non-Executive Director						
Current						
G Hunt	12,500[4]	-	-	12,500[4]	116%	Satisfied
P Botten	7,390[4]	2,500	-	9,890[4]	92%	31 Dec 20
J Hey	8,228	2,725	-	10,953	102%	Satisfied
L Hosking	8,701	3,000	-	11,701	109%	Satisfied
P McKenzie	-	8,465	-	8,465[4]	79%	1 May 23
D Smith-Gander	5,670[4]	3,792	-	9,462[4]	88%	31 Dec 20
J Stanhope	8,251[5]	1,537	-	9,788[6]	91%	31 Dec 20
Non-Executive Director total	**50,740**	**22,019**	**-**	**72,759**		

1. Includes purchase of ordinary shares and Dividend Reinvestment Plan during FY20.
2. Includes sale of ordinary shares during FY20 and balance adjustments for directors joining or leaving KMP.
3. Value is based on the average 12-month volume weighted average price for FY20, being $18.68, as per the Minimum Shareholding Policy.
4. All shares held indirectly.
5. Includes 5,561 shares held directly and 2,690 shares held indirectly.
6. Includes 5,898 shares held directly and 3,890 shares held indirectly.

FY20	Balance at start of year	Granted/ acquired during year[1]	Received upon vesting/ exercise[2]	Other changes during year[3]	Balance at end of year	STI Restricted Shares to be allocated[4]	Performance Rights to be allocated[5]	% FR[6,7,8]	Date to satisfy requirement
Executive									
Current									
B Redman	74,770	21,378	18,183	(15,000)	99,331[9]	38,710	7,413	165%	Satisfied
M Brokhof	-	-	-	-	-	2,079	-	4%	23 Mar 25
C Corbett	-	-	-	-	-	8,909	-	21%	1 Jul 24
D Nicks	428	-	3,628	-	4,056	7,212	1,564	34%	31 May 24
Former									
D Jackson[10]	43,365	2,807	14,453	(60,625)	-	-	-		
R Wrightson[11]	12,674	2,284	3,996	(18,954)	-	-	-		
Executive total	**131,237**	**26,469**	**40,260**	**(94,579)**	**103,387**	**56,910**	**8,977**		
Grand total	**181,977**	**48,488**	**40,260**	**(94,579)**	**176,146**	**56,910**	**8,977**		

1. Includes purchase of ordinary shares and Dividend Reinvestment Plan during FY20, and Restricted Shares allocated under FY19 STI.
2. Includes shares acquired upon vesting of LTI awards during FY20.
3. Includes sale of ordinary shares during FY20 and balance adjustments for executives joining or leaving KMP.
4. Includes shares to be allocated to executives under the FY20 STI in August/September 2020. Approximate number of shares is calculated using the 30 June 2020 share price, being $17.05.
5. Includes shares vested under the FY18 LTI but will not be allocated as shares to executives until August/September 2020.
6. Value is based on the average 12-month volume weighted average price for FY20, being $18.68, as per the minimum shareholding policy.
7. Includes STI Restricted Shares not yet allocated and Performance Rights vested but not yet allocated.
8. Percentage of fixed remuneration (FR).
9. Includes 21,378 shares held directly and 77,953 shares held indirectly.
10. Mr Jackson ceased to be a KMP on 31 March 2020. His closing balance has been adjusted to reflect no further holdings as a KMP.
11. Mr Wrightson ceased to be a KMP on 28 February 2020. His closing balance has been adjusted to reflect no further holdings as a KMP.

Other Required Disclosures

For the year ended 30 June 2020

These Other Required Disclosures (pages 92 to 93) are attached to and form part of the Directors' Report.

4. Other Required Disclosures

4.1 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.

4.2 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.

4.3 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.

4.4 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 25 of the Financial Report 2020.

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 $95,000 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 the 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.

4.5 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.

4.6 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 2020.

4.7 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.

4.8 Subsequent events

Subsequent to the end of the financial year and as described in Note 1 of the Financial Report, effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy will be reported as a separate segment in future financial reports.

Apart from the matters identified in the financial statements or notes thereto, there has not been any matter or circumstance that has arisen since 30 June 2020 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.

4.9 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