AGL Energy Limited
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ASX & Media Release

AGL - Results for Announcement to the Market

13 August 2020

Attached are the following documents relating to AGL Energy Limited's results for the year ended 30 June 2020:

- Appendix 4E
- AGL Energy Limited 2020 Annual Report

John Fitzgerald

Company Secretary

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for more than 180 years, AGL supplies energy and other services to more than 3.8 million customer accounts. We're committed to making energy, alongside other essential services, simple, fair and transparent. AGL operates the largest electricity portfolio in the National Electricity Market made up of traditional coal and gas-fired generation, and renewables such as wind, hydro and solar. We also operate gas storage and production assets. We're focussed on developing flexible supply, building on our history as Australia's leading private investor in renewable energy, to support the transition to a new energy system. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

Appendix 4E

AGL Energy Limited

ABN 74 115 061 375

Preliminary Final Report

Results for announcement to the market
for the year ended 30 June 2020

				30 June 2020 $A million	30 June 2019 $A million
Revenue	**Down**	**8.2%**	to	**12,160**	13,246
Statutory Profit after tax attributable to shareholders	**Up**	**12.2%**	to	**1,015**	905
Underlying Profit after tax attributable to shareholders	**Down**	**21.5%**	to	**816**	1,040
				30 June 2020 cents	30 June 2019 cents
Statutory Earnings per share	**Up**	**14.8%**	to	**158.4**	138.0
Underlying Earnings per share	**Down**	**19.7%**	to	**127.4**	158.6
				30 June 2020 $A	30 June 2019 $A
Net tangible asset backing per share	**Down**	**3.9%**	to	**6.88**	7.16
				Amount cents	Franked amount cents
Final dividend per ordinary share				51.0	40.8
Interim dividend per ordinary share				47.0	37.6

Record date for determining entitlements to the final dividend:
27 August 2020 and payable 25 September 2020.

Dividend reinvestment plan:
The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2020 final dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade during each 10 trading days commencing 31 August 2020. The last date for shareholders to elect to participate in the DRP for the 2020 final dividend is 28 August 2020.

Brief explanation of Underlying Profit after tax and Underlying Earnings per share:
Statutory Profit after tax and Statutory Earnings per share are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Statutory Profit after tax of $1,015 million included a loss of $17 million after tax treated as significant items and a gain of $216 million after tax from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit after tax was $816 million, 21.5% down on the prior corresponding period.

Underlying Profit after tax is reported to give information to shareholders that provides a greater understanding of the performance of AGL Energy Limited's (AGL's) operations. AGL believes Underlying Profit after tax is useful as it removes significant items and timing mismatches between the fair value of derivatives and the underlying asset being hedged thereby facilitating a more representative comparison of financial performance between financial periods.

This report should be read in conjunction with the AGL Directors' Report incorporating the Operating and Financial Review and the 2020 Annual Report released to the market on 13 August 2020.

Annual Report 2020

agl

Progress for life

Contents

Further information

This report is available on our website at **2020annualreport.agl.com.au** A printed copy of the report is available free of charge upon request.

AGL's 2020 Corporate Governance Statement is available at **agl.com.au/corporategovernance**.

AGL's TCFD report, 'Pathways to 2050' is available at **agl.com.au/specialreports.**

A comprehensive ESG data centre in which additional performance data is available to view and download can be found at **2020datacentre.agl.com.au**.

The boy and girl on the front cover are a Sydney brother and sister. At the time of the 2019 photoshoot, they were customers of AGL. The image depicts family life in the home, where we have all spent significant periods during the COVID-19 pandemic in 2020. The family are benefiting from the dual benefit of energy and telecommunication services, enabling the way they live. It illustrates AGL's purpose – Progress for life.

About this Report

AGL recognises that transparent reporting about our strategy, our performance and our challenges is an essential part of our responsibility to our shareholders and other stakeholders, and to maintaining our licence to operate.

Report structure

This report is designed to be read in its entirety. The required elements of the Directors' Report, including the Operating and Financial Review (OFR) as required by ASIC Regulatory Guide 247, are covered on pages 4 to 93. Commentary on AGL's financial performance specifically is contained on pages 32 to 56, and references information reported in the Financial Report (pages 94 to 169). Note, the declaration forms part of the Financial Report under the Corporations Act.

Integrated Reporting

This report has been prepared with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework, as we believe it provides a useful basis for disclosing how we create sustainable value for our shareholders and other stakeholders over time. We have used the framework to demonstrate how consideration of risks and opportunities (both those arising from our business and those that exist in a broader operational context), our purpose and our values drive our strategy. We have also considered how the execution of our strategy creates value, applying a lens that is broader than financial performance alone.

AGL follows the guidance provided by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures voluntary disclosure framework (TCFD Framework). 'Pathways to 2050', our FY20 TCFD report which accompanies the Annual Report, details how we consider governance, risk management, strategy, and metrics and targets in relation to climate change. A summary of the TCFD disclosures is also included as part of the Environment Business Value Driver scorecard on page 21.

This is the first year that AGL has aligned our disclosures to the Sustainability Accounting Standards Board (SASB) standards for *Electrical Utilities and Power Generators* and *Gas Utilities*. A SASB index is included in the **ESG data centre** on our website which identifies the extent to which each SASB disclosure requirement has been applied. In addition, AGL has continued to prepare our disclosures in accordance with the GRI Standards: Core option. The ESG data centre includes a GRI index that outlines which topic-specific GRI standards have been used in the preparation of this report.

Assurance

The Remuneration Report (page 67 to 90) and the Financial Report (page 94 to 171) have been audited by Deloitte. Deloitte was also engaged to undertake limited assurance of the Key Performance Indicators included in each Business Value Driver scorecard (page 14 to 31) in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board (ASAE 3000). The Key Performance Indicators are to be read in conjunction with the definitions in the Glossary. Full details of the assurance process and outcome are included in the Assurance statement.

Business Value Drivers

The International Integrated Reporting Framework describes six forms of capital (financial, manufactured, intellectual, human, social and relationship and natural) but encourages organisations to adopt a categorisation and terminology appropriate to their business.

In this report, AGL has grouped and defined these capitals into the seven distinct Business Value Drivers outlined below. Icons are used throughout this report to demonstrate how each Business Value Driver links to strategy, risk management and remuneration, and to demonstrate key relationships and trade-offs between Business Value Drivers.

CUSTOMERS
Social and relationship capital
Effective and trusted relationships with residential, business and wholesale customers.

COMMUNITIES & RELATIONSHIPS
Social and relationship capital
The strength of working relationships and trust with key stakeholders; brand and reputation.

PEOPLE
Human capital
The competencies, experience, behaviours, engagement and wellbeing of AGL's people.

ENVIRONMENT
Natural capital
Access to and stewardship and use of scarce natural resources, and AGL's impact on the natural environment, both directly and as a result of the products and services provided.

INFRASTRUCTURE
Manufactured capital
Effective and efficient use of assets throughout the value chain that AGL uses, owns or has control of, to enable delivery of energy to the market and to customers.

SYSTEMS & PROCESSES
Intellectual capital
Availability and development of processes, knowledge, insights, systems and data, including energy portfolio management and customer analytics, to support and enhance business activities.

FINANCE
Financial capital
Access to and management of financial capital to support execution of strategy and investment in growth opportunities through retaining financial market support.

Information about performance and outlook in respect of each Business Value Driver is included on pages 14 to 31 of this report.

Forward-looking statements

This report includes information about AGL's performance for the period 1 July 2019 to 30 June 2020. Any forward-looking statements are based on AGL's current expectations, best estimates and assumptions as at the date of preparation, many of which are beyond AGL's control. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, which may cause actual results to differ materially from those expressed in the report.

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 interconnected goals that form a global benchmark for achieving a sustainable future for all. While many of the SDGs intersect with AGL's operations, the three SDGs we assess as most material to our strategy and operations comprise SDG 13 – Climate Action; SDG 7 – Affordable and Clean Energy; and SDG 9 – Industry, Innovation and Infrastructure.

SDG	Business Value Driver			
13 CLIMATE ACTION	Page 20			
7 AFFORDABLE AND CLEAN ENERGY	Page 24	Page 20	Page 14	Page 16
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Page 24	Page 28	Page 30	

Letter from the Chairman

"I am pleased to present AGL's annual report for the financial year ended 30 June 2020 (FY20)."

Graeme Hunt
Chairman

Last year, for the first time, we produced our Annual Report in a way that was aligned with the principles of Integrated Reporting, combining discussion and analysis of both the financial and non-financial drivers of sustainable value for our business.

We have continued that approach this year, confident that it provides a comprehensive and cohesive view of our strategy, governance, performance and prospects.

FY20 has been a time of unprecedented challenge for many Australians. The impacts of widespread and severe drought, followed by devastating bushfires and the health and economic effects of the COVID-19 pandemic, have been extreme.

I am proud of AGL's role in responding to these crises at a time when our customers, and others that rely on us, have been in need.

Working with government, AGL has acted quickly to ensure that we 'keep the lights on' for our customers while providing carefully targeted financial support to our customers, employees and communities affected.

During the bushfire season, we acted swiftly to provide support to our customers, our people and the affected communities by providing targeted debt waivers and billing pauses for affected customers and bill credits for AGL customers who were front line volunteers.

I am particularly proud of the way AGL and its people are responding during the COVID-19 pandemic, including by adopting new ways of working with a large proportion of the workforce pivoting to remote working while a number of AGL's people at generation sites continue to work with additional health and safety measures in place so that there is no disruption to customer experience and AGL's operations.

> We continue to support our community partners as well as our affected customers through our hardship programs.

As the world continues its response to the COVID-19 pandemic, the full extent of the impact on Australia and its economy remains unclear and energy markets in Australia continue to experience uncertainty and volatility. The impacts on the energy markets to which AGL is exposed, not least wholesale electricity and gas prices have been profound, while many customers are facing levels of hardship that directly impact their ability to pay their bills.

In recognition of the financial stress that our customers are facing as a result of the pandemic, in March 2020 AGL launched its COVID-19 Customer Support Program. The program included access to deferred payments until 31 July 2020 and waiving disconnection and reconnection fees for small businesses forced to temporarily close. AGL continues to provide ongoing payment support options to customers who cannot pay their bills because they have lost their job or business, or because their health has been impacted by the pandemic.

Strategy

Amid this environment, I am pleased to say that AGL retains a robust financial position from which to continue paying dividends, to maintain the performance of the assets we already have, and to invest in new growth opportunities.

Our strategy remains focused on Growth, Transformation and Social Licence. Ultimately, our goal is to be a leader in multiple essential services, with those services being provided in a carbon-neutral manner. Details of how we are targeting to deliver against this strategy are set out on pages 8 to 9 of this Annual Report.

Climate Statement

Consistent with the above strategy, AGL provided an update on how we are getting on with the business of transition. Our new Climate Statement outlines AGL's target to achieve net zero emissions by 2050, and details five key commitments to help manage carbon risk and reach this target, including:

- offering customers the option of carbon neutral prices across all our products;
- supporting the evolution of Australia's voluntary carbon markets;
- continuing to invest in new sources of electricity supply;
- responsibly transitioning our energy portfolio; and
- being transparent.

To maintain transparency and accountability for these commitments, AGL has continued to report under the Task Force on Climate-Related Financial Disclosures (TCFD) voluntary disclosure framework and from FY21, we have included carbon transition metrics in AGL's Long-term Incentive Plan for executives.

Disciplined capital management and shareholder returns

As part of the FY19 results last year, the Board announced an on-market buy-back of up to 5% of the company's issued capital. During FY20, we purchased $620 million in AGL shares and we are on track to complete the buy-back in August.

> We have now returned more than $1 billion to shareholders via on-market share buy-backs since FY17.

AGL declared dividends for FY20 of 98 cents per share, including the 51 cents per share final dividend declared with the full-year result, consistent with our policy to target a 75% dividend payout ratio of Underlying Profit after tax. The FY20 final dividend will be payable on 25 September 2020 with a record date of 27 August 2020.

During FY21 and FY22, AGL intends to operate a special dividend program, which will effectively increase the target dividend payout ratio to 100% of Underlying Profit after tax during this period. AGL is not proposing to pay franked dividends during this period while it utilises historic tax losses. It is anticipated that the additional value provided under the special dividend program will help to offset the impact of the loss of franking for shareholders who value franking credits. Both ordinary dividends and special dividends will remain subject to Board discretion, trading conditions and the ongoing funding and liquidity requirements of the business.

Our guidance for FY21 is for Underlying Profit after tax to be in the range of $560 to $660 million, a material reduction on FY20. This is driven by a number of operating and market headwinds (which are accelerating as a result of COVID-19) and which are driving reduced margin in wholesale gas and electricity; further increases in depreciation expense from recent investment in plant, systems and growth; and further COVID-19 cost challenges. Our cash flow and liquidity remains strong and we have material headroom to fund investment and further capital management initiatives.

Board renewal

During the year, AGL undertook a Board performance and skills review facilitated by an independent third party. This helps to ensure that the Board is well placed to deal with the challenges of today and into the future. The review helped to identify future development areas, and also highlighted various areas of strength.

A copy of the Board's current skills matrix is included in the Corporate Governance Summary section of this Annual Report.

Further details are available online in our annual **Corporate Governance Statement**.

On 1 July 2020, the Board welcomed Mark Bloom as a new non-executive director.

Mark has extensive experience as a finance executive, including holding positions as CFO and executive directorships at both ASX-listed and overseas listed organisations.

His extensive track record, experience in overseeing global and local finance and IT teams and board experience will be a valuable asset to the AGL Board. At this year's Annual General Meeting (AGM), Mark will stand for election by shareholders.

As foreshadowed in last year's Annual Report, after over 11 years' service, Les Hosking will retire from the AGL Board after this year's AGM. On behalf of the Board, I wish to thank Les for his commitment and valuable contribution to AGL over many years and wish him the very best for the future.

We were also pleased to welcome four new members to the Executive Team in FY20: Christine Corbett as Chief Customer Officer, Markus Brokhof as Chief Operating Officer, João Segorbe as Executive General Manager, Strategy & Corporate Development and Elizabeth McNamara as Executive General Manager, Corporate Affairs. John Chambers will also be joining the Executive Team in August 2020 as Executive General Manager, Future Business & Technology.

AGM

This year our AGM will be held on Wednesday, 7 October 2020. In light of the uncertainty and potential health risks associated with the COVID-19 pandemic, this year we will hold a virtual AGM. Shareholders will have the ability to participate remotely via an online platform or by lodging a directed proxy or direct vote in advance of the meeting. Questions can also be submitted in advance of the AGM.

Further details will be provided in the Notice of Meeting, which will be published in late August.

Conclusion

AGL is continuing to work through the evolving impacts of COVID-19, with a focus on ensuring our customers are supported, our assets continue to operate effectively and at the same time prioritising the safety and health of our people, the environment and the communities in which we operate.

On behalf of the Board, I would like to thank AGL's shareholders for their continued support and our Managing Director & CEO, Brett Redman, and the whole AGL team for their hard work and dedication during the year.

Managing Director & CEO's Report

"AGL's strong FY20 result reflects the stability and sustainability of the business during a period of significant upheaval across our markets and in the communities we serve."

Brett Redman
Managing Director & CEO

I'm proud that we've delivered a step change in many of our key metrics on customers, our people and the community, while continuing to deliver returns for shareholders. Our performance is a testament to our strategy and our people.

Fundamental to that performance is our purpose, *Progress for life*, which we launched at the start of the year, and our refreshed values, *Care in every action, Integrity always, Better together, Deliver your best* and *Shape tomorrow*.

On this foundation, we have established strategic priorities of Growth, Transformation and Social Licence. These have guided us through the challenges of the COVID-19 pandemic, the summer bushfires and the drought. They have also provided the framework through which we have delivered growth in total services to customers, reliable and resilient generation output, improved reputation measures, and consistently strong dividends.

AGL has continued to protect and transform our business, while at the same time providing our people, customers and the community with the support and certainty they need to navigate our rapidly changing environment.

A resilient business with solid FY20 performance

AGL's Statutory Profit after tax was $1,015 million, up 12 percent on FY19 as a result of a positive non-cash movement in the fair value of financial instruments. Underlying Profit after tax, which excludes these movements in fair value and Significant Items, was $816 million, down 22 percent, in line with the guidance range we provided in August 2019. The principal drivers of the decrease in profit were the unplanned outage at AGL Loy Yang in the first half, reduction in gas sales volumes, lower wholesale electricity and large-scale generation certificate prices, and increased depreciation and amortisation expense. AGL's cash flow and financial position remain strong, with net cash flow from operating activities after interest and tax up 35 percent to $2,156 million during the period. This strong cash flow has enabled us to undertake $620 million of on-market share buy-back during FY20 and announce our intention to pay special dividends in FY21 and FY22 while we temporarily remove franking from dividends while AGL recoups historic tax losses.

$816m
Underlying Profit after tax

$2,156m
Operating cash flow

Our role in keeping the lights on and gas flowing for millions of homes and business, as well as vital services including hospitals and medical facilities, is critical for Australia and Australians. These essential services are backed by resilient electricity generation and I'm pleased we have maintained our resilient generation output while adapting to COVID-19 requirements. This strong result is testament to our diverse portfolio. We delivered higher year-on-year output from AGL Macquarie, while the Silverton and Coopers Gap wind farms also offset decreased generation arising from the unplanned outage at AGL Loy Yang and lower generation from Victorian hydro assets due to bushfire impacts and severe drought conditions.

Our growth agenda has continued with the acquisitions of Southern Phone Company and Perth Energy, and our grid scale battery projects in New South Wales and Queensland remain on track. Our ongoing business transformation has delivered savings of over $135 million of recurring cost savings over the last two years from systems investment and other efficiency programs funding growth and transformation programs in the business.

Running an essential services business requires a strong safety culture to manage the significant operational and personal safety risks that many of our people experience every day.

I'm pleased that this year we have decreased our combined employee and contractor total injury frequency rate, and that the majority of our injuries were of low or moderate severity. However, any injury of an AGL person or contractor is not acceptable. There is more that we can do to ensure that everyone who works at AGL can go home at the end of the day safe and well.

AGL's ambition to be a leading multi-product retailer

We now provide 3.95 million total services to customers, serving approximately 28% of Australian households as well as a large business customer portfolio that is once again growing.

Our market-leading responses to the crises Australians have endured, along with our continuing investment in digitisation and customer experience, have been instrumental in the increase of 78,000 energy services to customers over the year and taken our Net Promoter Score into positive territory at +2.3 for the first time ever. It is also a clear demonstration of how we seek to embed our social licence priority and the needs of our customers in everything we say and do.

> We are also responding to our customers' demand for services relating to decentralised energy resources such as residential batteries and electric vehicles, and for carbon neutral products.

By the end of FY21 a carbon neutral option will be available on all AGL products – be they electricity, gas or telecommunications – giving all of our customers choice for the cleaner and more sustainable options many are seeking when it comes to their essential services.

We have improved access and digitisation of our services through our Customer Experience Transformation systems investment between FY17 to FY19, provided swift and appropriate support measures for our customers experiencing hardship, and diversified our product offerings into broadband and phone services. We are well positioned to become one of Australia's leading multi-product retailers.

Well positioned for future headwinds

The crises of FY20 have reinforced that we need to continue to embrace and accelerate change and innovation in order to evolve as an organisation, drive transformation in our industry and deliver the high standard of essential services the community requires.

> Our vision for Australia's energy future is that it will be affordable and smart, and delivered from renewable sources that are backed by the flexible energy storage technologies that come together to power our homes, businesses and vehicles. Importantly, it will be low-emissions based.

AGL is in a unique position to contribute to this future and make a meaningful impact on Australia's decarbonisation. Not only do our coal and gas-fired generators ensure Australia's lights remain on, they provide the financial strength for AGL to progress the transition and deliver against our Climate Statement.

In the shorter term, FY21 will be a year of considerable uncertainty as we navigate the COVID-19 pandemic and its economic impact. Market and operating headwinds to AGL's margin continue to grow from the maturing of lower cost gas supply contracts and extreme falls in wholesale prices for electricity and renewable energy certificates. In addition, depreciation expense will again be higher following the completion of recent capital investment programs and insurance, regulatory and compliance costs continue to rise. COVID-19 will lead to higher customer net bad debt expense and potential increased operating costs to ensure safe and reliable continued operation at AGL's generation plant.

Despite the ongoing upheaval in national and global markets, and the increased headwinds expected in FY21, we remain committed to delivering our strategy. Against each of our strategic priorities of Growth, Transformation and Social Licence we have defined 4-year targets against which we will report and track our progress.

We have now set a number of targets for growth and transformation in our business including for customer numbers, products per customer and digital customer interactions, as well as for the ongoing transition of our energy supply portfolio to more flexible and decentralised capacity (see page 8 for more detail). These targets complement the carbon transition metrics we announced with our Climate Statement in June.

> Through the delivery of our strategic priorities and our targets, AGL will evolve to meet our ambition to be Australia's leading essential services provider and play a leadership role in Australia's energy transition, while all the time responding to the needs of our customers.

Our investments in firming technology such as batteries and the Barker Inlet Power Station, and in the development of renewables such as Australia's largest operational wind farm at Coopers Gap, diversify our portfolio, increase our flexibility and put downward pressure on electricity prices for our customers. At the same time, they also respond to the risks and opportunities of climate change.

As we continue to get on with the business of transition this diversification and innovation will continue.

As we look to delivering value for FY21 we are considering how we can support broader efforts to lift Australia's economy as it recovers from the impacts of COVID-19. AGL has several high-quality large-scale projects in the works, the development of which will support job recovery and economic stimulus. We also have the expertise and the workforce to deliver this - be it at our coal plants or wind farms, at our trading desks or on the phone to customers. AGL people are in a unique position to contribute to Australia's economic recovery and energy transition.

Thank you for reading this report.

Five-Year Summary

		FY20	FY19	FY18[1]	FY17	FY16
Income						
Revenue	$m	12,160	13,246	12,816	12,584	11,150
Underlying EBITDA	$m	2,070	2,285	2,236	1,852	1,689
Underlying EBIT	$m	1,317	1,660	1,668	1,368	1,211
Statutory Profit/(Loss) after tax	$m	1,015	905	1,582	539	(408)
Underlying Profit after tax	$m	816	1,040	1,018	802	701
Financial position						
Total assets	$m	14,710	14,821	14,633	14,458	14,604
Net debt	$m	2,723	2,600	2,491	3,178	2,746
Gearing (net debt/net debt + equity)	%	25.0	23.5	22.9	29.6	25.7
Cash flow						
Capital expenditure	$m	729	939	778	518	529
Operating cash flow before interest, tax and significant items	$m	2,520	2,013	2,474	1,362	1,588
Cash conversion	%	122	88	111	74	94
Shareholder value						
Statutory earnings per share	cents	158.4	138.0	241.2	80.5	(60.5)
Underlying earnings per share	cents	127.4	158.6	155.2	119.8	103.9
Dividends declared	cents	98.0	119.0	117.0	91.0	68.0
Payout ratio	%	75.0	75.0	75.0	75.0	65.0
Return on capital invested	%	8.7	10.7	10.6	8.7	7.5
Return on equity	%	10.0	12.5	13.1	10.2	8.3
Customer						
Total services to customers	million	3.954	3.708	3.641	3.653	3.681
Net Promoter Score		2.3	-11.1	-22.5	-18.1	-18.2
Communities & relationships						
RepTrak score		68.3	61.4	61.4	58.4	60.8
Community contribution	$ million	4.3	4.5	4.3	3.5	3.2
People						
TIFR (employees + contractor)		3.3	3.6	2.4	3.1	6.2
High potential near miss : recordable incidents ratio[2]		0.9 : 1.0	0.9 : 1.0	NR	NR	NR
Employee engagement score	%	73	68	N/A[3]	N/A[4]	70
Environment						
Operated Scope 1 & 2 emissions	$MtCO_2e$	42.7	43.2	43.6	43.9	43.8
Controlled generation intensity	tCO_2e/MWh	0.93[5]	0.95	0.96	0.97	0.95
Environmental regulatory reportable incidents		9	12	14	10	16
Infrastructure						
Pool generation volume	GWh	43,828	43,723	43,065	43,099	43,774
Equivalent availability factor	%	76.9	78.4	79.6	84.9	80.1
Systems & processes						
Reportable privacy incidents[2]		1	0	NR	NR	NR

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases.
2. NR - Not reported.
3. No engagement survey was undertaken in FY18, however an engagement pulse survey was undertaken in early FY19, measuring engagement at 62%. This is considered a reflection of FY18 employee sentiment.
4. Employee engagement survey not conducted this year.
5. FY20 generation intensity is calculated on measured emissions from material sources and measured electricity generation, with estimates for minor emissions sources. This metric will be updated later in 2020 and may change.

Additional key performance indicators for each Business Value Driver are included on the scorecards from page 14.

COVID-19 Response

AGL has acted quickly to put in place measures to support our people so that they in turn can ensure that our assets continue to function, and our impacted customers are looked after.

From March 2020, more than 5,000 employees and outsourced partners were transitioned to working from home arrangements to reduce risk to our people and to ensure business continuity. Our teams whose roles are essential to maintaining generation have been provided appropriate support to ensure they can continue to work on site, including splitting teams, providing 24-hour medical assistance, increasing deep cleaning and undertaking temperature testing.

Site-specific pandemic plans have been put in place across our operations, and with our flexible and diverse portfolio, we are well-placed to manage any issues that may arise.

> We are continuing to work closely with governments and regulators to make sure our measures and responses are appropriate to ensure the demands on Australian businesses and consumers are met.

Employees are also able to access special leave for the purposes of caring for others, self-isolation or self-care. All employees and their immediate family members also continue to have access to confidential, impartial and professional counselling and coaching services through AGL's Employee Assistance Program. To date, AGL has not needed to stand down any employees due to the pandemic.

AGL has also provided support for small business suppliers by putting in place arrangements to pay them within 14 days. The majority of the 6,222 invoices received from the 977 identified small business suppliers were paid within 14 days.

AGL's COVID-19 Customer Support Program was launched in March 2020, providing direct relief to AGL residential and small to medium business customers who are unable to pay their energy bills because they have lost their jobs or businesses, or their health has been impacted. Under this program, customers were able to defer payments and have the guarantee of no disconnections. Similarly, impacted commercial and industrial customers could also register for support. Over $51 million debt was registered under these programs as at 30 June 2020.

A range of measures was also introduced to support our Southern Phone Company customers, including lifting data caps on all NBN and ADSL plans, increasing data caps on all satellite broadband plans, removing common social media site usage from metering and providing $0 NBN education plans for low-income families to enable home schooling.

COVID-19 has impacted AGL's electricity demand. We have experienced significant declines in electricity demand from retail, food and beverage customers in particular as these industries have been most significantly impacted by government restrictions, and smaller declines in utilities, finance, health and agriculture which have faced less extreme restrictions in their ability to operate. There has been little observable change in electricity demand from government, manufacturing, mining and communications customers. However, residential demand has increased. Overall, when normalised for weather, electricity demand in the NEM has been roughly flat year on year, and AGL's generation has continued to operate at high utilisation levels.

Electricity forward curves, which were already decreasing for FY21 due to additional supply, have dropped further than previously forecast. Current spot electricity prices are being partially influenced by the pandemic-driven deferral of outages across the National Electricity Market (NEM). Spot gas prices also fell in the first half of 2020, driven by excess domestic gas supply and lower demand from gas generation.

> AGL's low gearing ratio, significant headroom and liquidity means that we are well positioned to manage through this crisis.

We have over $1 billion in cash and undrawn bank facilities, and material headroom not only to our debt covenants but also within our ratings metrics, providing a great deal of flexibility as the crisis progresses and for our capital management thereafter. AGL has run a multitude of severe scenarios to test the strength of our liquidity and credit metrics under stress. Even in the most prolonged and severe scenario analysis our liquidity and headroom are sufficient and we understand the business levers we can pull if necessary.

COVID-19 performance indicators (30 June 2020)

Measure	Performance	Measure	Performance
COVID-19 Support Program (residential/SME)		**Employees**	
Number of applications[1] (residential)	30,622	Number of employees accessing special leave provisions	53
Number of applications[1] (SME)	6,501	Hours of special leave taken	1,325
Overdue debt registered under this program	$31,691,687	Number of employees working remotely (average)	3,730
Total debt registered under this program	$38,004,651	Number of outsourced partners (offshore) working remotely (average)	1,325
COVID-19 impacted C&I customers			
Overdue debt registered	$9,059,071		
Total debt registered	$13,587,826		

1. Each fuel (i.e. electricity and gas) is counted as a separate application.

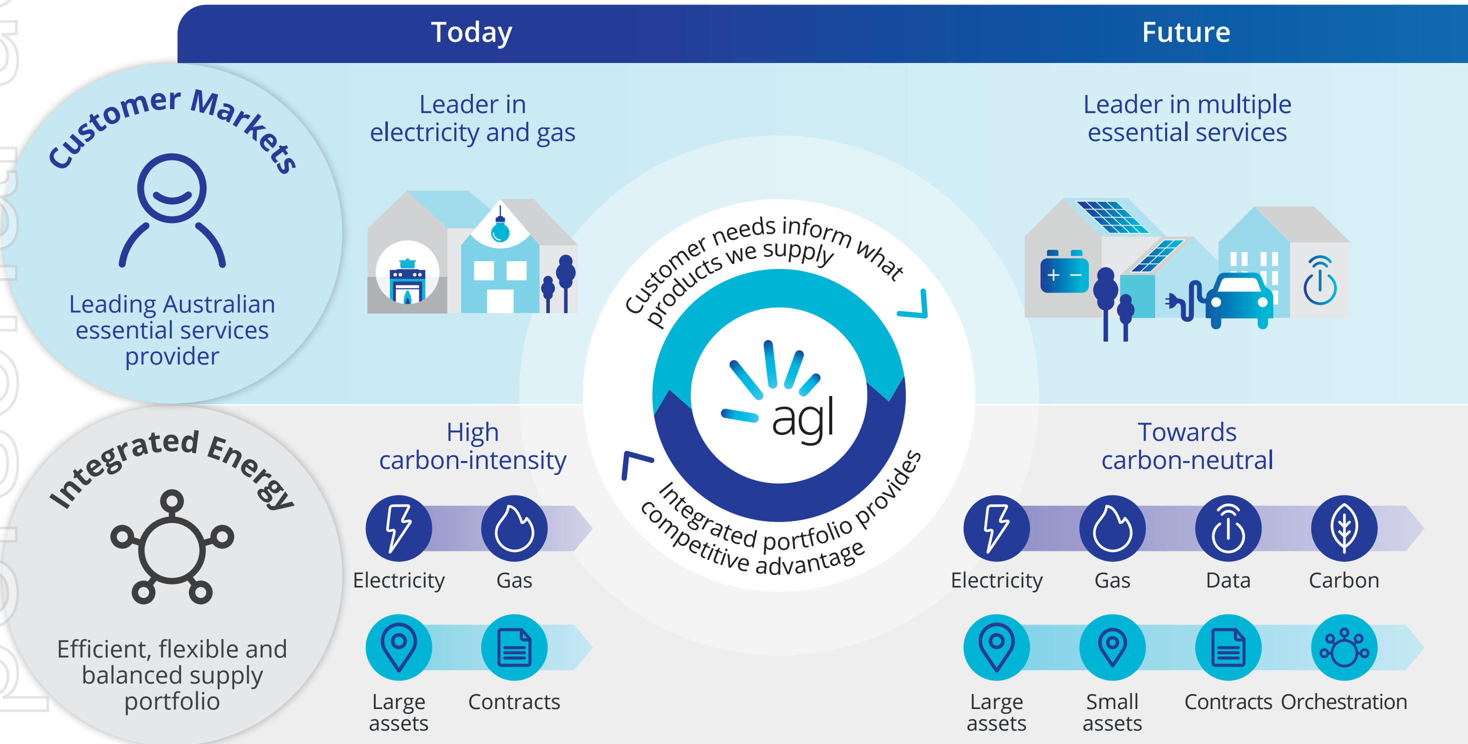
Purpose, Values & Strategy

Proudly Australian for more than 180 years, AGL supplies energy and other essential services to residential, small and large businesses and wholesale customers. AGL is committed to making energy, alongside other essential services, simple, fair and transparent.

Purpose

Our purpose: Progress for life

At AGL, we recognise that we have an important role to play in supporting progress – both human and technological – to make life better for our customers, our people, our communities, the Australian economy and the environment. We recognise that the world is going through extraordinary challenges. We embrace difficult issues, consider the answers carefully, and we take action to shape a better future for all. As a business, we have constantly evolved over the past 180 years. Today, we bring all that know-how to transform how Australians produce, share and consume energy. We're investing in new ideas, partnerships and infrastructure – renewing and expanding our portfolio of energy sources and products to make them more sustainable, reliable, affordable and useful. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.



Strategy

Strategic priorities

AGL has three strategic priorities: Growth, Transformation and Social Licence.

Growth reflects the need for AGL to accelerate investment in new opportunities to meet evolving customer needs. This is especially important as traditional sources of value such as thermal electricity generation decline and may ultimately need to be replaced altogether.

Transformation reflects AGL's need to reposition, refresh and reinvigorate the business in a changing world, especially as digital technology continues to alter customers' expectations.

Social Licence reflects the need to meet and exceed rising community expectations at a time when we need to rebuild fallen levels of trust in large institutions. During FY20 shared value has been delivered by focusing on programs that recognise customers for their loyalty, partnering with the communities where we operate, and becoming a purpose and values-led organisation. This includes supporting our people, customers and communities through crisis including COVID-19, bushfires and drought.

Values

Care in every action:
Physical and psychological safety first; Responsible and sustainable in all our actions; Always considering our environment; Putting yourself in other people's shoes.

Integrity always:
Doing the right thing; Being open and accountable; Having courageous conversations; Keeping our promise.

Better together:
Breaking down silos; Being respectful and inclusive of all; Seeking out diverse perspectives; Building collaborative partnerships.

Deliver your best:
Going the extra mile for our customers; Constantly looking to improve; Staying resilient when setbacks happen; Making excellence part of every day.

Shape tomorrow:
Having courage to explore new possibilities; Embracing opportunities to grow; Approaching challenges with a can-do attitude; Keeping the future in focus.

By FY24 we are targeting...	Growth	Transformation
	4.5 million services to customers *(3.9 million today)* **1.6 products** per customer *(1.4 today)*	**65%** of energy services to customers are digitally active *(37% today)*
Social licence	Reptrak score **above 70** *(68 today)*	**20%** of total revenue from green energy and carbon neutral products *(11% today)*
	850 MW grid scale batteries installed and managed *(30 MW today)* **350 MW** decentralised assets under orchestration *(72 MW today)*	**34%** of electricity capacity from renewables and clean storage *(22% today)*

Capital allocation framework

To assist stakeholders with monitoring and understanding the principles by which we make decisions about financial capital we communicate our performance relative to four capital allocation principles.

Capital allocation principle	Outcome
Run existing business for optimal performance and value	~$600m sustaining capex forecast in FY21; continued assessment of optimal balance between investment and return in core assets. $135m of recurring opex efficiencies re-invested since FY18; further ~$100m to be reinvested in FY21.
Maintain strong balance sheet and dividend policy	Ongoing optimisation of borrowings to extend tenor and realise benefit of low interest rates. Policy dividend pay-out ratio of 75% of Underlying Profit after tax; special dividends anticipated to increase effective pay-out ratio to 100% in FY21 and FY22.
Invest in growth pathways to deliver future value and prosperity	~$170m growth capex forecast in FY21; headroom to support new investment opportunities as and when they arise. Continued application of disciplined hurdle rate 300 basis points above WACC.
Return excess liquidity to shareholders	On-market share buy-back: $620m returned to shareholders in FY20, expected to be completed shortly. Special Dividend Program in FY21 and FY22; ongoing capital management headroom subject to ongoing liquidity requirements.

Operating Environment

Our business exists in an environment influenced by internal and external factors both in and out of AGL's control. We use several processes and techniques to identify risks and opportunities in our external operating environment, facilitate strategic decision making and drive resource allocation. This ensures we are best placed to mitigate negative impacts while capitalising on opportunities to deliver value to our customers, shareholders and other stakeholders.

AGL recognises the importance of embedding robust processes to effectively achieve our strategic priorities even when faced with changes in our external operating environment, and is committed to ongoing engagement with our key stakeholders to ensure that concerns are communicated and factored into decision-making. AGL's approach to the management of our strategic risks, and to stakeholder engagement, is set out below. These processes are central to AGL's identification of its key areas of focus for FY20 and have, in turn, informed the content of AGL's 2020 Annual Report.

Strategic risks

AGL's comprehensive, enterprise-wide risk management program, which is aligned with the principles and requirements of the international standard for risk management (ISO 31000), is detailed in the 2020 Corporate Governance Statement at **agl.com.au/corporategovernance**.

> Through this framework, we identify factors that are critical to the successful delivery of our strategy and our ability to create value into the future.

We undertake a comprehensive annual process to assess the key risks to achieving our strategic priorities over the next three to five years. We define these as Tier 1 Strategic Risks. The Tier 1 Strategic Risks for FY20 (as identified at the end of FY19) are summarised on the following page.

Risks are assessed through the lens of AGL's strategic priorities of Growth, Transformation and Social Licence by undertaking an extensive consultation process across each division of AGL involving key senior management representatives and operational managers to gain an understanding of strategic risks relevant to their area. This process is designed and facilitated to allow common concepts to arise and their implications in relation to each Business Value Driver to be considered.

> Risk mitigation strategies are in place for each of these risks, and the risks have been monitored throughout FY20 by the Audit & Risk Management Committee.

The COVID-19 pandemic has impacted AGL's strategic, financial and operational risk profiles, broadly increasing AGL's risk exposure. Despite this, AGL's business remains relatively resilient to the external shocks resulting from the pandemic. In addition, measures implemented by AGL through crisis management governance continue to prepare the organisation for the ongoing and medium-term impacts of the COVID-19 crisis, including recovery phases. The pandemic continues to present challenges and the outlook is inherently unpredictable, particularly the depth and impact of a recession.

The broad changes identified in AGL's strategic risk profile over FY20 comprise:

- An increase in financial risk (**wholesale market pricing and volatility** and **market disruption**). The pandemic and its economic impacts have led to uncertainties in electricity pricing and increased credit risk. While the current position is better than forecast, there remains significant uncertainty on the depth and length of any recession.
- Operational and people related risks (**resilience of generation**, **organisational culture**, **customer privacy** and **cybersecurity**) increased in the short term but then reduced to some degree as the pandemic progressed and additional mitigations were adopted by the business in response. This will continue to evolve as the pandemic progresses to the 'new normal' and as new threats emerge. Crisis management and executive team governance will continue to monitor this closely.
- AGL's longer-term strategic risks (**government intervention**, **regulatory intervention** and **climate change**) remain and have been heightened by the uncertainties created by the pandemic. The pandemic will likely continue to change the external context, particularly in relation to how government policy evolves. This leads to greater uncertainty and higher risk for AGL in the interim.

Legend

- Increasing risk level compared to FY19
- Small increase in risk level compared to FY19
- Stable risk level compared to FY19
- Decreasing risk level compared to FY19

Tier 1 Strategic Risk	Risk level over FY20	Relevant Business Value Driver
Market disruption: AGL does not (or cannot) adequately or appropriately respond to changing customer expectations and preferences regarding energy sources, prices and related products and services.		
Government intervention[1]: AGL is not able to effectively anticipate, plan or respond to an increasing uncertainty regarding government policy.		
Regulatory intervention[1]: AGL is not able to effectively anticipate or plan for regulatory intervention, or added restrictions and diversion of resource puts wider business objectives at risk.		
Climate change: AGL is unable to meet expectations and/or deliver on its commitments to transition to a low carbon future within an acceptable timeframe.		
Investment decisions: AGL's major investment decisions do not deliver on their intended benefits or outcomes for shareholders, customers and the community.		
Stakeholder trust: AGL's strategy to deliver on its social licence to all stakeholders is unclear, inconsistent, and/or poorly executed.		
Customer privacy: AGL does not obtain, handle, process and store customer data in an appropriate, compliant, transparent or secure manner.		
Organisational culture: AGL is unable to foster a resilient and agile organisational culture that is built on strong and ethical behaviours, talented people, a focus on safety, and a customer-centric mindset.		
Resilience of generation[2]: AGL is unable to generate and maintain a resilient energy supply.		
Wholesale market pricing and volatility[2]: AGL is unable to effectively manage the impact of wholesale price changes and market volatility.		
Access to gas: AGL is unable to source sufficient quantities of gas to meet its future demand.		
Cybersecurity: AGL's critical systems, platforms and technology infrastructure are compromised by a cyber event.		
COVID-19 operational response[3]	New / emerging	

1. The previous 'government intervention' risk in FY19 has been split into two risks: 'government intervention' and 'regulatory intervention'.
2. Risk name/definition has been updated slightly since FY19.
3. New for FY20.

Stakeholder issues

We engage in constructive dialogue with our stakeholders throughout the year to understand and respond to issues that are important to them, and to ensure our strategy and plans consider the legitimate concerns of stakeholders as well as the impact of emerging trends.

Key issues for our stakeholders during FY20 are summarised below, and have been mapped to the relevant Business Value Drivers. The stakeholder issues were identified based on customer and community sentiment research, employee consultation exercises, regulator and consumer group publications and AGL-commissioned external research, as well as discussions with subject matter experts throughout AGL.

Stakeholder issue	Relevant Business Value Driver
Affordability	
Climate change	
Liddell Power Station closure	
Local environmental impacts	
New supply / security of supply	
Reliability	
Safety	
Support for vulnerable customers	

AGL's 2020 Annual Report and the accompanying disclosures in the FY20 **ESG data centre** have been prepared in accordance with the GRI Standards: Core Option. This requires the identification of 'material themes', defined as areas in which AGL has a significant impact on the economy, the environment and/or society. These themes are available in the GRI Index in the **ESG data centre**, and have determined the nature of the disclosures required for AGL to meet the Core Option.

How We Create Value

Our value creation model depicts how we create value through seven Business Value Drivers, by identifying our key inputs, the activities we perform, and the resulting outputs and outcomes in terms of value creation.

Inputs

We use a range of resources and relationships (or 'capitals') to create value and deliver on our strategy and business purpose. These are grouped under seven Business Value Drivers, and the inputs are summarised as follows:

CUSTOMERS
Customer accounts and relationship quality

COMMUNITY & RELATIONSHIPS
Brand and reputation and quality of relationships with stakeholders

PEOPLE
Culture, leadership, capability, diversity and inclusion and safety

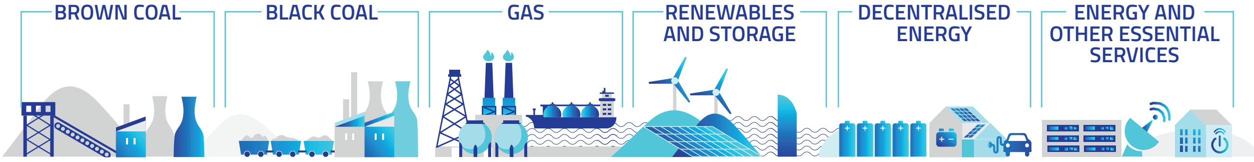
ENVIRONMENT
Black and brown coal, gas, water and land

INFRASTRUCTURE
Operated electricity generation assets, gas storage assets and other gas infrastructure

SYSTEMS & PROCESSES
Processes, innovation, knowledge, insights and systems, and energy supply contracts

FINANCE
Liquid assets (cash, investments), debt facilities, credit rating, shareholders and the ability to raise equity

Activities



Outputs

We generate 43.7 TWh of energy annually, and in turn supply around 39.4 TWh of electricity and around 153.8 PJ of natural gas as well as telecommunication and energy-related products and services to residential, small and large business and wholesale customers.

Value creation outcomes

We maximise the value created for shareholders and other stakeholders by operating our business and assets efficiently and effectively; managing risks; investing in people, systems and processes; securing efficient financing; minimising our environmental footprint; developing and delivering the right products and services; engaging with stakeholders and ensuring we maintain our licence to operate. These outcomes are disclosed on each Business Value Driver scorecard.

Key relationships and trade-offs between Business Value Drivers

Every decision that AGL makes may have a positive or negative influence on one or more of its Business Value Drivers. AGL must therefore balance a number of competing influences in its decision-making processes. The need to create value for all stakeholders must also be balanced with the financial impact of decisions on AGL's overall position. This includes weighing up the need to maintain short-term financial performance while also creating long-term value for shareholders. Some of the key relationships and trade-offs between AGL's Business Value Drivers are summarised below.

Energy transition

We believe that the energy transition will be led by customer demand, how communities act, and how technology evolves. We recognise that a balance needs to be struck between community expectations in relation to decarbonisation of Australia's energy sector with the role that our coal-fired power stations currently play in supplying affordable and reliable electricity to our customers. Our thermal assets remain significant emitters of greenhouse gases, however we continue to run these assets responsibly as we work towards their closure, investing capital to improve the reliability and flexibility of their output without increasing their emissions intensity.

End of life asset planning

As we undertake end of life planning for our thermal assets, we are addressing safety concerns from ageing infrastructure as well as issues of local community economic sustainability, and the broader community's desire for carbon-intensive assets to be closed. When planning for asset closures we are mindful of the impact that this will have on our people who work on these assets and on the communities where they are located. AGL has committed to no forced redundancies when we close the Liddell Power Station and we expect to provide retraining opportunities as we re-purpose the site and progress plans to provide new sources of energy supply.

Development projects and operational sites

Our existing and potential investments in energy infrastructure create both social and economic opportunities and potential impacts in the communities in which they are located. We expect our investments in energy supply to contribute to the long-term affordability and reliability of energy. While such investments will benefit our customers and the community and economy more broadly, we recognise the need to balance these benefits with the specific needs of the communities and environment in which our projects are located.

Digital capability

Changing energy customer preferences and the rapid digitisation of our business has been accompanied by significant investments in systems and processes. These investments help our people to undertake their work more effectively, which in turn allows us to deliver a superior customer experience. Making it easier for customers to interact with us also means we can operate more efficiently. In addition, investing in customer insights and analytical capabilities enables us to deliver better products and services that meet the changing needs of our customers.

Customer-centric culture through values-led organisation

We are focused on continuously improving our organisational culture to become a purpose and values-led organisation because we recognise that investing in our people and culture will ultimately allow us to deliver better outcomes for our customers and the community. In turn, we recognise that making responsible decisions in respect of our customers and communities fosters a sense of trust in AGL, which can lead to the improved engagement and wellbeing of our people.

Supporting vulnerable customers

AGL supports a shared-responsibility approach to addressing energy affordability issues across the community, which takes into account the responsibilities and strengths of customers, industry, government and the community sector. The collaborative approach we take with other participants across the energy supply chain (e.g. through the Energy Charter) leads to a broad recognition of the need for the energy industry as a whole to adopt a more customer-centric approach. We also recognise that during times of crisis (e.g. 2019/20 summer bushfires, drought, and the COVID-19 pandemic), we have a role to play in supporting customers and the community when they are at their most vulnerable. While investing in support programs may impact AGL's short-term earnings, we understand that it is necessary for the long-term health of the economy and our customer base.

While we do not own or operate electricity or gas transmission or distribution infrastructure, we rely on this infrastructure to deliver energy to the market and to our customers.

Business Value Driver

Customers

Effective and trusted relationships with residential, small and large business, and wholesale customers.

With more than 3.95 million total services to customers, our customers are one of our most important assets. We finished FY20 with a net promoter score of +2.3, the highest that AGL has ever achieved, demonstrating our significant investment in improving our customers' experience.

As demonstrated by the COVID-19 pandemic, drought and the 2019/20 bushfire season, any customer can experience a period of unexpected vulnerability. As an essential services provider it is critical that we support customers through difficult times by implementing measures that go above and beyond our regulatory obligations. Measures to support customers impacted by the COVID-19 pandemic are outlined in the COVID-19 Response section. Additionally, we supported customers through the bushfires by providing energy bill credits for AGL customers who were front-line volunteers, while Southern Phone Company waived all January bills for bushfire-affected customers as well as for volunteer firefighters and SES across the country.

In addition, AGL's online Here to Help tool helps customers by providing tailored financial assistance options, identifying relevant concessions and grants that they are entitled to, providing tips to help them manage their account and energy usage, and linking them to other support that can help them get back on their feet.

We also relaunched our Farmers and Business Assist program in FY20 in recognition that rural communities and businesses are facing particularly challenging circumstances with ongoing unpredictable weather and events. This program assists eligible rural small businesses from drought-affected regions through measures such as debt relief and financial assistance on the installation of solar panels.

Since FY19, our focus has been on building customer loyalty with affordability initiatives such as our Safety Net for standing offer customers. In FY20 this commitment continued, with our decision to proactively reduce price for 90,000 customer services to equal or be less than the 2019 Victorian Default Offer rate, post any existing benefits being applied.

FY20 has also seen AGL achieve strong growth in customer numbers despite a reduction in the pool of available customers seeking to switch, as market churn rates have fallen. Over the past two consecutive years we've increased by over 140,000 services, 78,000 in the last 12 months. This is against a backdrop of both fierce competition and regulated price changes. Our Customer First Program has resulted in a large drop in customer complaint volumes due to the implementation of system, process and people changes to address customer pain points. By understanding and fixing customer pain points we have significantly improved the customer experience.

More customer accounts have moved online in FY20, as we continue to make it simpler and easier to access account information and interact when and where it suits. As customers become more connected and empowered, they demand more flexibility and control. We continue to develop products and services for the connected customer that empower choice and deliver value by helping them manage their energy use. For example, we have had good customer uptake of our Peak Rewards demand response programs in Victoria and New South Wales, under which customers are able to receive financial benefits for reducing their consumption during peak demand events. Over 20,000 customers signed up to this program in New South Wales and customers participated in six peak events. The first Victorian peak event was also very successful and led to a demand reduction of 4.5 MW.

Two years into our commitment to the Energy Charter, putting customers at the centre of our decision-making, along with bringing the voice of the customer into all aspects of our business, continues to be a strong focus. We also continue our support for vulnerable customers through our Staying Connected program, affordability initiatives and energy literacy programs. Our senior leaders have their remuneration tied to customer advocacy.

3.95 m
Total services to customers

28%
Australian households served

+2.3
Net promoter score

More information

Historical data on various customer indicators from FY16-FY20 (including energy volumes sold, and consumer and business markets by state and fuel type) is available at **2020datacentre.agl.com.au**.

The Energy Charter, to which AGL is a signatory, is available at **energycharterpanel.com.au**.

Creating value

Building trusted customer relationships

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, an improvement of 13.4 points from FY19. While this reflects an improvement of sentiment toward the energy industry more broadly, AGL has received a positive response to our support for customers during COVID-19.

Ombudsman complaints have reduced by 31% compared to FY19. This decrease in complaints reflects the structural improvements that have been made to improve the customer experience. Frontline staff have been provided with the tools and information they need to resolve customer queries quickly, particularly in relation to billing issues, and are empowered to deal with complaints themselves rather than redirecting customers to other areas in AGL's business.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Net Promoter Score (NPS)	+2.3	-11.1	-22.5	-18.1	-18.2	FY21: Targeting continued positive trend in NPS
Ombudsman complaints	7,731	11,138	11,413	12,277	14,176	FY21: ≤ 7,731

Energy affordability

AGL's commitment to going above and beyond our regulatory obligations is demonstrated by our extensive energy literacy and affordability programs and the help we provide to get concessions to the right people. For example, during FY20 we have been working with customers in Queensland to complete rebate application forms, making the application process easy for the customer and ensuring they receive the appropriate government assistance.

Staying Connected customer numbers have decreased in FY20. There was a reduction in customers entering the program due to an improved uptake of alternative medium-term payment solutions that allow customers to manage their consumption and arrears over a longer term, as well as an increase in customers successfully completing the program as a result of overall program enhancements. Additionally, we have seen a preference for customers to access the COVID-19 Customer Support Program over Staying Connected. The average debt across both Staying Connected customers and the mass market portfolio has also decreased, despite AGL having over $38 million of debt registered under our COVID-19 Customer Support Program. Refer to the COVID-19 Response page for more details.

KPI	FY20	FY19	FY18	FY17	FY16
Number of customers on Staying Connected	28,051	30,083	26,657	31,463	39,366
Average level of debt of customers on Staying Connected	$2,293	$2,301	$2,502	$2,171	$2,255
Total average debt across mass market customer portfolio	$319	$331[1]	$501	$438	$422

1. During FY19 AGL updated the methodology used to calculate total average debt across mass market customer portfolio to incorporate all AGL customers rather than just those with debt.

Growth in customer numbers through innovative products and services

AGL has enjoyed strong customer growth in a challenging market with reductions in market churn, particularly in the second half of FY20, reducing the pool of available customers seeking to change energy providers. Customer energy services increased by over 78,000 compared to FY19. Our total services to customers increased by over 246,000 to 3.95 million, with the acquisition of Southern Phone Company in December 2019 adding over 167,000 broadband and phone services to our portfolio.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Total services to customers	3.954 m	3.708 m	3.641 m	3.653 m	3.681 m	FY24: 4.5 m services to customers FY24: 1.6 products per customer
Customer churn	14.3%	17.6%	18.9%	16.4%	15.7%	-

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

The uncertain economic conditions arising from the COVID-19 pandemic are likely to result in new cohorts of customers needing assistance for the first time, making affordability and customer vulnerability essential focus areas. Difficult times provide the opportunity to earn customers' trust by providing the support they need to keep the lights on. A large, healthy and engaged customer base is essential for future growth as we become a modern, multi-product retailer offering choice and value. By building trust and improving the customer experience in FY21, we will reinforce a strong platform from which we can deepen our customer relationships into adjacent markets such as telecommunications and smart home orchestration. We also plan to further develop our digital capabilities, with plans to roll out our Peak Rewards program across all States throughout FY21.

Communities & Relationships

The strength of working relationships with key stakeholders; our brand and reputation.

Our social licence objective is to meet and exceed rising community expectations. Building trust with our broad set of external stakeholders is founded on our ability to listen to their priorities and concerns, respect and balance their needs in our decision-making, and continuously measure and improve outcomes. Our enterprise-wide Social Licence Program was established to drive cross-functional consideration of how we address these issues.

AGL strives to make a net positive social, economic and environmental contribution to the communities in which we operate. A wide variety of people and groups are interested in, or affected by, the decisions that AGL makes. We proactively engage with our stakeholders on relevant issues in ways that are most appropriate to each group. We understand that the current state of energy market transition and policy uncertainty can lead to challenges, and we consider it important to understand the different views and perspectives held by our stakeholders.

We conduct sentiment surveys every six months across our major operating communities to understand key local issues, attitudes towards AGL, the energy industry and its transition, and to identify opportunities to better partner with communities. The results of the most recent survey indicated that the most prominent national issues of concern were environment/global warming, jobs and employment, and the impact of COVID-19 on the health of Australians. This data informed our areas of focus for FY20.

We understand and acknowledge our significant role in the energy transition, and we support the communities in which our thermal assets operate in the Hunter Valley and Latrobe Valley as we plan for asset retirement. As we prepare for the retirement of the Liddell Power Station, we are engaging with local business, industry and governments to identify further opportunities for economic diversification and job creation in the Hunter region. We have committed to no forced redundancies when the power station closes, and in FY20 this was formalised through its inclusion in the 2020 AGL Macquarie Enterprise Agreement. We are also working closely with our employees and unions through the Transition Working Group to understand training, redeployment opportunities and other support services we can offer as we approach closure. Work is also underway to develop the Future U Hub, a centre aimed at providing outplacement services, support and training programs to employees, their families and embedded contractors onsite.

For new development projects, our approach to community engagement is based on principles of transparency and open engagement with all stakeholders. For the Crib Point LNG import project, AGL has regularly engaged with a range of stakeholders since the project's inception in July 2017. Community feedback has related to issues including potential impacts to the marine environment and along the pipeline route, safety of the terminal and the rationale for the project. This feedback has been important to informing the design of the terminal and pipeline alignment, as well as the scope of 17 specialist studies and impact assessments prepared for the project's Environment Effects Statement.

More broadly, we work with government stakeholders at all levels on critical energy-related issues, with these relationships particularly important in the context of the major system/market transition and ongoing policy uncertainty. We act in good faith with all government stakeholders, and seek to be a trusted partner of government and contribute to policy development through the provision of data and technical expertise where useful. We regularly assess our government engagement to identify areas of strength and opportunity.

As a provider of essential services and a major regional employer, supporting our communities through the drought and bushfires of FY20 has been a priority. In response to the devastating fires over the summer of 2019/2020, AGL has committed $350,000 to supporting recovery efforts in our local communities (in addition to the range of customer support measures introduced). This included $200,000 donated to the Gippsland Emergency Relief Fund in January to provide immediate support to one of our hardest-hit operating communities. The relaunch of our Farmers and Business Assist program in FY20 has also provided much-needed support to small businesses in drought-affected regions, through access to debt relief and financial assistance on the installation of solar panels.

Creating value

Measuring our reputation

AGL's RepTrak score has improved by 6.9 points to 68.3 in FY20, the highest score recorded since tracking began. This reflects improvements in the overall reputation of the energy/utility industry which recorded a greater proportion of Australians rating the reputation of the industry positively rather than negatively. AGL's reputation score was driven by improvements across all drivers including the key reputation drivers for the energy/utility industry of Citizenship, Governance and Products & Services. AGL experienced the largest year on year movement in the Workplace driver, which includes attributes relating to equal opportunities in the workplace, concern for the health and wellbeing of employees and rewarding employees fairly.

KPI		FY20	FY19	FY18	FY17	FY16	Target
RepTrak score		68.3	61.4	61.4	58.4	60.8	FY24: >70

Transparent policy and industry engagement

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. Submissions to government processes are published on AGL's online channel, **The Hub**. Further, the community expects that corporations should not have an undue level of influence on government policy by providing financial contributions to political parties that could result in, or could be perceived to result in, preferential treatment. We adopted a Political Donations Policy in August 2015, which prohibits AGL from making political donations. No political donations (monetary or in-kind) were made during FY20, nor were any political donations made through third parties.

During FY20 AGL developed an Industry Association Membership Policy. This policy formalised our commitments to monitor the policy positions and public advocacy of industry associations of which we are a member and to disclose all memberships, membership fees, and areas where AGL's policy positions differ materially from the associations of which we are a member. We undertook a review of the associations of which we are a member to determine areas of material policy difference, association utilisation and value for money, the results of which are available in the **ESG data centre**. As a result of this review, we made the decision not to renew our membership of a number of organisations for FY21.

Community contributions and investment

We invest in the communities in which we operate through a structured program of community investment. Almost $4.3 million was invested in the community over FY20 in a wide range of initiatives in our operating communities to support local organisations and priorities, including the Powering our Communities fund, which provides solar systems to local community groups nominated by our employees. While we have increased our investment in several areas, our completion of the Gloucester Independent Community Legacy Fund in FY19 was the largest contributing factor to the reduction in overall investment in FY20. We are reviewing our investments to ensure they continue to deliver benefits for our stakeholders and AGL.

We are also committed to supporting local businesses in our community, through, for example, national contracts with local suppliers (for example, all our Personal Protective Equipment is supplied by a business in the Latrobe Valley) and providing favourable payment terms for small businesses. In addition, to lend support as the economy was hit by the impacts of the COVID-19 pandemic, we introduced measures to ensure that small business suppliers were paid by AGL within 14 days.

We are committed to meeting all our tax compliance obligations, and to providing our stakeholders with information about the taxes we pay. In this regard we have adopted the Board of Taxation's voluntary Tax Transparency Code.

KPI		FY20	FY19	FY18	FY17	FY16
Community contribution		$4.3 m	$4.5 m	$4.3 m	$3.5 m	$3.2 m
Underlying effective tax rate	NA	28.3%	29.1%	29.5%	29.6%	29.0%

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

We will continue to evolve our Social Licence Program, anchoring it to critical stakeholder issues where we need to build and maintain trust. For FY21 we have defined four focus areas: affordability and customer vulnerability; climate and environment; economic recovery and resilience; and making and shaping markets. As part of our commitment to reconciliation, we are developing our inaugural Reconciliation Action Plan (RAP) which will be launched in FY21.

More information

Visit **2020datacentre.agl.com.au** for various measures of community investment. Information about the ways in which we engage with local communities is available on our website at **agl.com.au/about-agl/how-we-source-energy**.

AGL's Industry Association Membership Policy is available at **agl.com.au/about-agl/who-we-are/our-company**.

Information about the taxes that we pay and the taxation policies that we employ (meeting the requirements of the ATOs' Tax Transparency Code) is available at **agl.com.au/about-agl/who-we-are/our-commitments**.

People

The competencies, experiences, behaviours, engagement and wellbeing of AGL's people.

It is important that AGL has a strong and effective workforce to deal with the complexities that our industry faces. We believe that progress is powered by our people, and attracting, developing and retaining the right people will enable us to build a safe, purpose driven, and values led culture that delivers progress for our customers and stakeholders.

We recognise that having an engaged workforce is critical for AGL to deliver value, and we are proud that AGL's employee engagement score improved by five percentage points to 73% in FY20. While there is still more to do, the steady improvement over the past two years is proof that the actions we've taken are making a difference.

During FY20 we made significant progress in anchoring our culture in our purpose and values through aligned and integrated people programs including a targeted values activation campaign along with embedding our values in approaches to recruitment, performance, talent and leadership development.

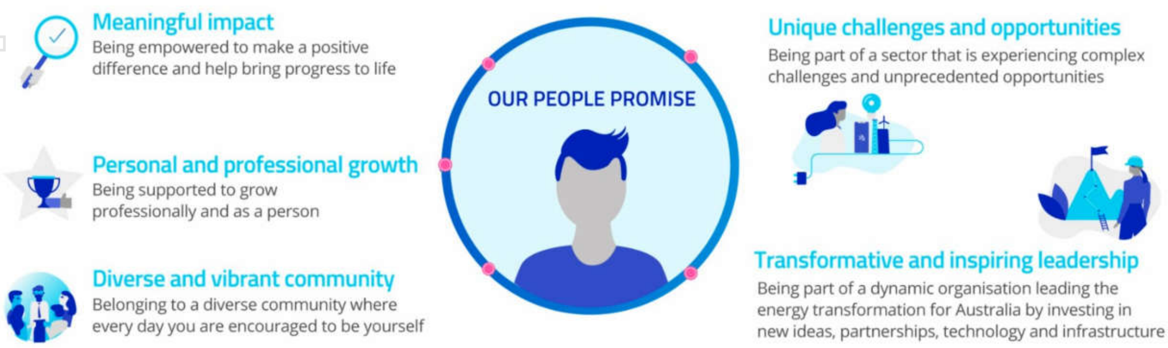
We continue to prioritise the engagement of our people with continued focus on two specific areas – keeping our employee promise and making it safe to speak up. In FY20 we provided a suite of development programs focused on strengthening trust and connection. In FY20, we also developed our People Promise, which highlights the unique experience that differentiates AGL as an employer across five key dimensions (as set out below).

We know inclusion is an essential ingredient that unlocks diversity of thinking - helping us to innovate, problem solve and deliver for our customers and communities. Our Diversity and Inclusion Strategy is focused on six key dimensions: gender; LGBTI+ inclusion; families and careers; family and domestic violence; disability; and cultural identity. We have active employee network groups supporting the strategy including dedicated groups to focus on the specific needs and priorities of our operational sites. We were proud to be named a Gold Employer at the 2020 Australian LGBTQ Inclusion Awards.

To meet the needs of our customers and thrive in a changing market, we need to continue to evolve our approach to developing our people. FY20 saw the formation of a central Learning and Development capability to drive focus on personal and professional growth in support of the achievement of organisational goals.

The safety of our people is our first priority. Our Target Zero strategy, which starts with the belief that all incidents are preventable, focuses on three pillars: visible leadership, fundamental risk management and simplified systems. During FY20, we rolled out a new digital Critical Control Checks app to help our leaders report insights that we can use to develop more targeted injury prevention programs. The Safe System of Work framework was also implemented across our operating fleet and is starting to deliver improved safety outcomes.

We are committed to ensuring our corporate governance framework, policies and practices reflect a high standard of ethical behaviour and accountability. During FY20 we updated the AGL Code of Conduct to drive behaviours aligned with AGL's values. We also developed a new Human Rights Policy with the purpose of ensuring that our people and business partners operate in a way that respects, upholds and contributes to the realisation of human rights through our operations, business relationships and supply chains.



4,167
Number of employees (headcount)

3,988
Number of employees (FTE)

73%
Employee engagement score

Creating value

Safety and wellbeing

TIFR for employees and contractors decreased from 3.6 to 3.3, however we recognise that there is still more to do to drive our safety performance to zero injuries. While the total number of reportable incidents has increased, the majority of TIFR injuries were of low or moderate severity. Key contributing factors to injuries sustained included inadequate identification and control of hazards, mind on task/distraction issues, and incorrect techniques and work methods used for routine tasks. Contractor performance has improved due to increased focus across our operations and the utilisation of the Contractor Management Framework. Employee mental health has been a key focus in FY20, in particular during the peak of the bushfires and COVID-19 pandemic restrictions. We provided additional support to our Army Reserve members and volunteer firefighters, digitised our Better Mental Health programs to ensure employees had access to these programs during isolation and held COVID-19 specific webinars with an organisational psychologist to raise awareness of better mental health and wellbeing strategies.

KPI	FY20	FY19	FY18	FY17	FY16	Target
TIFR employees	2.6	2.1	1.2	2.0	4.3	-
TIFR (employees + contractors)	3.3	3.6	2.4	3.1	6.2	FY21: ≤ 3.4, always aiming for zero injuries
Fatalities (employees + contractors)	0	0	0	0	0	FY21: 0
High potential near miss: recordable incident ratio	0.9:1	0.9:1	Not reported	Not reported	Not reported	FY21: ≥ 0.9:1

Culture and values

AGL achieved a five percentage point improvement in employee engagement over FY20, driven by delivering on our People Promise through investment in growth and development, striving to ensure our values are lived and not just stated, and strengthening trust and connection to enable our people to feel safe to speak up and contribute to AGL's future success. AGL has a clear aspiration for the proportion of females in AGL's senior leadership pipeline (SLP) to reach 50%, however this has remained at 38%, consistent with FY19. A significant proportion of the workforce at AGL is weighted to traditionally male-dominated vocations, more specifically the very stable workforce in our operational sites. AGL acknowledges that a 50/50 split for our overall SLP will take longer than three years to achieve.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Employee engagement	73%	68%	Not measured[1]	Not measured	70%	FY21: ≥ 73%
Gender mix in SLP (% female)	38%	38%	42%	38%	34%	FY23: Meet gender diversity objectives outlined in AGL's Corporate Governance Statement
Material breaches of Code of Conduct	0	0	Not reported	Not reported	Not reported	FY21: 0

1. No engagement survey was undertaken in FY18, however an engagement pulse survey was undertaken in early FY19, measuring engagement at 62%. This is considered a reflection of FY18 employee sentiment.

Talent and leadership

The improvement in key talent retention is consistent with an overall trend of lower turnover as well as a renewed focus on succession and development of key talent. In FY20 we delivered support tools for leaders and a targeted leadership development program for AGL's Enterprise Leadership Team. Our talent processes ensure key talent and succession risks are identified and career development plans are in place.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Attrition (total workforce)	8%	12%	11%	9%	10%	-
Key talent retention	98%	80%	81%	93%	94%	FY21: >80%

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

In FY21 our focus on building a purpose-driven and values-led culture will continue, as will our long-standing commitment to diversity and inclusion as we commence the development of a Disability Action Plan and release our inaugural Reconciliation Action Plan. Attracting talent and unlocking the potential of our people through talent and succession, learning and leadership development will be a focus for FY21, along with simplifying our People systems and improving how we manage and capture value from change.

More information

Historical data from FY16-FY20 as well as information on other people indicators (including diversity statistics, turnover and additional safety metrics) is available at **2020datacentre.agl.com.au**.

Business Value Driver

Environment

Access to and stewardship and use of scarce natural resources, and AGL's impact on the natural environment, both directly and as a result of the products and services provided.

AGL's vision for the long-term future of energy is that electricity from renewable sources, backed by flexible energy generation and storage technologies, will power our homes, businesses and vehicles. Energy will be both affordable and smart, and greenhouse gas emissions will be much lower, helping us to tackle climate change.

We recognise that our stakeholders expect AGL to have strong and responsible transition plans towards a low carbon economy, coupled with measurable targets and transparent reporting. At AGL, we accept the science of climate change and the need for decarbonisation. We believe that Australia has the opportunity to be carbon neutral and an energy superpower by 2050. As one of Australia's leading integrated energy companies, and as Australia's largest greenhouse gas emitter, we have a meaningful part to play in the achievement of this vision.

In 2015, AGL committed, via our Greenhouse Gas Policy, not to extend the life of our coal-fired power plants. As we work towards the full closure of these plants and as the Australian economy transitions toward full decarbonisation of the electricity sector by 2050, we are expanding our commitments in pursuit of our target to achieve net zero emissions by 2050.

AGL's Climate Statement was released on 30 June 2020 and focuses on five climate commitments. These commitments recognise that the pace of the energy transition will be driven by customer demand, how communities act, and how technology evolves. Customers will increasingly demand carbon neutral solutions, starting with major corporations and institutions before extending to households and small businesses as costs fall. Community expectations will evolve into new actions, regulations and standards that frame our markets and create new opportunities for AGL. The development of different energy generation and storage technology costs will drive how fast the system changes.

In recognition of changing customer demands, from 1 July 2020 AGL will always offer a second, carbon-neutral electricity price, certified through the Climate Active Carbon Neutral Standard (an independent government body standard) to all residential, small business and commercial and industrial customers. AGL also continues to offer accredited GreenPower (100% renewable electricity) products, and is looking to provide a carbon-neutral offering for all products, including gas and telecommunications, during FY21.

As Australia's largest greenhouse gas emitter, we have a particular responsibility to be transparent about the risks and opportunities that climate change poses to our business, the community and the economy more broadly. For this reason, AGL follows the guidance provided by the TCFD Framework. 'Pathways to 2050', our FY20 TCFD report, details how we consider governance, risk management, strategy, and metrics and targets in relation to climate change. A core aspect of this report is the use of scenario analysis to demonstrate how our strategy is likely to be impacted under different climate outcomes. A summary of the scenario analysis is provided on the next page. As noted within the Remuneration Report, AGL has also taken the significant step of including three carbon transition metrics within our long-term incentive (LTI) plan with effect from FY21.

More information

Detailed information about AGL's FY20 scenario analysis methodology and results can be found in the report 'Pathways to 2050', available at **agl.com.au/specialreports**.

Performance data in relation to other environmental aspects, including air emissions, water consumption and management, waste management, land use and biodiversity is available at **2020datacentre.agl.com.au**.

Climate scenario analysis

Australia's transition to a low carbon economy is subject to considerable uncertainty including in relation to government policy, technology development and consumer uptake of new technologies. Accordingly, during FY20 we have undertaken scenario analysis of potential future carbon reduction pathways to better understand the long-term implications for AGL's generation fleet, customers, and the NEM. The methodology for and results of this analysis are available in our '**Pathways to 2050**' report, available on our website.

A top-down approach was undertaken to inform the development of Australian scenarios and carbon budgets, using recognised global and Australian scenarios to facilitate comparability and to ensure that the global context of the impacts of different climate scenarios was considered.

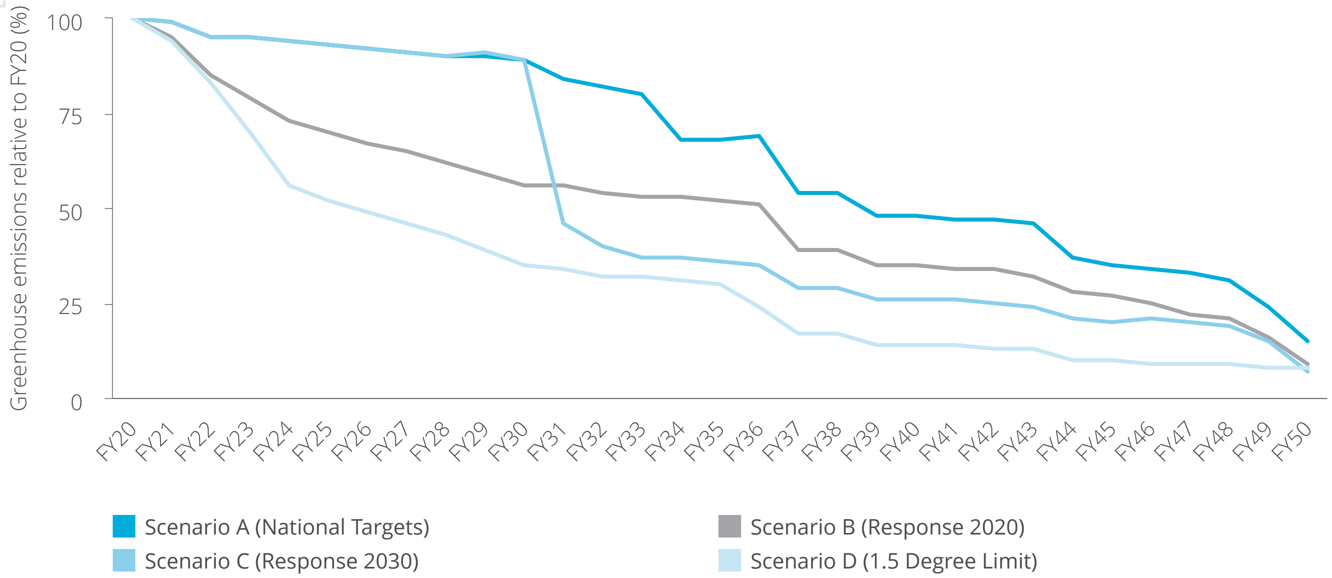
Scenario	Description	Temp. outcome	Global reference: RCP[1]	Global reference: SSP[1]	AEMO ISP[1] scenario
Scenario A National Targets	Current industry commitments and policy settings are maintained over the medium to long-term without material change Assumes Australia meets its Paris commitments of reducing emissions by 26% to 28% of 2005 levels by 2030	Not assessed	N/A	SSP3	Central
Scenario B Response 2020	Policies and technology allow for a steady, market-led decarbonisation	1.7 - 3.2°C	RCP4.5	SSP2	Fast Change
Scenario C Response 2030	Limited action over the short to medium term prior to stronger policy intervention for rapid decarbonisation from 2030	1.7 - 3.2°C	Blended (~RCP4.5) RCP6.0 (2020-2030) / RCP2.6 (2030-2050)	Blended SSP3 (2020-2030) / SSP1 (2030-2050)	Central and Fast Change
Scenario D 1.5 Degree Limit	Coordinated, cooperative and immediate decarbonisation approach with combined government intervention, policy and market approaches to achieve rapid decarbonisation	0.9 - 2.3°C	RCP2.6	SSP1	Step Change

1. RCP: Representative Concentration Pathway, concentration pathways for greenhouse gases and aerosols, demonstrating possible future emissions and radiative forcing (i.e. temperature intensity) scenarios for the world until 2100, as defined by the IPCC. SSP: Shared Socioeconomic Pathways, which describe how socioeconomic trends around the world may evolve over time, as defined by the Intergovernmental Panel on Climate Change. AEMO ISP: Australian Energy Market Operator's Draft 2020 Integrated System Plan.

Electricity market modelling of each scenario was undertaken utilising a carbon constraint applied to the NEM to ensure that the predetermined carbon budget for each scenario was met. The market model is policy agnostic and therefore the carbon constraint is applied by placing a value on carbon, an effective "price", at the minimum level to drive the decarbonisation required to meet the budget.

The results of the modelling show that under all scenarios significant decarbonisation of the Australian electricity sector occurs by 2050, with AGL achieving net zero emissions by this time or earlier. This is as a result of generator retirements as already planned, and lowered capacity factors, as assets age and carbon constraints are applied. AGL achieves a significant reduction in emissions of more than 20% over the next five years due to the closure of the Liddell Power Station under all scenarios.

Under scenarios A, B, and C, the retirement dates for AGL assets are consistent with our present expectations and closure commitments. Under Scenario D, AGL Loy Yang would need to close earlier to meet the constraints applied in the model. The variances in emission trajectories between the scenarios, particularly in the 2040s, arise from varying load factors driven by the carbon constraints applied in each scenario. AGL's assets are able to operate profitably even at these lower levels of output, reflective of their relatively favourable position in the NEM cost stack.



Environment *continued*

Climate scenario analysis (continued)

The modelling also shows that there are significant investment opportunities for AGL and other participants to develop or support renewables. All four scenarios would result in an increase in renewable generation to around 50% of NEM output by 2030, and rising to at least 80% by 2050, with the NEM requiring a further 60 GW of utility-scale renewables and storage capacity.

There is also considerable opportunity for further investment in decentralised energy across the NEM under all scenarios, including an additional 8 GW behind-the-meter battery storage, 13 GW rooftop solar and 41 TWh demand from electric vehicles under Scenario A, and an additional 16 GW behind-the-meter battery storage, 31 GW rooftop solar and 42 TWh demand from electric vehicles under Scenario D (additional to FY20 levels).

AGL's strategy will continue to remain flexible to respond to the transition as customer needs, community expectations and technologies develop and as government and regulatory policy evolves.

> Irrespective of how the future unfolds, AGL is resilient and well positioned to capitalise on the opportunities created by the market transition.

Climate-related risk

AGL's climate-related risks can be categorised into two main areas: transitional risk and physical risk. AGL's **Pathways to 2050** report contains more detail about AGL's approach to climate risks and the best way to manage those risks. AGL's current focus is on the strategic risks to AGL of the energy transition, as opposed to the specific physical risks that may arise as a result of climate change. We anticipate physical risk will be a larger component of AGL's future TCFD reports.

Transitional risks

AGL's Climate Statement reflects our approach to the strategic management of risks and opportunities associated with the energy transition. These risks incorporate policy and legal risk, technology risk, market risk and reputation risk. Transitional risks also include risks in end-of-life asset planning and the rehabilitation of assets. Misalignment of these plans with future scenarios may lead to possible stranded assets and revenue loss amid continued policy uncertainty.

A further growing transitional risk facing AGL is access to capital from both equity and debt investors. During FY20, AGL became the first energy company in the Asia Pacific region to launch a Sustainability Linked Loan, which incentivises efficiency and gradual improvement in AGL's emissions performance, recognising the scale and complexity of transitioning AGL's operations given our important role in managing the stability of Australia's electricity grid.

Customer response to climate change is a driver of the increasing adoption of decentralised energy services. To mitigate risks posed by changes to the nature of energy demand, we have developed a range of new products and services designed to focus on customers' changing expectations, including developing capabilities to deliver residential battery and electric vehicle solutions.

Physical risks

Physical risks include increased frequency and severity of extreme weather events resulting in operational disruption, higher average temperatures (causing increases to frequency and magnitude of peak electricity demand and de-rating thermal plant), and precipitation changes impacting upon the efficacy of hydroelectric generation assets and access to water.

AGL is resilient to direct physical risks in part through our geographically distributed electricity generation portfolio allowing for AGL to mitigate the impact of location specific acute impacts. AGL's generation fleet is also technologically diverse which provides increased resilience to the impact of temperature increases on thermal generation efficiency. AGL anticipates that as our thermal plant capacity decreases following planned closures, portfolio growth will be in various renewable and storage technologies reducing the impacts of lowered thermal efficiencies.

We have not incorporated a quantitative assessment of AGL's water security into the climate scenario analysis undertaken during FY20. However, we have a good understanding of our level of water use, access rights, risks to supply, and our level of water security at our major sites. AGL's significant water rights and supply security allows for certainty even in extensive drought conditions, and the analysis that we have performed demonstrates that we have a good level of water security at all our major sites at least over the near term.

> We recognise that the physical risks posed by climate change include risks to our people as well as our assets.

2019/20 bushfire season

The recent 2019/20 bushfire season provided an opportunity to test and improve our processes for operating our sites under the type of high temperature conditions that are likely to be more frequently experienced in a warming climate.

High temperatures create challenges for our people, particularly those undertaking physical work outdoors and within our power stations. AGL has a comprehensive Heat Stress Management Procedure which outlines how AGL will manage the risk of heat stress faced by our people including by ensuring appropriate accountabilities at senior levels throughout AGL, provides details about likely physical impacts to the body of heat stress, and sets out procedural requirements such as work planning, risk assessments and the circumstances in which a total work stoppage would become necessary.

This procedure was successfully implemented across our operations during the unprecedented bushfire conditions experienced in FY20, with an increased focus on scheduling outdoor work activities to early morning or late evening, where possible, more frequent worker rotations and the provision of additional cool down areas. In addition, poor air quality and visibility posed increased risk to anyone travelling and/or working outside for an extended period of time. For this reason, travel to/from our operating sites was not permitted unless absolutely essential and additional PPE and personal monitoring measures were implemented at our operating sites. Furthermore, workers at our corporate offices were asked to work from home, if possible, to minimise the risk of eye irritation and smoke inhalation.

Creating value

Greenhouse gas emissions

AGL's total greenhouse gas emissions reduced in FY20 primarily due to the major outage of Unit 2 at AGL Loy Yang. There has been a corresponding decrease in our operated and controlled intensities which has been further driven by high levels of renewable electricity generation. The emissions intensity of total revenue has increased as a result of declining revenue in FY20.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Operated scope 1 & 2 emissions ($MtCO_2e$)	42.7	43.2	43.6	43.9	43.8	FY50: Net zero
Controlled generation intensity (tCO_2e/MWh)	0.93[1]	0.95	0.96	0.97	0.95	FY21: Improvement on FY20, consistent with objectives of the FY21 LTI
Controlled renewable and battery capacity (%)	22.5	19.6	18.4	18.4	18.4	FY21: Improvement on FY20, consistent with objectives of the FY21 LTI FY24: 34%
Emissions intensity of total revenue ($ktCO_2e/\$m$)	3.5	3.3	3.4	3.5	3.9	-
Revenue from green energy and carbon neutral products (%)	11.5	10.8	Not reported	Not reported	Not reported	FY21: Improvement on FY20, consistent with objectives of the FY21 LTI FY24: 20%

1. FY20 generation intensity is calculated on measured emissions from material sources and measured electricity generation, with estimates for minor emissions sources. This metric will be updated later in 2020 and may change.

Rehabilitation and transition

AGL is committed to providing ongoing, transparent disclosure in relation to our approach to the progressive and final rehabilitation of assets at the end of their operational lives. Provisions for environmental restorations are detailed in Note 18 to the Consolidated Financial Statements, and include $45 million and $299 million in current and non-current provisions respectively, being best estimates of the present value of the expenditure required to settle the restoration obligation at the end of the period. AGL intends to complete a comprehensive review of rehabilitation provisioning in FY21.

With three years until the retirement of the Liddell Power Station, AGL is preparing plans to safely decommission, demolish and rehabilitate the site, while considering the planned retirement of the neighbouring Bayswater Power Station in 2035. Ongoing capping and rehabilitation activities in FY20 totalled 33.72 hectares at the Liddell Ash Dam and the Ravensworth mine. AGL Loy Yang's operational footprint is currently approximately 2,215 hectares (mine: 1,528 hectares; overburden dump: 687 hectares). Of this, a cumulative total of 693 hectares has been rehabilitated since mining commenced. FY20 saw 19.18 hectares of progressive rehabilitation.

AGL is continuing the progressive decommissioning and rehabilitation of gas production wells at the Camden Gas Project prior to the site ceasing production in 2023. The project has overcome many challenges with vegetation establishment in FY20 as a result of drought, bushfires and localised flooding. As at 30 June 2020, 45 of Camden's 144 well sites have been, or are in the process of being, decommissioned, rehabilitated and returned to the respective landowner.

Other environmental risks

The number of environmental regulatory reportable incidents in FY20 decreased to nine from 12 in FY19. AGL received one penalty infringement notice (PIN) during FY20 for an event that occurred in FY19, and additionally has received a PIN in July 2020 for an incident that occurred during FY20. Further details relating to these PINs, as well as other Environmental Protection Authority (EPA) matters, are included on page 93.

Both the New South Wales and Victorian EPA are currently undertaking reviews of the environmental protection licences for coal-fired power stations with the view to reducing air emission limits. Updated licences for AGL Macquarie's Bayswater and Liddell power stations have been received. We are waiting to hear from the Victorian EPA on the next steps of their licence review process. AGL Macquarie has been investing in continuous emissions monitoring systems and this has improved the accuracy of our emissions data, which we upload to our website every month.

KPI	FY20	FY19	FY18	FY17	FY16
Environmental Regulatory Reportable incidents	9	12	14	10	16

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

Our Climate Statement, together with the incorporation of carbon transition metrics within our long-term incentive structure, will drive AGL's decarbonisation activities over the short-term. We are developing a roadmap to deliver on our commitment of reaching net zero emissions by 2050, and we remain committed to working towards the full closure of our coal-fired power plants within the timelines set in 2015 and tackling the challenges associated with this transition with our workforce and the communities where we operate.

Business Value Driver

Infrastructure

Effective and efficient use of assets throughout the value chain that AGL uses, owns or has control of, to enable delivery of energy to the market and to customers.

Australia's energy sector is transitioning to one characterised by renewable energy as a result of technology developments and emission reduction imperatives. As the largest electricity generator in the NEM, our portfolio of large thermal generation and variable renewables is evolving.

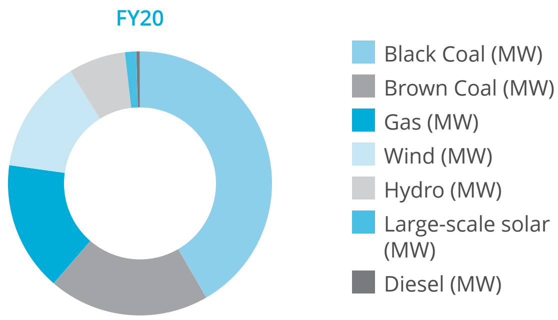
As outlined in AGL's recent climate scenario analysis (refer to Environment scorecard), we recognise that there will be a significant need for investment in renewable, firming and storage capacity in the NEM in the coming years. Given the increasing need in the market for dispatchable power to reflect the new supply-demand dynamic, our investment in flexible assets, including gas firming, hydro and grid-scale batteries, will enable the transition to renewables while capturing value for AGL as the market changes.

> AGL has a key role to play in ensuring that we manage our generation assets and gas supply efficiently to ensure security and reliability of supply for customers.

As reflected in our Climate Statement, we remain committed to the orderly transition of our portfolio away from coal to new sources of generation and storage, which will ultimately be cleaner, and more affordable and reliable (refer to Environment scorecard). However, we recognise that our thermal assets are essential to Australia's energy security, and we will continue to run our coal-fired power stations responsibly and safely to supply affordable and reliable electricity while transitioning our portfolio. As such, we are investing in efficiency upgrades at the Bayswater and Loy Yang A power stations to ensure these assets are minimising their greenhouse intensity as well as being secure, reliable and flexible to support more intermittent renewable energy in the NEM. Upgrades of Unit 4 at Bayswater Power Station are now complete, with remaining upgrades planned to be completed over the next three years.

Gas has a substantial role to play in the transition to a low-carbon economy. We continue to work towards securing reliable and cost-effective sources of gas for our customers and for generation, and recognise the value that comes from our gas storage infrastructure. We are progressing plans for the Crib Point LNG import project in Victoria. Should we receive environmental approval and choose to proceed, this project has the potential to provide a new source of gas to the east coast and to support our gas storage and shaping strategy and development of flexible gas-fired generation capacity. From FY21, AGL will augment our operated gas storage assets with contracted storage services from the Iona Gas Storage Facility. This strategically located reservoir will provide AGL with additional flexibility to manage gas demand requirements.

Operated generation capacity



23.5 PJ
Operated gas storage inventory

5.8 PJ/pa
Operated gas production

11,208 MW
Operated generation capacity

Creating value

Generation efficiency and availability

Generation sold to the pool has increased by 0.2% since FY19. This was driven by higher generation from AGL Macquarie due to improved reliability and increased volume of coal deliveries, increased generation from Silverton and Coopers Gap wind farms, and the inclusion of Perth Energy volumes. This was partly offset by decreased generation at AGL Loy Yang due to the Unit 2 outage, and lower generation from Victorian hydro assets.

AGL was unable to meet the budgeted Equivalent Availability Factor during FY20 primarily due to a planned outage extension at Bayswater Power Station Unit 4 and the major outage of Unit 2 at AGL Loy Yang. The higher number of unplanned outages and corresponding decreased availability experienced at our thermal plants highlight the need for continued investment to ensure the resilience and availability of our assets.

During FY20 AGL completed energy efficiency upgrades at Bayswater Unit 4 including turbine, cooling tower and air heater upgrades.

KPI		FY20	FY19	FY18	FY17	FY16	Target
Pool generation volume (GWh)	Improving trend	43,828	43,723	43,065	43,099	43,774	-
Equivalent Availability Factor (EAF)[1]	KPI linked to remuneration; Deteriorating trend	76.9%	78.4%	79.6%	84.9%	80.1%	FY21: > 78.6%

1. Equivalent Availability Factor is strongly linked to commercial availability, which is currently a targeted remuneration outcome for some Key Management Personnel.

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Market transformation and development

As reflected in our Climate Statement, AGL is committed to continuing to invest in new sources of electricity supply. Through both direct investment and offtake agreements, we will use our balance sheet to support the development of the new renewable energy sources and flexible generation capacity the market needs to support greater penetration of intermittent renewable energy.

During FY20 we continued our strong track record of investing in renewable and peaking generation as well as energy storage projects:

- The $295 million gas-fired Barker Inlet Power Station in South Australia was completed in November 2019, the first major dispatchable power station constructed since 2012.
- The $450 million Silverton Wind Farm in New South Wales reached full output in May 2020 (asset owned by the Powering Australian Renewables Fund, in respect of which AGL has a 20% interest).
- Construction of the final turbine at the $850 million Coopers Gap Wind Farm in Queensland was completed in April 2020, and is expected to reach full generation later in 2020 (asset owned by the Powering Australian Renewables Fund).
- Two major battery deals were completed, comprising a 15-year agreement with Vena Energy for full operational dispatch rights for the 100 MW Wandoan Battery in Queensland commencing in July 2021, and an innovative derivative agreement with the Maoneng Group to secure capacity on four 50 MW batteries in New South Wales which will be operational from 2023. These are in addition to the Dalrymple 30 MW ESCRI battery on the Yorke Peninsula in South Australia that we partnered with Electranet to deliver in FY19.
- The acquisition of the 120 MW Kwinana Swift Power Station, an open cycle gas turbine peaking plant south of Perth in Western Australia, as part of the Perth Energy acquisition in September 2019.

The map on the following page shows AGL's existing operated and controlled asset portfolio, as well as development opportunities under active consideration.

KPI	Target
Grid scale batteries installed and managed	FY24: 850 MW
Decentralised assets under orchestration	FY24: 350 MW

Liddell Power Station transition

In April 2015, AGL announced that the Liddell Power Station would close at the end of its technical life in 2022. The first unit at the site will close in April 2022, and the remaining three units will close in April 2023. This will support system reliability throughout the 2022-23 summer months. With three years until the power station's retirement, AGL is preparing plans to safely decommission, demolish and rehabilitate the site, while considering the planned retirement of the neighbouring Bayswater Power Station in 2035.

Although station retirement and rehabilitation activities represent a significant liability, the site presents significant opportunity for AGL, other investors and the community to redevelop the site, leveraging use of existing infrastructure, land and enduring assets and create a further economic contribution in the Upper Hunter Valley. Some of the options currently under consideration in addition to AGL's potential use of the site to develop a large-scale battery include intensive agriculture, bioenergy, water processing and storage and ecological services.

Further information about rehabilitation activities completed to date and how AGL is working with the community and our people during the transition of the site is available in the Environment and Communities & Relationships scorecards respectively.

Beyond FY20

Efficiency and reliability uplift programs are in place to maximise the performance and reliability of our existing asset base. Underpinning these are an increased focus on asset management planning aligned to the needs of Australia's dynamic energy market. We have a pipeline of development opportunities to pursue given the right policy settings, and expect to be a significant contributor to Australia's evolving energy landscape – generating affordable, reliable and sustainable energy.

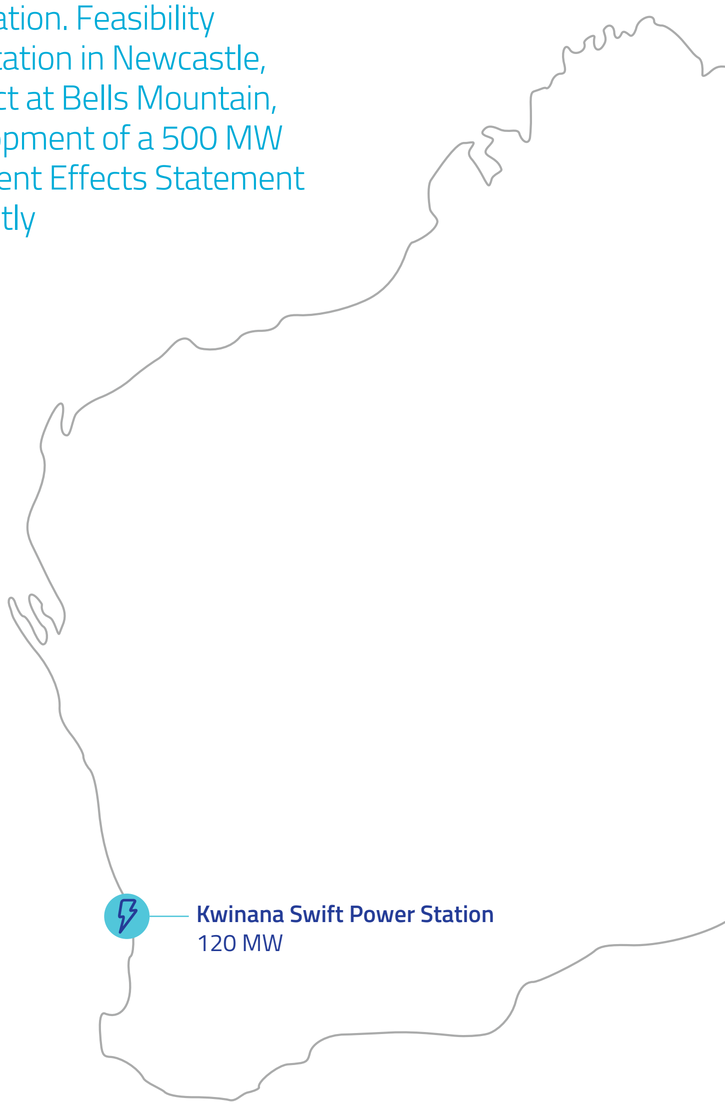
Infrastructure *continued*

AGL operates the largest electricity portfolio in the NEM and contracts for the output from other renewable and energy storage assets, as well as operating gas storage and production assets.

Several development opportunities are under consideration. Feasibility studies are underway for a 250 MW gas-fired power station in Newcastle, New South Wales, and a 250 MW pumped hydro project at Bells Mountain, near Muswellbrook. We are also considering the development of a 500 MW battery at the Liddell Power Station site. The Environment Effects Statement prepared for the Crib Point LNG import project is currently on exhibition.

Legend

- Operated by AGL
- Under development
- Controlled dispatch of electricity/contracted use or interest
- Gas-fired
- Coal-fired
- Wind
- Solar
- Hydro
- Pumped hydro
- Grid-scale battery
- Gas production/import
- Gas Storage



More information

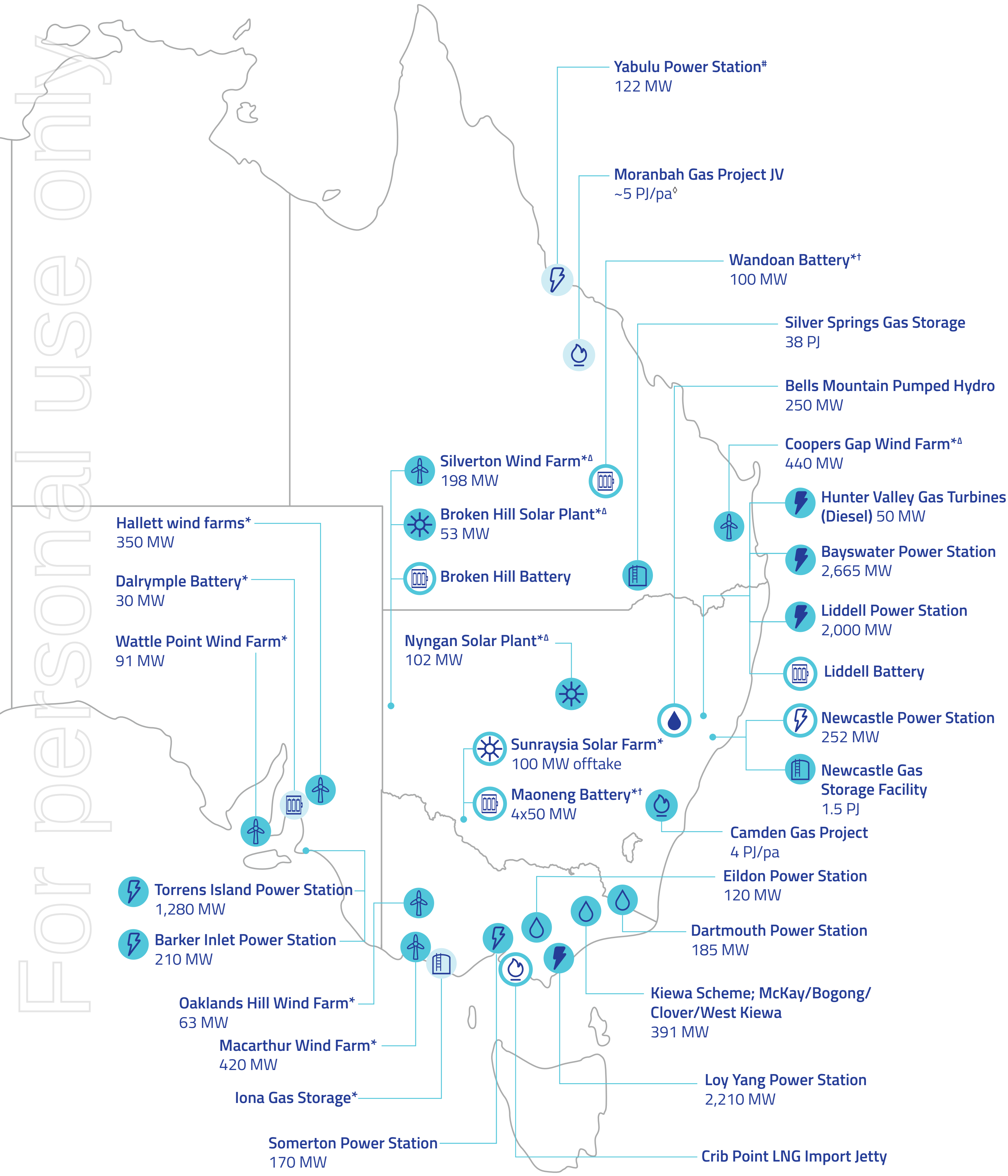
Historical data on AGL's generation capacity is available at **2020datacentre.agl.com.au.**

The additional pool generation volumes can be found on page 50 in the Financial Review section of this report.

Detailed information about each of AGL's assets (including community engagement and environmental monitoring data, where relevant) is available at **agl.com.au/about-agl/how-we-source-energy.**

* Projects funded by third parties.
† Currently under construction.
Δ Asset owned by the Powering Australian Renewables Fund.
122 MW is AGL's 50% controlled portion.
◊ The approximate annual output represents AGL's 50% share.

Generation assets operated or controlled by AGL which have an installed capacity of less than 50 MW are not shown on this map. The installed capacity shown for AGL's operated generation assets is the lower of the Australian Energy Market Operator (AEMO) registered capacity and the AEMO maximum capacity, and also includes the recently completed 25 MW upgrade to the Bayswater Power Station.


Yabulu Power Station#
122 MW
Moranbah Gas Project JV
~5 PJ/pa◊
Wandoan Battery*†
100 MW
Silver Springs Gas Storage
38 PJ
Bells Mountain Pumped Hydro
250 MW
Coopers Gap Wind Farm*Δ
440 MW
Silverton Wind Farm*Δ
198 MW
Broken Hill Solar Plant*Δ
53 MW
Broken Hill Battery
Hunter Valley Gas Turbines
(Diesel) 50 MW
Bayswater Power Station
2,665 MW
Liddell Power Station
2,000 MW
Liddell Battery
Hallett wind farms*
350 MW
Dalrymple Battery*
30 MW
Wattle Point Wind Farm*
91 MW
Nyngan Solar Plant*Δ
102 MW
Newcastle Power Station
252 MW
Sunraysia Solar Farm*
100 MW offtake
Newcastle Gas
Storage Facility
1.5 PJ
Maoneng Battery*†
4x50 MW
Camden Gas Project
4 PJ/pa
Eildon Power Station
120 MW
Torrens Island Power Station
1,280 MW
Barker Inlet Power Station
210 MW
Dartmouth Power Station
185 MW
Oaklands Hill Wind Farm*
63 MW
Kiewa Scheme; McKay/Bogong/
Clover/West Kiewa
391 MW
Macarthur Wind Farm*
420 MW
Iona Gas Storage*
Loy Yang Power Station
2,210 MW
Somerton Power Station
170 MW
Crib Point LNG Import Jetty

Business Value Driver

Systems & Processes

Availability and development of processes, knowledge, insights, systems and data, including energy portfolio management and customer analytics, to support and enhance business activities.

AGL's systems and processes, together with our people, create the foundation for the work we do every day. Through functions ranging from maintaining our plant, trading commodities and providing customer service, we ensure that the energy needs of millions of Australians continues without disruption. AGL is committed to progressing our growth by harnessing the value of digital technology, data excellence and innovation.

Having delivered our $300 million Customer Experience Transformation program in FY19, we've moved from a traditional retailer model in which most customer interactions were done through our call centres to a majority digital business model, with up to 3.5 million digital interactions per month in FY20.

By transforming our core systems, we have enabled our retail customers to access the benefits that digital technology can deliver. This enhanced system stability and new capability enabled AGL to deliver a net promoter score for our digital channel of +39 (up from +35 in FY19) and average system availability of 99.05% over FY20, which is the highest level of system availability that AGL has ever achieved.

Our continued focus on putting transparency and control in our customers' hands through enhanced digital capability has led to results including AGL having an industry leading mobile app with 2.2 million monthly interactions, up 69% from FY19, and an increase in customers electing to receive electronic bills of 5 percentage points from FY19 to 60%. Customers are increasingly electing to interact with AGL digitally, with around 70,000 monthly messaging interactions via our mobile app and web, up 50% from FY19, supporting our shift towards digital self-service.

AGL was one of the first major ASX companies to move key IT systems into the public cloud, and will continue to expand this through our multi-year strategic partnership with Microsoft where we will transition most systems to this new capability. In doing so we anticipate avoiding capital expenditure over the next two years upgrading our hardware as it approaches end of life, while improving the security of key applications. This will also benefit our disaster recovery capabilities through improved system resilience. AGL continues to make significant maturity improvements in our cybersecurity measures and is currently ahead of the industry average within the energy and utilities sector based on AEMO's Australian Energy Sector Cybersecurity Framework.

> Over the last three years, we have made significant investment in our cybersecurity capability.

Recognising that our customers are increasingly engaging with us through digital channels, we have improved our ability to identify, protect, detect and respond to incidents, evidenced through our ability to monitor and prevent threats that would otherwise have led to business disruption.

As a vertically integrated energy business, a vital application of AGL's well-functioning systems and processes is our management of wholesale market risk through considered hedging strategies coupled with careful analysis and forecasting of generation and customer demand volumes. Sophisticated wholesale energy portfolio management tools are key to this process. AGL's governance framework establishes the wholesale risk management policy guidelines under which energy hedging activities are conducted. The policy allows for the commercial optimisation of AGL's portfolio provided that all activities adhere to overall risk limits that reflect AGL's risk appetite, as well as adherence to regulatory requirements and changes.

99.05%

average availability of retail customer systems

>1,000

changes to customer systems during FY20 up from ~10/month in the past demonstrating speed to market

More information

Performance data on Systems & Processes is available at **2020datacentre.agl.com.au**

Creating value

Analytics

AGL recognises data as an asset just like those at our physical sites. In FY20 we established our Data and Analytics Centre of Excellence to realise the commercial opportunities of data while ensuring strong data governance practices and standards are upheld. We receive millions of points of data, including 45 million digital interactions with our customers each year, and 175 million reads from devices like smart meters each day. We also monitor over 800,000 data points across our physical assets at 1 second intervals. We are building the capability to utilise this data in a responsible manner, generating a strong pipeline of initiatives that will unlock value through advanced analytics.

One example is the advanced analytics being used at our wind farms to detect and measure the misalignment of wind turbines. The concept is now tested and proven, using AGL data infrastructure and data analysis methodologies. In the near future this algorithm will provide the capability to correct the associated sub-optimal performance quickly and easily via centralised control system setting adjustments and avoiding the need for much more costly and human effort intensive wind vane calibration efforts. This capability will help keep the wind fleet at optimal performance level with negligible increase in cost and effort.

System capabilities to optimise experience

During FY20 AGL achieved our highest level of system availability for our customers on record. Over the past four years AGL has made ongoing investments in both technology personnel and systems capability that have improved system stability and reduced outages. During FY20, AGL focused specifically on remediating end-of-life equipment, improved monitoring, capability uplift of key managed service providers, as well as system performance and currency improvements obtained through the cloud.

Our advanced systems capabilities enabled AGL to optimise the working experience of our people and our customers during the challenges brought on by the COVID-19 pandemic. During this time we transitioned substantial numbers of employees in Australia and outsourced partners overseas to being able to work from home, while also providing high quality customer service.

Over FY20 AGL has achieved rapid results by investing in our data platforms. We have increased the number of data sources available to us by 40% in FY20 and connected our data through our Azure data platforms, enabling our teams faster access to secure and trusted sources of data. In transforming our systems we have also changed the way we work to be more responsive and agile. This has meant focusing on our speed to market of high-impact, incremental systems changes that benefit our customers. Over FY20 we made over 1,000 changes to our systems from one hundred projects, compared to making less than 10 system improvements per month three to four years ago.

Having made significant investments in our core systems, we now have a strong digital capability and presence for our customers. We have redesigned our app for solar customers, being the first major retailer to show customers via the app the charge and status of their residential batteries. Collectively, our mobile app development strategy has contributed to a 120% increase in usage of the app since FY19. We launched a new online sales experience for our customers in FY20, allowing for easier comparison of plans, greater relevance of product information and a simplified selection and checkout process, leading to an increase in the number of sales completed.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Major IT incidents	33	47	84	105	Not reported	-
Digitally active energy services to customers	-	-	-	-	-	FY24: 65%

Data security and process governance

During FY20 we had one notifiable data breach under the Privacy Act 1988 Mandatory Data Breach Reporting regime. This breach impacted less than five customers and was due to the actions of a single employee rather than a systemic issue or a cyber attack.

We are well placed to meet the demands of emerging regulatory requirements around an energy specific cybersecurity standard. Further, through our investment in venture capital funds, we have gained access to innovative cybersecurity software that enables us to detect and respond to threats at our operational assets.

KPI	FY20	FY19	FY18	FY17	FY16	Target
Reportable privacy incidents	1	0	Not reported	Not reported	Not reported	FY21: 0

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

Following AGL's purchase of Southern Phone Company in FY20, we plan to develop our multi-product retailing capabilities over FY21 and beyond, focusing on the product, pricing and digital features required to launch broadband and mobile offerings in conjunction with energy products. We are working towards being one of the first ASX50 companies to migrate almost all applications and storage within our business to run in the public cloud by FY22, with the aim of ultimately freeing AGL from the limitations of a physical data centre.

Finance

Access to and management of financial capital to support execution of strategy and investment in growth opportunities through retaining financial market support.

We recognise that prudent financial management is an essential component of preserving and growing value for all our stakeholders. The trust placed in us by financial markets is integral to our ability to fund our operations and invest in new products and services to support our customers and the communities in which we operate.

As Australia's second oldest publicly listed company, AGL has a long and proud relationship with Australian investors. At 20 July 2020, we had 120,499 individual shareholders, representing primarily everyday Australians either directly or via their super funds, as well as many of Australia's and the world's largest pension funds.

We also have longstanding relationships with our lending banks, both in Australia and internationally. We have established a successful bond issuance program in both the US Private Placement and Australian Medium Term Note markets, enabling us to diversify our funding from long-term, competitively-priced sources. AGL has a strong balance sheet and significant liquidity, which are of particular benefit in the current uncertain economic environment. The low gearing ratio, significant headroom and liquidity AGL currently holds means AGL is well positioned to manage through the COVID-19 crisis. As of 30 June 2020, we had over $1 billion in cash and undrawn bank facilities, and material headroom not only to our debt covenants but also within our ratings metrics. We have no bond market refinancings until November.

AGL recognises that capital allocation during a time of a transitioning energy market must be disciplined to ensure that we are creating value for the long-term while protecting ongoing returns. Our four capital allocation principles (refer to page 8) continue to underpin our activities.

In August 2019, we announced a return of capital to shareholders via an on-market buyback of up to 5% of issued capital. As at 30 June AGL had purchased $620 million worth of shares, and expects the buyback to be complete shortly.

Dividends were declared for FY20 in line with our dividend policy of paying out 75% of Underlying Profit after tax and franking of 80%. Shareholders received 98.0 cents total dividend for FY20.

AGL has announced it intends to undertake a Special Dividend Program over FY21 and FY22. Under the Special Dividend Program, AGL anticipates paying special dividends of up to 25 percent of Underlying Profit after tax, thereby augmenting AGL's dividend policy payout ratio of 75 percent to take the effective payout ratio to 100 percent of Underlying Profit after tax over this period. Both ordinary dividends and special dividends will remain subject to Board discretion, trading conditions and the ongoing funding and liquidity requirements of the business. AGL has also announced it expects to reduce franking on dividends to zero in FY21 and FY22 while it utilises historic tax losses. This temporary reduction in franking will enable AGL to return to generate franking credits from underlying earnings as early as the FY23 interim dividend.

Creating value

Delivering shareholder value

Underlying Profit after tax was $816 million, down 21.5% compared with FY19, but consistent with guidance. Refer to the commentary on page 35 onwards for further detail.

Return on equity was 10.0%, down 2.5 percentage points. AGL's total shareholder return in FY20 was -8.6%, compared with -7.8% for the S&P/ASX100 Index.

KPI	FY20	FY19	FY18[1]	FY17	FY16	Target
Underlying Profit after tax	$816m	$1,040m	$1,018m	$802m	$701m	FY21: Consistent with guidance
Return on equity (%)	10.0	12.5	13.1	10.2	8.3	FY21: Consistent with objectives of FY21 LTI
Total shareholder return (%)	-8.6	-1.8	-12.3	42.4	14.8	FY21: Consistent with objectives of FY21 LTI

1. Restated for adoption of AASB 9 Financial Instruments and AASB 16 Leases.

Portfolio review

The portfolio review reporting for both the Electricity and Gas businesses provides a consolidated margin for electricity and gas across operating segments. This is as an effective tool to present how value is generated in the business. The portfolio review combines the revenue from external customers and associated network and other costs, the costs of the procurement and hedging of AGL's gas and electricity requirements, and the costs of managing and maintaining AGL's owned and contracted generation assets to calculate the consolidated margin. A per unit rate ($/MWh for electricity and $/GJ for gas) is derived from each category of revenue and cost using the relevant associated volumes.

The table below is presented in more detail in the Financial Review in section 1.5 in and should be read in conjunction with section 1.7 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

Portfolio Reporting Summary to Underlying Profit after tax

	2020 $m	2019 $m
Electricity Portfolio		
Total revenue	**7,172**	7,010
Customer network and other cost of sales	**(3,312)**	(3,067)
Fuel costs	**(1,013)**	(1,063)
Generation running costs	**(716)**	(660)
Depreciation and amortisation	**(499)**	(422)
Net portfolio management	**164**	191
Electricity Portfolio Margin	**1,796**	1,989
Gas Portfolio		
Total revenue	**2,496**	2,626
Customer network and other cost of sales	**(584)**	(575)
Gas purchases	**(950)**	(1,045)
Haulage, storage and other	**(308)**	(287)
Natural Gas	**(29)**	(58)
Gas Portfolio Margin	**625**	661
Other AGL		
Gross margin	**44**	66
Operating costs	**(924)**	(883)
Depreciation and amortisation	**(224)**	(173)
Net finance costs	**(179)**	(193)
Income tax expense	**(322)**	(427)
Total Other AGL	**(1,605)**	(1,610)
Underlying Profit after Tax	**816**	1,040

This decrease was due to the fall in wholesale electricity prices, combined with increased costs to maintain the availability of our plants. The decrease was despite higher volumes in generation and a growth in customer accounts.

Down 5.4% due to lower volumes being sold to Large Business and Wholesale customers, combined with higher costs associated with increased storage capacity.

Was broadly flat as savings generated from recent digital transformation initiatives and lower finance costs were largely offset by COVID-19 response costs and higher systems amortisation.

Legend

- Improving trend and/or satisfactory outcome
- Neutral trend
- Deteriorating trend
- KPI linked to FY20 remuneration outcomes for CEO and Key Management Personnel (page 74)

Beyond FY20

AGL has been identifying increasing market and operating headwinds for some time, and these have accelerated as a result of the economic impacts of the COVID-19 pandemic. However, AGL is a resilient business with strong cash flows and credit metrics. We are well 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.

More information

The Financial Review (page 32) outlines AGL's financial performance for FY20. Full financial accounts are available from page 94.

A summary of performance against AGL's capital allocation principles is available on page 8.

Financial Review

For the year ended 30 June 2020

1. Financial performance

Principal activities

The principal activities of AGL at reporting date consisted of the operation of energy businesses, and investments, including electricity generation, gas storage and the sale of electricity and gas to residential, business and wholesale customers. The acquisition of Southern Phone Company in December 2019 expanded AGL's activities to include the retailing of broadband and mobile services.

1.1 Group results summary

1.1.1 Reconciliation of Statutory Profit to Underlying Profit

1.1.1.1 Profit after tax

	2020 $m	2019 $m
Statutory Profit after tax	**1,015**	905
Adjust for:		
Significant items after tax		
National Assets gain on divestment	–	(37)
Residential Solar operations impairment	–	38
Proceeds from Yandin wind farm development rights	–	(5)
Powering Australian Renewables Fund partial impairment	**10**	–
Perth Energy acquisition costs	**7**	–
(Profit)/Loss on fair value of financial instruments after tax	**(216)**	139
Underlying Profit after tax	**816**	1,040

Statutory Profit after tax was $1,015 million, up $110 million compared with the prior year. This included two items excluded from Underlying Profit:

- A movement in the fair value of financial instruments of $216 million compared with $(139) million in the prior year. This net gain reflected a positive fair value movement in AGL's net sold electricity derivative contracts as a result of lower forward electricity prices, which was partly offset by a negative fair value movement in net purchased oil derivative contracts as a result of lower forward oil prices. See section 1.1.4 for more detail.
- Significant items of $(17) million from the partial impairment of AGL's stake in the Powering Australian Renewables Fund and costs associated with the acquisition of Perth Energy.

Underlying Profit after tax was $816 million, down 21.5% from the prior year. A description of the factors driving Underlying Profit is included in section 1.1.2.

	2020	2019
Earnings per share on Statutory Profit	**158.4 cents**	138.0 cents
Earnings per share on Underlying Profit	**127.4 cents**	158.6 cents

EPS calculations have been based upon a weighted average number of ordinary shares of 640,653,780 (30 June 2019: 655,825,043). The weighted average number of ordinary shares was 15,171,263 lower than the prior year due to the cancellation of 32,686,947 shares under the share buy back program which increased the Statutory and Underlying EPS by 4 cents and 3 cents respectively.

1.1.1.2 Earnings Before Interest and Tax (EBIT)

	2020 $m	2019 $m
Statutory EBIT	**1,604**	1,472
Significant items	**21**	(10)
Loss/(gain) on fair value of financial instruments	**(308)**	198
Underlying EBIT	**1,317**	1,660
Customer Markets	**186**	194
Wholesale Markets	**2,613**	2,757
Group Operations	**(1,087)**	(1,036)
Investments	**18**	33
Centrally Managed Expenses	**(413)**	(288)
Underlying EBIT	**1,317**	1,660

Financial Review

For the year ended 30 June 2020

Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions. For the purposes of the year ended 30 June 2020, Wholesale Markets and Group Operations are reported separately.

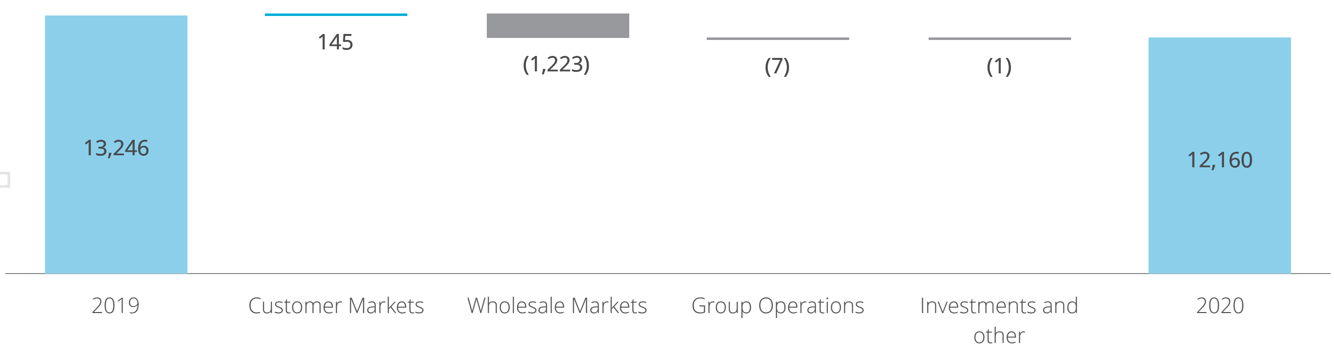
Revised structure from 1 July 2020:

	2020 $m	2019 $m
Customer Markets	**186**	194
Integrated Energy	**1,526**	1,721
Investments	**18**	33
Centrally Managed Expenses	**(413)**	(288)
Underlying EBIT	**1,317**	1,660

1.1.2 Group financial performance

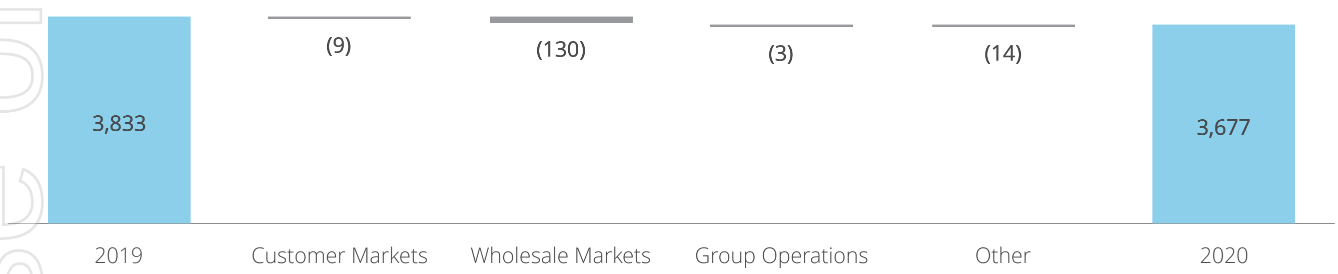
	2020 $m	2019 $m
Revenue	**12,160**	13,246
Cost of sales	**(8,492)**	(9,440)
Other income	**9**	27
Gross margin	**3,677**	3,833
Operating costs (excluding depreciation and amortisation)	**(1,607)**	(1,548)
Underlying EBITDA	**2,070**	2,285
Depreciation and amortisation	**(753)**	(625)
Underlying EBIT	**1,317**	1,660
Net finance costs	**(179)**	(193)
Underlying Profit before tax	**1,138**	1,467
Income tax expense	**(322)**	(427)
Underlying Profit after tax	**816**	1,040

1.1.2.1 Year-on-year movement in revenue ($m)



Total revenue was $12,160 million, down 8.2%, driven by lower electricity generation revenue and gas sales volumes. Lower electricity generation revenue was driven by the major outage of Unit 2 at the AGL Loy Yang power station from May 2019 until January 2020, and lower average wholesale electricity prices compared with the prior year. Gas sales volumes were impacted by lower volumes sold to the existing Wholesale customer base and the loss of Large Business customers resulting from the challenges of sourcing gas in a tight market as AGL's legacy lower cost gas supply contracts roll off. This was partly offset by increased revenue in Customer Markets from growth in customer service numbers and the acquisitions of Perth Energy (in September 2019) and Southern Phone Company (in December 2019).

1.1.2.2 Year-on-year movement in gross margin ($m)



Total gross margin was $3,677 million, down 4.1%. The decrease was largely attributable to the Wholesale Markets operating segment and reflected the revenue impact noted above as well as lower prices for large-scale generation certificates (LGC) relating to renewable energy production. Refer to section 1.4 for further analysis on the movement in gross margin for each operating segment.

1.1.2.3 Operating costs

			FY20 Cost centre transfer summary	
	2020 $m	2019 $m	Segment transfers	Adjusted 2019 $m
Customer Markets	**(500)**	(532)	9	(523)
Wholesale Markets	**(44)**	(26)	–	(26)
Group Operations	**(721)**	(726)	31	(695)
Centrally Managed Expenses	**(342)**	(264)	(40)	(304)
Operating costs (excluding depreciation and amortisation)	**(1,607)**	(1,548)	–	(1,548)

Total operating costs (excluding depreciation and amortisation) were $(1,607) million, up 3.8%. There were ongoing savings across AGL from recent digital transformation initiatives and other efficiency programs of a combined $57 million, in addition to the non-recurrence of programs to forgive $33 million of additional customer debt in the prior year. These savings were not sufficient to offset increased costs and those associated with AGL's response to COVID-19, including increased allowance for expected credit loss as a result of the impact of some customers' ability to pay their bills and other customer support initiatives ($20 million) and additional costs to ensure employees and contractors were able to work safely and securely at AGL generation sites to ensure ongoing supply of power during the pandemic restrictions ($18 million). Other cost increases related to the inclusion of acquired businesses ($26 million), increased investment in maintaining plant availability ($15 million), higher insurance premiums mostly related to business interruption insurance policies covering AGL's coal-fired power plants and increased regulatory costs ($11 million) and investment in the Decentralised Energy business (batteries, electric vehicles and other small-scale energy generation, storage and orchestration services) ($8 million).

As a result of internal restructuring during the year, prior year costs were reallocated, including $(22) million of costs associated with the Property, Procurement and Security function and $(9) million of costs associated with the Health, Safety and Environment function transferred from Group Operations to Centrally Managed Expenses. Additionally, $(9) million of costs associated with AGL's digital development capabilities transferred from Customer Markets to Centrally Managed Expenses.

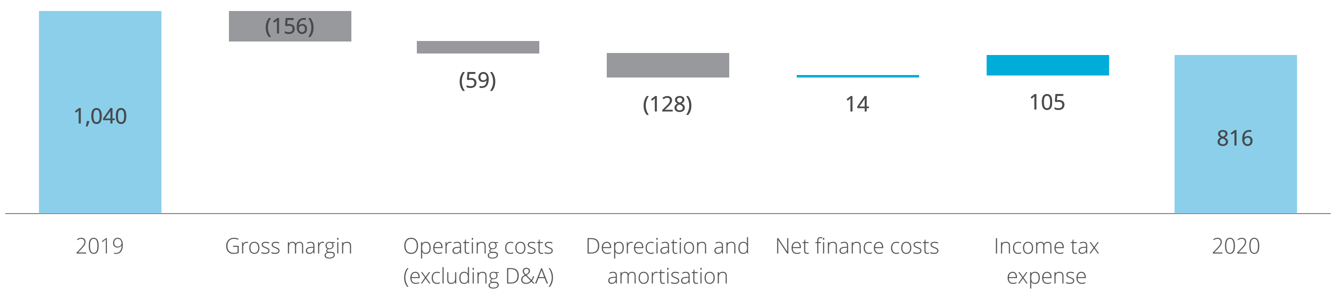
Refer to section 1.4 for further analysis on the movement in operating costs for each operating segment.

1.1.2.4 Depreciation and amortisation (D&A)

	2020 $m	2019 $m
Customer Markets	**(132)**	(101)
Wholesale Markets	**(17)**	(21)
Group Operations	**(533)**	(480)
Centrally Managed Expenses	**(71)**	(23)
Depreciation and amortisation	**(753)**	(625)

Depreciation and amortisation of $(753) million was up 20.5%. Excluding the impact of depreciation and amortisation transfers to Centrally Managed Expenses following the internal reorganisation noted above, this occurred principally in Group Operations as a result of: a higher asset base at AGL Macquarie and AGL Loy Yang from increased reliability focused capital expenditure; a shorter depreciation schedule at Liddell Power Station at AGL Macquarie given its pending closure in FY23; and the completion of the $295 million Barker Inlet Power Station project during the year. Increases in Customer Markets and Centrally Managed Expenses (excluding the impact of transfers noted above) reflected the recent completion of the Customer Experience Transformation and enterprise resource planning system upgrades respectively.

1.1.2.5 Year-on-year movement in Underlying Profit after tax ($m)



Underlying Profit after tax was $816 million, down 21.5% on the prior year. The principal drivers of the decrease in margin were from the Unit 2 outage at AGL Loy Yang, reduction in gas sales volumes, lower wholesale electricity and LGC prices, and the higher depreciation and amortisation and increases in operating costs noted above. These impacts were partially offset by a 24.6% reduction in Underlying tax expense to $322 million, primarily reflecting the decrease in profit, and a 7.3% reduction in net finance costs to $179 million, down due to lower facility interest rates. The underlying effective tax rate was 28.3%, a decrease of 0.8 ppts compared with the prior year.

1.1.3 Significant items

1.1.3.1 Acquisitions and disposals

2020

On 2 September 2019, AGL completed the purchase of 100% of the outstanding share capital of Perth Energy Holdings Pty Ltd. Acquisition related transaction costs of $7 million post-tax were recognised as a Significant Item in the year.

2019

On 11 September 2018, AGL completed the sale of a portfolio of small generation and compressed natural gas refuelling assets, known as AGL's National Assets portfolio, to Sustainable Energy Infrastructure, a consortium led by Whitehelm Capital. A post-tax profit of $37 million was recognised in the year.

In December 2018, AGL disposed of the option to purchase the Yandin wind farm development rights in Western Australia. A post-tax profit of $5 million was recognised as a Significant Item in the year.

1.1.3.2 Asset impairments

2020

During the year, AGL partially impaired the carrying value of its investments interest in the Powering Australian Renewables Fund, reflecting revised market pricing and generation output assumptions for operations sites. A post-tax impairment loss of $10 million was recognised as a Significant Item in the year.

2019

On 11 September 2018, AGL announced the decision to exit the residential solar installation operations, rendering many of the residential solar assets obsolete. A post-tax loss of $38 million was recognised as a Significant Item in the year to account for the write down of goodwill, systems related assets, inventory and other business closure costs.

1.1.4 Changes in fair value of financial instruments

1.1.4.1 AGL's approach to hedging

AGL's approach to managing energy price risks, through physical ownership of energy generation, contracting for energy supply and financial hedging, reflects the need to provide pricing certainty to customers and limit exposure to adverse wholesale market outcomes. AGL generates electricity or has contracted gas supply in excess of its customers' demand in some states. In other states, AGL has sources of supply less than its customers' demand.

AGL uses certain financial instruments (derivatives) to manage these energy price risks and to manage its exposure to interest and foreign exchange rates arising in the normal course of business, provided the overall AGL risk appetite is not exceeded. The majority of these financial instruments exchange a fixed price for a floating market-based price of a given commodity, interest rate, currency or a quoted asset, with the net differential being settled with the counterparty. AGL is exposed to price volatility on the sale and purchase of energy-related commodities in the normal course of business, and therefore enters into contracts that minimise the price risk to AGL on both sold and purchased forecast exposures.

AGL has in place a governance framework that establishes the policy guidelines under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, earnings-at-risk limits, compliance management and regular reporting to the Board. The risk policy represents the Board's and Senior Management's commitment to an effective risk management function to ensure appropriate management and oversight of AGL's risks related to wholesale markets energy risk. The policy allows for commercial optimisation of the portfolio provided that AGL adheres to overall earnings-at-risk limits that reflects its risk appetite.

1.1.4.2 Energy price risk

Certain purchased contracts traded prior to 1 July 2019 are designated as hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring. Derivative instruments assigned to an effective hedge relationship have movements in fair value deferred to an equity hedge reserve until the transactions to which those instruments are matched occur. Derivative instruments not assigned to an effective hedge relationship have movements in fair value recognised in profit or loss.

AGL's energy-related derivatives assigned to hedge relationships are purchased derivative contracts, where AGL pays a fixed price in exchange for a floating price received from the counterparty. The energy-related derivatives recognised in profit or loss are net-sold positions, where AGL receives a fixed price from a counterparty in exchange for a floating price paid to the counterparty.

AGL is required to make margin payments in respect of futures contracts traded through the Australian Securities Exchange (ASX). Initial margin call payments are made at the time contracts are entered in order to manage intra-day credit exposure. The quantum of initial margin depends on the volume traded, the expected market volatility as well as forward electricity prices at the time. The initial margin call can move subsequently as forward prices move. AGL also receives or makes payments known as variation margin calls, which cover mark to market movements of AGL's open futures position. These typically reverse through future earnings as contract positions roll off.

1.1.4.3 Treasury related risk

AGL's treasury related risk primarily relates to interest and foreign currency rate fluctuations. Contracts to minimise the exposure to market-based fluctuations are executed pursuant to AGL's treasury risk management policy. These contracts primarily result in fixed interest and foreign currency rates. These contracts are designated in hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring.

In addition to the above, AGL is counterparty to cross-currency interest rate swap arrangements to convert its fixed interest rate US dollar private placement borrowing instruments to floating interest rate Australian dollar equivalent borrowing instruments. The cross-currency interest rate swap arrangements are designated as fair value and cash flow hedge relationships.

1.1.4.4 Movement in fair value

The initial fair value of a derivative is the consideration paid or received (the premium). Fair value movements in any given year are a function of changes to underlying indices, market prices or currencies and the roll-off of realised contractual volumes or amounts. A reconciliation of the movements in financial instruments carried at fair value, for the year ended 30 June 2020 is presented in the following table:

Net assets/(Liabilities)	2020 $m	2019 $m	Change $m
Energy derivative contracts	**239**	(31)	270
Cross currency and interest rate swap derivative contracts	**177**	80	97
Total net assets for financial instruments	**416**	49	367
Change in net assets	**367**		
Premiums paid	**(59)**		
Premium roll off	**75**		
Equity accounted fair value	**(14)**		
Total change in fair value	**369**		
Recognised in equity hedge and other reserve	**(69)**		
Recognised in borrowings	**110**		
Recognised in profit or loss – pre-tax	**328**		
Total change in fair value	**369**		

The movement in net derivative assets in the year of $367 million is summarised in the table below:

		Unrealised fair value recognised in:					
	2019 $m	Profit or loss	Hedge reserve	Borrowings	Currency basis	Premiums and roll offs paid/ (received)	2020 $m
Energy derivative contracts	**(31)**	344	(58)	–	–	(16)	**239**
Cross currency and interest rate swap contracts	**80**	(2)	(8)	110	(3)	–	**177**
Net asset/(liability)	**49**	**342**	**(66)**	**110**	**(3)**	**(16)**	**416**
Fair value recognised within equity accounted investments		(14)					
Profit or loss		**328**					
Realised fair value recognised in cost of sales		(20)					
Fair value recognised in underlying profit or loss		**308**					

The fair value movement driving the change in the net derivative assets position reflected in unrealised fair value movements is as follows:

- An increase in the fair value of energy-related derivatives of $344 million was recognised in profit or loss (excluded from Underlying Profit). This net gain reflected a positive fair value movement in AGL's net sold electricity derivative contracts as a result of lower forward electricity prices, which is partly offset by a negative fair value movement in net purchased oil derivative contracts as a result of lower forward oil prices.
- A decrease in the fair value of purchased energy-related derivatives designated as a hedge relationship of $(58) million, which was recognised in the equity hedge reserve. This decrease primarily reflected lower electricity market prices.
- Currency related fair value gain of $110 million recognised in borrowings. This related primarily to the decrease of the AUD forward interest rate curve during the year and the weakening of the AUD/USD foreign exchange rate.

1.2 Cash flow

1.2.1 Reconciliation of Underlying EBITDA to cash flow

		2020 $m		2019 $m
Underlying EBITDA		**2,070**		2,285
Equity accounted income (net of dividends received)		**(2)**		(5)
Accounting for onerous contracts		**(30)**		(34)
Movement in other assets/liabilities and non-cash items		**44**		15
Working capital movements				
Decrease in receivables	**60**		103	
(Decrease) in payables	**(156)**		(21)	
(Increase) in inventories	**(14)**		(74)	
Net derivative premiums paid/roll-offs	**16**		18	
(Increase)/decrease in other financial assets (margin calls)	**471**		(187)	
Net movement in green assets/liabilities	**47**		(67)	
Other	**14**		(20)	
Total working capital movements		**438**		(248)
Operating cash flow before significant items, interest and tax		**2,520**		2,013
Net finance costs paid		**(124)**		(151)
Income taxes (paid)		**(233)**		(263)
Cash flow relating to significant items		**(7)**		–
Net cash provided by operating activities		**2,156**		1,599
Net cash used in investing activities		**(879)**		(904)
Net cash used in financing activities		**(1,252)**		(1,043)
Net increase/(decrease) in cash and cash equivalents[1]		**25**		(348)

1. Movement in cash and cash equivalents in the Statement of Financial Position is $26 million, which includes $1 million related to the effect of exchange rate changes on the balance of cash held in foreign currencies not included in the above cash flow reconciliation.

Operating cash flow before interest and tax was $2,520 million, up $507 million. The rate of conversion of EBITDA to cash flow was 122%, up from 88% in the prior year. Adjusting for margin calls, the cash conversion rate was 99%, up from 96% in the prior year.

The principal reason for stronger cash flow was a positive working capital movement, compared with a negative cash flow impact from working capital in the prior year. Total working capital movements were $438 million, compared with $(248) million in the prior year. Components of working capital movement were:

- Receivables cash flow of $60 million reflected a reduction in receivables due to lower average bills following the introduction of regulated default offers in each state and customers switching to lower-priced products. The prior year receivables cash flow of $103 million reflected a higher opening balance as well as one-off debt forgiveness actions.
- Payables cash flow of $(156) million reflected lower electricity pool prices and timing of contract positions combined with lower coal payables due to reduced coal deliveries. The prior year trade creditors cash flow of $(21) million reflected lower consumer gas and electricity volumes in the year reducing network creditors partly offset by higher coal payables due to increased deliveries in June.
- Inventory cash flow of $(14) million reflected an increase in spare parts inventory partly offset by a lower coal stockpile at AGL Macquarie following AGL's focus on removing bottlenecks from the coal supply chain. The prior year inventory movement of $(74) million reflected an increase in the AGL Macquarie coal stockpile.
- Margin call cash flow of $471 million reflected a net cash inflow of variation margin calls due to a decrease in the electricity forward curve during FY20. This contrasted to the prior year cash flow of $(187) million where there was a net cash outflow on open positions due to higher wholesale electricity forward prices at that time.
- Green assets and liabilities cash flow of $47 million reflected an increased LGC scheme compliance percentage as well as the impact of certificates purchased in the prior year and surrendered in FY20. The prior year green assets and liabilities cash flow of $(67) million reflected a lower compliance cost for the LGC scheme as well as the purchase of certificates for future surrender obligations.

Tax cash flow of $(233) million was consistent with prior year.

Investing cash flow of $(879) million reflected capital expenditure and the Perth Energy and Southern Phone Company acquisitions. The prior year Investing cash flow of $(904) million reflected higher capital expenditure, partly offset by the sale of the National Assets portfolio.

Financing cash flow of $(1,252) million included dividends of $(719) million, $(620) million share buy-back and a net borrowings drawdown of $94 million. The prior year Financing cash flow of $(1,043) million included dividends of $(774) million and a net borrowing repayment of $(264) million including the redemption of $650 million of Subordinated Notes.

1.2.2 Capital expenditure

	2020 $m	2019 $m
Customer Markets	96	134
Wholesale Markets	44	25
Group Operations	519	676
Centrally Managed Expenses	70	104
Total capital expenditure	**729**	939

1.2.2.1 Summary of capital expenditure split between growth and sustaining

Sustaining	536	551
Growth and transformation	193	388
Total capital expenditure	**729**	939

Total capital expenditure was $729 million, a decrease of $210 million compared with the prior year:

- Sustaining capital expenditure was $536 million, a decrease of $15 million. This comprised $355 million of expenditure on AGL's thermal plants, down $27 million, driven by the deferral of outage work at both AGL Macquarie and AGL Torrens due to COVID-19 related personnel restrictions on site. Other sustaining capital expenditure was $181 million, up $12 million largely due to the increase in regulatory programs and continued investment in Customer Market systems.
- Growth capital expenditure was $193 million, a decrease of $195 million on the prior year. This decrease reflected the non-recurrence from the prior year of the major Customer Experience Transformation and enterprise resource planning systems upgrades and the majority of the construction of the Barker Inlet Power Station. FY20 expenditure included the $62 million final growth spend on Barker Inlet, a $30 million capacity upgrade to the Bayswater Power Station at AGL Macquarie and $19 million of further upgrades to AGL's enterprise resource planning systems.

1.3 Review of financial position

1.3.1 Summary Statement of Financial Position

	2020 $m	2019 $m
Assets		
Cash and cash equivalents	**141**	115
Other current assets	**2,981**	3,281
Property, plant and equipment	**6,640**	6,588
Intangible assets	**3,786**	3,740
Other non-current assets	**1,162**	1,097
Total assets	**14,710**	14,821
Liabilities		
Borrowings	**3,108**	2,850
Other liabilities	**3,527**	3,533
Total liabilities	**6,635**	6,383
Net assets / total equity	**8,075**	8,438

At 30 June 2020 AGL's total assets were $14,710 million, a decrease from $14,821 million at 30 June 2019, primarily due to the decrease in the futures deposits and margin calls compared with the prior year, which is reflected in other current assets.

Total liabilities at 30 June 2020 were $6,635 million, up from $6,383 million at 30 June 2019, primarily reflecting the increase in borrowings to fund the share buy-back.

Total equity at 30 June 2020 was $8,075 million, down from $8,438 million, reflecting the reduction in issued capital due to the share buy-back. AGL's return on equity, calculated on a rolling 12-month basis was 10.0%, down from 30 June 2019.

1.3.2 Net debt reconciliation

	2020 $m	2019 $m
Net debt reconciliation		
Borrowings	**3,108**	2,850
Less: Adjustment for cross currency swap hedges and deferred borrowing costs	**(244)**	(135)
Cash and cash equivalents	**(141)**	(115)
Net debt	**2,723**	2,600

Net debt at 30 June 2020 was $2,723 million, up from $2,600 million at 30 June 2019 due to increased draw downs to fund the share buy back program which were mostly offset by strong operating cash flow.

AGL's gearing (measured as the ratio of net debt to net debt plus adjusted equity) at 30 June 2020 was 25.0% compared with 23.5% at 30 June 2019.

AGL maintained its credit rating of Baa2 throughout the year as provided by Moody's Investors Service. Key metrics consistent with this credit rating at 30 June 2020:

- Interest cover: 8.9 times
- Funds from operations to net debt: 38.0%

AGL's funds from operations has been calculated with a similar methodology to Moody's whereby the movement in all current and non-current tax assets and liabilities is treated as working capital.

1.4 Review of operations

AGL manages its business in four key operating segments: Customer Markets, Wholesale Markets, Group Operations and Investments. Further detail on the activities of each operating segment is provided below.

In accordance with Australian Accounting Standard AASB 8 *Operating Segments*, AGL reports segment information on the same basis as its internal management structure. As a result, the Customer Markets and Wholesale Markets operating segments report the majority of the revenue and margin from AGL's activities, while the Group Operations operating segment reports the majority of the expenses.

Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions. For the purposes of the year ended 30 June 2020, Wholesale Markets and Group Operations are reported separately.

1.4.1 Customer Markets

Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers, and the retailing of telecommunications. Customer Markets sources its energy from Wholesale Markets at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

1.4.1.1 Customer Markets Underlying EBIT

	2020 $m	2019 $m
Consumer Electricity gross margin	**500**	505
Consumer Gas gross margin	**219**	246
Large Business Electricity gross margin	**36**	34
Large Business Gas gross margin	**12**	15
Fees, charges and other margin	**20**	27
Perth Energy gross margin	**25**	–
Southern Phone Company gross margin	**6**	–
Gross margin	**818**	827
Operating costs (excluding depreciation and amortisation)	**(500)**	(532)
Underlying EBITDA	**318**	295
Depreciation and amortisation	**(132)**	(101)
Underlying EBIT	**186**	194

Customer Markets Underlying EBIT was $186 million, down 4.1%, due to lower consumer gross margin across both fuels as a result of customers switching to lower-priced products despite higher volumes driven by customer growth, and higher depreciation and amortisation due to the investment in the Customer Experience Transformation program in prior years. The impact of COVID-19 was reflected in increased operating costs due to an allowance for expected credit loss associated with potential impacts of COVID-19 on customers' ability to pay their energy bills, a significant decrease in electricity demand in the Large Business customer and small business portfolios, and an increase in demand from residential customers. This was partly offset by lower operating costs due to the non-recurrence of one-off debt forgiveness actions in the prior year, a decrease in call centre activity related to customers seeking to switch between retailers and higher digital adoption, lower marketing costs and benefits from the Customer Experience Transformation program.

- Consumer Electricity gross margin was $500 million, down 1.0%, due to customers switching to lower-priced products and the introduction of regulated default market offers in each state. Consumer electricity volumes increased by 2.0%, driven by growth in the average number of electricity services provided to customers.
- Consumer Gas gross margin was $219 million, down 11.0%, driven by customers switching to lower-priced products and the introduction of automatic discounts for all consumer services that have been on standing offers (non-discounted contracts on regulated terms) for more than one year (Gas Safety Net). This was partly offset by higher volumes, up 1.6%, due to an increase in the average number of gas services provided to customers.
- Large Business Electricity gross margin was $36 million, up 5.9% due to higher gross margin rates, slightly offset by the decrease in volumes due to the impact of COVID-19 on Large Business demand in the current year excluding Perth Energy.
- Large Business Gas gross margin was $12 million, down 20.0%, as volumes declined 3.7% due to the loss of customers.
- Fees, charges and other margin was $20 million, down 25.9%, due to lower margin from intermediary businesses and a reduction in late payment fees for customers not paying on time.
- Southern Phone Company gross margin since acquisition includes retailing of telecommunications, specifically mobile, broadband and voice services.
- Perth Energy gross margin since acquisition includes generation and retailing of electricity and gas to small and large business customers within Western Australia.
- Depreciation and amortisation was $(132) million, up 30.7%, due to the investment in the Customer Experience Transformation program over the period FY17 to FY19.

1.4.1.2 Customer Markets operating costs

	2020 $m	2019 $m
Labour and contractor services	**(185)**	(178)
Allowance for expected credit loss	**(119)**	(120)
Campaigns and advertising	**(103)**	(136)
Other expenditure	**(93)**	(98)
Operating costs (excluding depreciation and amortisation)	**(500)**	(532)
Add: depreciation and amortisation	**(132)**	(101)
Operating costs (including depreciation and amortisation)	**(632)**	(633)

Customer Markets operating costs (excluding depreciation and amortisation) were $(500) million, down $32 million, reflecting the non-recurrence of one-off debt forgiveness actions in the prior year, reduced costs associated with a decrease in market activity and the benefits of the Customer Experience Transformation program. This was partly offset by an increase in allowance for expected credit loss as a result of the impact of COVID-19 on some customers' ability to pay their bills, the COVID-19 payment support program, and the introduction of operating costs associated with Southern Phone and Perth Energy. In addition, the prior year included costs of $(9) million associated with AGL's digital development team, which is now reported within Centrally Managed Expenses following transfer to the Future Business & Technology function.

- Labour and contractor services costs were $(185) million, up 3.9% due to the inclusion of Perth Energy and Southern Phone and increased regulatory requirements, partly offset by increased customer digital adoption and a decrease in market activity, which resulted in a decline in call volumes. Excluding the impact of acquired businesses, labour and contractor services were $(174) million, down 2.2%.
- Allowance for expected credit loss was $(119) million, down 0.8% driven by the non-recurrence of one-off debt forgiveness actions in the prior year, offset by allowance for expected credit loss increases to reflect heightened repayment risk relating to COVID-19 ($20 million), costs associated with AGL's debt relief provided to customers through the COVID-19 payment support program and bushfire debt relief program, and increased regulatory requirements relating to hardship in the current year.
- Campaigns and advertising costs were $(103) million, down 24.3%, due to reduced market activity and cost reductions achieved through efficiencies from the Customer Experience Transformation program. Churn declined 3.3 ppts from the prior year as lower pricing and simplified offers reduced the amount of retailer switching in the market.
- Other expenditure was $(93) million, down 5.1%, driven by increased digital billing and lower payment channel costs.

1.4.1.3 Consumer energy profitability and operating efficiency

	2020	2019
Gross margin	**$719m**	$751m
Net operating costs (including fees, charges, recoveries and depreciation and amortisation)	**$(542)m**	$(560)m
EBIT	**$177m**	$191m
Average consumer energy services ('000)	**3,734**	3,654
Gross margin per customer service	**$193**	$206
Net operating costs per customer service	**$(145)**	$(153)
EBIT per customer service	**$47**	$52
Net operating costs as percentage of gross margin	**75.4%**	74.6%
Cost to serve	**$(358)m**	$(353)m
Cost to serve per service	**$(96)**	$(97)
Acquisitions and retentions ('000)	**1,441**	1,830
Cost to grow	**$(184)m**	$(207)m
Cost to grow per service (acquired and retained)	**$(128)**	$(113)

Average consumer energy services increased year-on-year due to targeted campaign activity, lower churn and the growth of customers in Victoria, New South Wales and Western Australia.

AGL churn decreased 3.3 ppts to 14.3% from 17.6% reported at same time last year, and Rest of Market churn decreased 4.5 ppts to 19.4% from 23.9% reported at same time last year. Overall market churn declined across all states following a decrease in the number of customers switching retailers due to lower pricing as a result of the regulatory environment. The gap between AGL and the rest of the market was 5.1 ppts, down from 6.3 ppts as at 30 June 2019.

Acquisitions and retentions decreased to 1.441 million, down 21.3%, primarily driven by lower retention volumes with less existing customers switching compared with the prior year.

EBIT per customer service was $47, down 9.6%, largely due to increased Consumer Gas customers switching to lower priced products in the current year and the introduction of regulated default offers for electricity customers in each State.

Cost to Serve per service includes the consumer operating costs related to serving existing customers divided by the average number of customer services during the year. Cost to Serve per service was $(96), down 1.0%, largely due to the non-recurrence of one-off debt forgiveness actions in the prior year, with the efficiency improvements this year offset by the increase in the allowance for expected credit loss to reflect the heightened delinquency risk relating to COVID-19, the COVID-19 support program and higher depreciation and amortisation costs.

Cost to Grow per service includes the consumer operating costs related to acquiring and retaining customers divided by the average number of customer services acquired and retained during the year. Cost to Grow per service was $(128), up 13.3% largely due to lower retention volumes driven by reduced product switching compared with the prior year, partly offset by lower campaign and advertising spend.

1.4.1.4 Customer numbers and churn

The following table provides a breakdown of customer numbers by state.

	2020 ('000)	2019 ('000)
Consumer Electricity	**2,303**	2,261
New South Wales	**861**	843
Victoria	**704**	680
South Australia	**363**	365
Queensland	**375**	373
Consumer Gas	**1,466**	1,431
New South Wales	**622**	630
Victoria	**559**	544
South Australia	**132**	130
Queensland	**86**	84
Western Australia	**67**	43
Total Consumer energy services	**3,769**	3,692
Dual fuel services	2,118	2,070
Average consumer energy services	3,734	3,654
Total Large Business energy services	**17**	16
Total energy services	**3,786**	3,708
Total broadband and phone services	**168**	–
Total AGL customer services	**3,954**	3,708

Total energy service numbers increased 2.1% to 3.786 million, from 3.708 million reported at 30 June 2019. Consumer electricity customer service numbers have increased as a result of growth in Victoria and New South Wales. Consumer gas customer service numbers have increased due to growth in Victoria and Western Australia. Large Business customer services movement includes the addition of 2,191 Perth Energy services. Targeted campaign activity coupled with a decline in churn has contributed to the growth in customer numbers. Total broadband and phone services of 167,000 were newly acquired with the purchase of Southern Phone Company in December 2019.

1.4.2 Wholesale Markets

Wholesale Markets comprises Wholesale Electricity, Wholesale Gas and Eco Markets and is responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. Wholesale Markets also controls the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products. Since FY19, AGL's Decentralised Energy business has been a part of Wholesale Markets, and is responsible for the management of the Residential Battery Program and Business Customer Demand Response products, along with other growth initiatives in AGL's orchestration pathway.

- Wholesale Electricity reflects the procurement of key fuel inputs and hedging of AGL's wholesale electricity requirements, for commercial management of the generation portfolio and for wholesale pricing to support AGL's consumer and business customer bases.
- Wholesale Gas reflects the sourcing and management of AGL's gas supply and transportation portfolio. Wholesale Gas supplies other retailers, internal and third-party gas-fired generators, and other gas customers. Wholesale Gas is also responsible for the management of the price exposures related to AGL's oil-linked wholesale gas contracts.
- Eco Markets reflects the management of AGL's liabilities relating to both voluntary and mandatory renewable and energy efficiency schemes, the largest being the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

1.4.2.1 Wholesale Markets Underlying EBIT

	2020 $m	2019 $m
Wholesale Electricity gross margin	**2,211**	2,240
Wholesale Gas gross margin	**421**	458
Eco Markets gross margin	**42**	106
Gross margin	**2,674**	2,804
Operating costs (excluding depreciation and amortisation)	**(44)**	(26)
Underlying EBITDA	**2,630**	2,778
Depreciation and amortisation	**(17)**	(21)
Underlying EBIT	**2,613**	2,757

Wholesale Markets Underlying EBIT was $2,613 million, down 5.2%, largely due to the impact of the major outage of Unit 2 at AGL Loy Yang, the reduction in gas sales volumes and lower wholesale prices for electricity and LGCs. This was partly offset by lower coal and gas purchase costs.

- Wholesale Electricity gross margin was $2,211 million, down 1.3%, due to reduced generation at AGL Loy Yang caused by the Unit 2 outage and lower electricity prices. This was partly offset by increased generation from AGL Macquarie, increasing output from the new Coopers Gap and Silverton wind farms, lower wholesale electricity purchase costs, lower unit fuel costs for coal and gas, and the performance of wholesale electricity derivatives during the second half of the financial year. The reduction in coal costs was due to increased deliveries of legacy coal contracts following improvements in delivery logistics and stockpile handling at AGL Macquarie. The gas cost reduction reflected lower generation volumes and a lower unit cost of gas (see below for a detailed explanation of the unit cost decrease).
- Wholesale Gas gross margin was $421 million, down 8.1%, driven by lower customer sales volumes. Total volume sold was 11.6 PJ lower than the prior year, driven by lower volumes on the existing Wholesale customer base and the loss of Large Business Customers resulting from the challenges of sourcing gas in a tight market as AGL's legacy lower cost gas supply contracts roll off, and lower generation volumes. A lower unit cost of gas reflected supply mix benefits, with the reduction in total gas volumes required resulting in a higher proportion of lower priced legacy contracts being used compared with the prior year. This was partly offset by higher haulage and storage costs due to an increase in storage capacity.
- Eco Markets gross margin was $42 million, down 60.4%, largely due to lower LGC market prices resulting in lower transfer price revenue. This was partly offset by lower prices for on-market purchases, increased generation from Coopers Gap and Silverton wind farms and a lower allocation of PPA costs as a result of lower LGC prices, relative to electricity prices.
- Operating costs (excluding depreciation and amortisation) were $(44) million, up 69.2%, largely driven by an increase in labour and other costs associated with the investment in Decentralised Energy, in which AGL is investing to support increased customer demand for products and services such as residential batteries and electric vehicles.

Refer also to the Portfolio Review at section 1.5 for additional analysis of AGL's electricity and gas portfolios.

1.4.3 Group Operations

Group Operations comprises AGL's power generation portfolio and other key sites and operating facilities across the Thermal, Renewables, Natural Gas, and Other business units.

- Thermal primarily comprises: AGL Macquarie (4,665 MW), consisting of the Bayswater and Liddell black coal power stations in New South Wales; AGL Loy Yang (2,210 MW), a brown coal mine and power station in Victoria; and AGL Torrens (1,280 MW), a gas power station in South Australia. The Barker Inlet Power Station (210 MW) was operationally completed on 28 January 2020. Kwinana Swift (120 MW), a dual fuel peaking power station, was acquired as part of the Perth Energy acquisition on 2 September 2019.

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Financial Review

For the year ended 30 June 2020

- Renewables primarily comprises: 786 MW of hydroelectric power stations in Victoria and New South Wales and the operation of 1,581 MW of wind power generation in South Australia, Victoria, New South Wales, and Queensland, and 155 MW of solar power in New South Wales.
- Natural Gas includes the Newcastle Gas Storage Facility in New South Wales, the Silver Springs underground gas storage facility in Queensland, the natural gas production assets at Camden in New South Wales and the North Queensland gas assets, including the Moranbah Gas Project.
- Other operations primarily consist of Development and Construction, and technical and business support functions.

1.4.3.1 Group Operations Underlying EBIT

	2020 $m	2019 $m
Gross margin	**167**	170
Operating costs (excluding depreciation and amortisation)	**(721)**	(726)
Underlying EBITDA	**(554)**	(556)
Depreciation and amortisation	**(533)**	(480)
Underlying EBIT	**(1,087)**	(1,036)

The following tables provide a breakdown of the contributors to Underlying EBITDA and Underlying EBIT:

	2020 $m	2019 $m
Thermal	**(465)**	(424)
Renewables	**(52)**	(50)
Natural Gas	**1**	(29)
Other operations	**(38)**	(53)
Underlying EBITDA	**(554)**	(556)
Thermal	**(914)**	(799)
Renewables	**(102)**	(97)
Natural Gas	**(29)**	(58)
Other operations	**(42)**	(82)
Underlying EBIT	**(1,087)**	(1,036)

Group Operations Underlying EBIT was $(1,087) million, down 4.9%, driven by increased labour costs due to Enterprise Agreement wage escalations and COVID-19 reducing the amount of leave taken and increasing the amount of overtime required. Additionally there was the non-recurrence of Liddell insurance proceeds received in prior year, COVID-19 response costs to ensure employees were able to safely work on-site, increased costs to maintain plant availability and higher depreciation. The total COVID-19 related cost increase was $18 million. This was partly offset by the transfer of the Property, Procurement and Security, and Health, Safety and Environment functions to Centrally Managed Expenses in the current year ($31 million operating costs excluding depreciation and amortisation in the prior year) and higher revenue and lower costs in Natural Gas.

- Thermal Underlying EBIT was $(914) million, down 14.4%, driven by lower insurance proceeds compared to the prior year and an increase in depreciation predominantly due to a higher asset base at AGL Macquarie and AGL Loy Yang from increased reliability focused capital expenditure. The increased spend at AGL Macquarie is relative to a short depreciation schedule at Liddell Power Station given its committed closure. Additionally, costs were incurred during the current year in response to the COVID-19 pandemic to ensure employees were able to safely work onsite, as well as to maintain plant availability across the thermal fleet, particularly to support the AGL Loy Yang Unit 2 outage.
- Renewables Underlying EBIT was $(102) million, down 5.2%, primarily due to the settlement of Macarthur wind farm claims.
- Natural Gas Underlying EBIT was $(29) million, up 50.0%, primarily due to the decrease in field development costs relating to the Moranbah Gas Project joint venture and increased revenue from gas sales.
- Other operations Underlying EBIT was $(42) million, up 48.8% reflecting the transfer of the Property, Procurement and Security, and Health, Safety and Environment functions to Centrally Managed Expenses in the year. This was partly offset by the reduction in margin from the National Assets business (divested in September 2018).

1.4.3.2 Group Operations operating costs

	2020 $m	2019 $m
Labour	**(350)**	(330)
Contracts and materials	**(258)**	(259)
Other	**(113)**	(137)
Operating costs (excluding depreciation and amortisation)	**(721)**	(726)

Group Operations operating costs (excluding depreciation and amortisation) of $(721) million decreased by $5 million compared to the prior year:

- Labour costs were $(350) million, up 6.1%. Excluding the transfer of $15 million in costs associated with the Property, Procurement and Security, and Health, Safety and Environment functions to Centrally Managed Expenses in the current year, labour costs were up 11.1%, or $35 million. This was driven by Enterprise Agreement wage escalations, COVID-19 reducing the amount of leave taken and increasing the amount of overtime required and increased head count of specialised operators at Bayswater to maintain plant availability.
- Contractors and materials costs were $(258) million, down 0.4%, driven by the transfer of the Property, Procurement and Security, and Health, Safety and Environment functions to Centrally Managed Expenses, partly offset by higher costs to maintain plant availability across the thermal fleet, particularly to support the AGL Loy Yang Unit 2 outage.
- Other operating costs were $(113) million, down 17.5%, driven by a decrease in field development costs relating to the Moranbah Gas Project joint venture and the transfer of Property, Procurement and Security, and Health, Safety and Environment to Centrally Managed Expenses. This was partly offset by COVID-19 pandemic response related costs to ensure employees were able to safely work onsite and maintain plant availability.

1.4.3.3 Group Operations depreciation and amortisation

	2020 $m	2019 $m
Thermal	**(449)**	(376)
Renewables	**(50)**	(47)
Natural Gas	**(30)**	(30)
Other operations	**(4)**	(27)
Depreciation and amortisation	**(533)**	(480)

Group Operations depreciation and amortisation increased by $(53) million, or 11.0%.

- Thermal depreciation and amortisation was $(449) million, up 19.4%, reflecting a higher asset base at AGL Macquarie and AGL Loy Yang from increased reliability focused capital expenditure in previous years. The increased spend at AGL Macquarie is relative to a short depreciation schedule at Liddell Power Station given its committed closure. Additionally there was increased depreciation as a result of the completion of Barker Inlet Power Station during the year and the acquisition of the Kwinana Swift Power Station.
- Renewables depreciation and amortisation was $(50) million, up 6.4% due to a higher asset base.
- Other operations depreciation and amortisation was $(4) million, down 85.2% due the transfer of Property, Procurement and Security and Health, Safety and Environment functions to Centrally Managed Expenses.

1.4.4 Centrally Managed Expenses

AGL manages and reports a number of expense items including information technology under Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

	2020 $m	2019 $m
Gross margin	–	(1)
Operating costs (excluding depreciation and amortisation)	**(342)**	(264)
Underlying EBITDA	**(342)**	(265)
Depreciation and amortisation	**(71)**	(23)
Underlying EBIT	**(413)**	(288)
Breakdown of operating costs (excluding depreciation and amortisation)		
Labour	**(158)**	(109)
Hardware and software costs	**(92)**	(78)
Consultants and contractor services	**(31)**	(31)
Insurance premiums	**(29)**	(23)
Other	**(32)**	(23)
Operating costs (excluding depreciation and amortisation)	**(342)**	(264)

Centrally Managed Expenses Underlying EBIT was $(413) million, down 43.4%, or $125 million. This included the transfer of $(61) million of costs from other functions, including the $(40) million of operating costs detailed in section 1.1.2.3 and $(21) million of depreciation costs. Excluding the impact of transferred functions, Underlying EBIT was down 18.3%, or $64 million, and operating costs were up 12.5%, or $38 million. This was primarily due to the increase in spend of $29 million in technology, data analytics and innovation in the Future Business & Technology function (including $18 million of costs that were capitalised in the prior year as part of the Customer Experience Transformation program and enterprise resource planning software upgrade), which was more than offset by the associated savings realised across the rest of the business. Additionally, there was an increase of $11 million in costs due to increased regulatory activity and insurance premiums. Depreciation and amortisation increased compared with the prior year as a result of the transfers noted above and completion of AGL's enterprise resource planning software upgrade.

1.4.5 Investments

Investments comprises AGL's interests in the ActewAGL Retail Partnership, the Powering Australian Renewables Fund, Advanced Microgrid Solutions Inc, Energy Impact Partners' Fund, Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc and Ecobee Inc.

Perth Energy was reported within Investments at 31 December 2019. It has subsequently been fully integrated within Customer Markets, Group Operations and Centrally Managed Expenses.

	2020 $m	2019 $m
ActewAGL	**16**	31
Powering Australian Renewables Fund	**1**	1
Other	**1**	1
Underlying EBIT	**18**	33

ActewAGL Retail partnership contributed an equity share of profits of $16 million for the year compared with $31 million in the prior year. The decrease was due to increased competition and market activity, together with an increase in customer discounts.

1.5 Portfolio review

The portfolio review reporting for both the Electricity (section 1.5.2) and Gas (section 1.5.3) businesses provides a consolidated margin for each of the electricity and gas portfolios across operating segments. This is as an effective tool to present how value is generated in the business. The portfolio review combines the revenue from external customers and associated network and other costs, the costs of the procurement and hedging of AGL's gas and electricity requirements, and the costs of managing and maintaining AGL's owned and contracted generation assets to calculate the consolidated margin. A per unit rate ($/MWh for electricity and $/GJ for gas) is derived from each category of revenue and cost using the relevant associated volumes.

The tables in section 1.5.2 and 1.5.3 should be read in conjunction with section 1.7 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

1.5.1 Portfolio Reporting Summary to Underlying Profit after Tax

	2020 $m	2019 $m
Electricity Portfolio		
Total revenue	**7,172**	7,010
Customer network and other cost of sales	**(3,312)**	(3,067)
Fuel costs	**(1,013)**	(1,063)
Generation running costs	**(716)**	(660)
Depreciation and amortisation	**(499)**	(422)
Net portfolio management	**164**	191
Electricity Portfolio Margin (a)	**1,796**	1,989
Gas Portfolio		
Total revenue	**2,496**	2,626
Customer network and other cost of sales	**(584)**	(575)
Gas purchases	**(950)**	(1,045)
Haulage, storage and other	**(308)**	(287)
Gas Portfolio Margin	**654**	719
Natural Gas	**(29)**	(58)
Gas Portfolio Margin (including Natural Gas) (b)	**625**	661
Other AGL		
Other margin[1]	**44**	66
Customer Markets operating costs	**(500)**	(532)
Wholesale Markets operating costs	**(44)**	(26)
Group Operations other operating costs	**(38)**	(61)
Centrally Managed Expenses operating costs	**(342)**	(264)
Other depreciation and amortisation	**(224)**	(173)
Net finance costs	**(179)**	(193)
Income tax expense	**(322)**	(427)
Total Other AGL (c)	**(1,605)**	(1,610)
Underlying Profit after Tax (a + b + c)	**816**	1,040

1. Other margin includes other income from investments, and gross margin from Customer Markets and National Assets in Group Operations in the prior year.

1.5.2 Electricity portfolio

Electricity portfolio review reporting combines the Wholesale Markets, Customer Markets (Consumer and Large Business) and Group Operations businesses to reflect the procurement and hedging of AGL's electricity requirements, the costs of managing and maintaining AGL's owned and contracted generation assets, and the margin from external customers.

All volume generated is sold into either the National Electricity Market or Western Australian Wholesale Electricity Market ("the pool") for which AGL receives pool generation revenue. Pool generation revenue is driven by volume and pool prices, which are set by the real-time market and differ by state. In the NEM, the total volume demanded by AGL customers is then purchased from the pool according to the geographical profile of customer demand and is reported as pool purchase costs. Where pool generation volumes exceed volumes purchased for customers, the net generation volume surplus drives revenue from indirect customers, which is incorporated within the pool generation revenue. Costs incurred in generating volume sold into the pool are reported as costs of generation, of which Wholesale Markets manages the cost of sales and Group Operations manages generation operation costs and asset depreciation. In Western Australia, these costs are managed through the Western Australian Wholesale Electricity Market.

	2020 GWh	2019 GWh	Movement %
Consumer customers pool purchase volume	**14,738**	14,480	1.8%
Large Business customers and Wholesale Markets pool purchase volume	**26,949**	26,044	3.5%
Pool purchase volume	**41,687**	40,524	2.9%
Add: Net generation volume surplus	**2,141**	3,199	(33.1)%
Pool generation volume	**43,828**	43,723	0.2%
Consumer customers sales	**13,840**	13,573	2.0%
Large Business customers sales	**10,564**	9,775	8.1%
Wholesale customers sales	**15,945**	15,804	0.9%
Total customer sales volume	**40,349**	39,152	3.1%
Energy losses	**1,338**	1,372	(2.5)%
Pool purchase volume	**41,687**	40,524	2.9%

- Pool generation volumes were 43,828 GWh, up 0.2%, driven by higher AGL Macquarie generation due to improved reliability and increased volume of coal deliveries, increased generation from Silverton and Coopers Gap Wind Farm, and the inclusion of Kwinana Swift volumes. This was partly offset by decreased generation at AGL Loy Yang due to the Unit 2 outage and lower volumes for AGL's Victorian hydro assets.
- Consumer volumes were 13,840 GWh, up 2.0%, largely due to growth in electricity customer services, with a minor offsetting decrease in average customer consumption due to milder weather.
- Large Business customer volumes were 10,564 GWh, up 8.1%, as a result of the acquisition of Perth Energy, partly offset by a change in customer mix and the reduction in customer demand due to COVID-19.
- Wholesale customer sales volumes were 15,945 GWh, up 0.9%, driven by increased consumption from AGL's existing customer base.

Financial Review

For the year ended 30 June 2020

	Portfolio Margin		Per Unit		Volume Denomination	
Revenue	2020 $m	2019 $m	2020 $/MWh	2019 $/MWh	2020 GWh	2019 GWh
Consumer customers	**4,091**	4,068	***295.6***	*299.7*	**13,840**	13,573
Large Business customers	**1,823**	1,734	***172.6***	*177.4*	**10,564**	9,775
Wholesale customers and Eco Markets[1]	**1,162**	1,104	***72.9***	*69.9*	**15,945**	15,804
Group Operations (Thermal and Renewables)	**96**	104				
Total revenue	**7,172**	7,010	***177.7***	*179.0*	**40,349**	39,152

1. Wholesale customers revenue includes amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Total revenue was $7,172 million, up 2.3%.

- Revenue from Consumer customers was $4,091 million, up 0.6% due to a higher number of services to customers compared with the prior year, partly offset by the impact of increased regulation including the introduction of default offers.
- Large Business customer revenue was $1,823 million, up 5.1%, driven by the inclusion of revenue from the acquisition of Perth Energy, partly offset by the decline in revenue rate due to the decrease in wholesale costs.
- Wholesale Electricity and Eco Markets revenue was $1,162 million, up 5.3%, largely driven by an increase in green certificates sold as well as a small increase in volumes sold to Wholesale customers.
- Group Operations revenue was $96 million, down 7.7%, largely driven by lower insurance proceeds.

Network and other cost of sales						
Network costs	**(2,322)**	(2,246)	***(95.1)***	*(96.2)*	**24,404**	23,348
Consumer	**(1,710)**	(1,666)	***(123.6)***	*(122.7)*	**13,840**	13,573
Large Business	**(612)**	(580)	***(57.9)***	*(59.3)*	**10,564**	9,775
Green compliance costs	**(584)**	(496)	***(23.9)***	*(21.2)*	**24,404**	23,348
Other cost of sales	**(406)**	(325)	***(16.6)***	*(13.9)*	**24,404**	23,348
Total customer network and other cost of sales	**(3,312)**	(3,067)	***(135.7)***	*(131.4)*	**24,404**	23,348

Total customer network and other costs of sales were $(3,312) million, up 8.0%.

- Total network costs were $(2,322) million, an increase of 3.4%, driven by higher Consumer customer sales volumes and the inclusion of Perth Energy network costs in the current year.
- Green compliance costs were $(584) million, up 17.7%, due to increased Consumer customer sales volumes and higher scheme compliance percentages, partly offset by the lower cost of large-scale generation certificates.
- Other cost of sales were $(406) million, up 24.9%, driven by higher solar feed-in-tariffs paid to Consumer customers due to an increase in solar volumes and the inclusion of Perth Energy.

Fuel costs						
Coal	**(747)**	(770)	***(20.2)***	*(20.9)*	**36,948**	36,846
Gas	**(266)**	(293)	***(103.0)***	*(111.5)*	**2,582**	2,628
Renewables	–	–	–	–	**4,298**	4,249
Total fuel costs (a)	**(1,013)**	(1,063)	***(23.1)***	*(24.3)*	**43,828**	43,723

Total fuel costs were $(1,013) million, down 4.7% compared with the prior year.

- Coal costs were $(747) million, down 3.0%, and on a per MWh basis decreased by $0.7 per MWh or 3.3%. This reflected increased deliveries of legacy coal contracts following improvements in delivery logistics and stockpile handling.
- Gas fuel costs were $(266) million, down 9.2%, driven by lower generation volumes and a lower unit cost rate due to supply mix benefits through the use of lower cost gas supplies.

Financial Review

For the year ended 30 June 2020

	Portfolio Margin		Per Unit		Volume Denomination	
Generation running costs	2020 $m	2019 $m	2020 $/MWh	2019 $/MWh	2020 GWh	2019 GWh
Coal	**(374)**	(347)	***(10.1)***	*(9.4)*	**36,948**	36,846
Gas	**(58)**	(46)	***(22.5)***	*(17.5)*	**2,582**	2,628
Renewables[1]	**(272)**	(238)	***(63.3)***	*(56.0)*	**4,298**	4,249
Other	**(12)**	(29)	***(0.3)***	*(0.7)*	**43,828**	43,723
Total generation running costs (b)	**(716)**	(660)	***(16.3)***	***(15.1)***	**43,828**	43,723

1. Renewables includes PPA costs.

Total generation running costs were $(716) million, up 8.5%.

- Coal operating costs were $(374) million, up 7.8%, due to additional costs to maintain plant availability and COVID-19 pandemic response related costs to ensure employees could safely work onsite.
- Gas operating costs were $(58) million, up 26.1%, due to additional costs incurred at gas-fired power stations to support the portfolio during the AGL Loy Yang Unit 2 outage and costs associated with the Kwinana Swift Power Station, which was acquired as part of Perth Energy.
- Renewables costs were $(272) million, up 14.3% driven by the increased allocation of Wind PPA costs from Eco Markets to Wholesale Electricity, a result of the change in the relative value of LGCs and Electricity, and increasing output from the new Silverton and Coopers Gap wind farms.
- Other costs were $(12) million, down 58.6% due to the inclusion of Kwinana capacity revenue.

Depreciation and amortisation (c)	**(499)**	(422)	***(11.4)***	*(9.7)*	**43,828**	43,723

Depreciation and amortisation was $(499) million, up 18.2%, reflecting a higher asset base at AGL Macquarie and AGL Loy Yang from increased reliability focused capital expenditure in previous years. The increased spend at AGL Macquarie is relative to a short depreciation schedule at Liddell Power Station given its committed closure.

Net Portfolio Management						
Pool generation revenue[1]	**3,294**	4,508	***75.2***	*103.1*	**43,828**	43,723
Pool purchase costs[1]	**(3,156)**	(4,060)	***(75.7)***	*(100.2)*	**41,687**	40,524
Net derivative (cost)/revenue	**26**	(257)	***0.6***	*(5.9)*	**43,828**	43,723
Net Portfolio Management (d)	**164**	191	***4.1***	*4.9*	**40,349**	**39,152**

1. Pool generation revenue and pool purchase costs include amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Net pool generation revenue and pool purchase costs were $138 million, down 69.2%, reflecting higher generation and customer volumes but at lower pool prices. The net derivative revenue of $26 million has increased by $283 million, or $6.5 per MWh driven largely by the performance of wholesale electricity derivatives, with pool prices significantly lower than contracted prices in the second half of the year.

	Portfolio Margin 2020 $m	2019 $m	Per Unit 2020 $/MWh	2019 $/MWh	Volume Denomination 2020 GWh	2019 GWh
Total wholesale costs (a + b + c + d)	**(2,064)**	(1,954)	***(49.5)***	*(48.2)*	**41,687**	40,524
Total costs	**(5,376)**	(5,021)	***(133.2)***	*(128.2)*	**40,349**	39,152
Portfolio margin	**1,796**	1,989	***44.5***	*50.8*	**40,349**	39,152
Consumer customers	**500**	505				
Large Business customers	**36**	34				
Wholesale Electricity	**2,211**	2,240				
Eco Markets	**42**	106				
Perth Energy margin	**23**	–				
Group Operations (Thermal and Renewables)	**(1,016)**	(896)				

In addition to the commentary above, Electricity portfolio margin is discussed in sections 1.4.1 and 1.4.2.

1.5.3 Gas portfolio

The gas portfolio review reporting combines the Wholesale Markets and Customer Markets (Consumer and Business) businesses to reflect the procurement and hedging of AGL's gas requirements and the margin from external customers.

	2020 PJ	2019 PJ	Movement %
Consumer customers	**58.2**	57.3	1.6%
Large Business customers	**15.8**	16.4	(3.7)%
Wholesale Markets and generation	**81.5**	93.4	(12.7)%
Total customer sales volume	**155.5**	167.1	(6.9)%
Energy losses	**2.0**	1.9	5.3%
Gas purchase volume	**157.5**	169.0	(6.8)%

Total customer sales volume were 155.5 PJ, a decrease of 11.6 PJ or 6.9%.

- Consumer customer volumes were 58.2 PJ, up 1.6%, due to the impact of cooler weather relative to the prior year on customer average consumption, plus the impact of customer service growth.
- Large Business customer volumes were 15.8 PJ, down 3.7%, due to a loss of customers resulting from the challenges of sourcing gas in a tight market as AGL's legacy lower cost gas supply contracts roll off, partly offset by the inclusion of Perth Energy volumes following acquisition.
- Wholesale Markets and generation volume were 81.5 PJ, a decrease of 12.7%, driven by lower volumes from AGL's existing wholesale customer base as well as lower AGL Torrens generation compared with the prior year, partly offset by higher generation from the Barker Inlet Power Station.

Financial Review

For the year ended 30 June 2020

Revenue	Portfolio Margin 2020 $m	Portfolio Margin 2019 $m	Per Unit 2020 $/GJ	Per Unit 2019 $/GJ	Volume Denomination 2020 PJ	Volume Denomination 2019 PJ
Consumer customers	**1,534**	1,530	***26.4***	*26.7*	**58.2**	57.3
Large Business customers	**137**	168	***8.7***	*10.2*	**15.8**	16.4
Wholesale Gas	**825**	928	***10.1***	*9.9*	**81.5**	93.4
Total revenue	**2,496**	2,626	***16.1***	*15.7*	**155.5**	167.1

Total revenue was $2,496 million, down 5.0%.

- Consumer revenue was $1,534 million, up 0.3% driven by higher sales volumes as a result of growth in the number of services to customers, partially offset by the impact of customers switching to lower-priced products.
- Large Business customers revenue was $137 million, down 18.5% due to a decrease in volumes, partly offset by the inclusion of Perth Energy revenue.
- Wholesale customer revenue was $825 million, down 11.1%, largely driven by lower customer volumes. Rate per unit increased due to a change in customer mix.

Network and other cost of sales	Portfolio Margin 2020 $m	Portfolio Margin 2019 $m	Per Unit 2020 $/GJ	Per Unit 2019 $/GJ	Volume Denomination 2020 PJ	Volume Denomination 2019 PJ
Consumer network costs	**(521)**	(512)	***(9.0)***	*(8.9)*	**58.2**	57.3
Consumer other cost of sales	**(44)**	(42)	***(0.8)***	*(0.7)*	**58.2**	57.3
Large Business customers network costs	**(14)**	(14)	***(0.9)***	*(0.9)*	**15.8**	16.4
Large Business customers other cost of sales	**(5)**	(7)	***(0.3)***	*(0.4)*	**15.8**	16.4
Total network and other cost of sales	**(584)**	(575)	***(7.9)***	*(7.8)*	**74.0**	73.7

Total network costs and other cost of sales were $(584) million, up 1.6%, driven by higher Consumer sales volumes as a result of growth in customer services and the inclusion of Perth Energy network costs in the current year.

Wholesale costs	Portfolio Margin 2020 $m	Portfolio Margin 2019 $m	Per Unit 2020 $/GJ	Per Unit 2019 $/GJ	Volume Denomination 2020 PJ	Volume Denomination 2019 PJ
Gas purchases	**(950)**	(1,045)	***(6.1)***	*(6.3)*	**155.5**	167.1
Haulage, storage and other	**(308)**	(287)	***(2.0)***	*(1.7)*	**155.5**	167.1
Total wholesale costs	**(1,258)**	(1,332)	***(8.1)***	*(8.0)*	**155.5**	167.1

Total wholesale costs were $(1,258) million, down 5.6%, due to lower volumes. The lower cost of gas was driven by the lower volumes sold during the year resulting in a supply mix benefit through the use of lower cost gas supplies. This was partly offset by the increase in haulage and storage costs due to an increase in storage capacity.

	Portfolio Margin 2020 $m	Portfolio Margin 2019 $m	Per Unit 2020 $/GJ	Per Unit 2019 $/GJ	Volume Denomination 2020 PJ	Volume Denomination 2019 PJ
Total costs	**(1,842)**	(1,907)	***(11.8)***	*(11.4)*	**155.5**	167.1
Portfolio margin	**654**	719	***4.2***	*4.3*	**155.5**	167.1
Natural Gas	**(29)**	(58)				
Portfolio margin (including natural gas)	**625**	661				
Consumer customers	**219**	246				
Large Business customers	**12**	15				
Wholesale Gas	**421**	458				
Perth Energy margin	**2**	–				
Natural Gas	**(29)**	(58)				

Natural Gas margin was $(29) million, up 50.0%, primarily due to the decrease in field development costs relating to the Moranbah Gas Project joint venture and increased revenue from gas sales.

In addition to the commentary above, Gas portfolio margin is discussed in sections 1.4.1 and 1.4.2.

Financial Review

For the year ended 30 June 2020

1.6 Consolidated financial performance by operating segment

2020 $m	Customer Markets	Wholesale Markets	Group Operations	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	7,717	7,775	183	–	–	(3,515)	12,160
Cost of sales	(6,899)	(5,101)	(7)	–	–	3,515	(8,492)
Other income/(loss)	–	–	(9)	18	–	–	9
Gross margin	**818**	**2,674**	**167**	**18**	**–**	**–**	**3,677**
Operating costs (excluding depreciation and amortisation)	(500)	(44)	(721)	–	(342)	–	(1,607)
Underlying EBITDA	**318**	**2,630**	**(554)**	**18**	**(342)**	**–**	**2,070**
Depreciation and amortisation	(132)	(17)	(533)	–	(71)	–	(753)
Underlying EBIT	**186**	**2,613**	**(1,087)**	**18**	**(413)**	**–**	**1,317**
Net finance costs							(179)
Underlying Profit before tax							1,138
Income tax expense							(322)
Underlying Profit after tax							**816**

2019 $m	Customer Markets	Wholesale Markets	Group Operations	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	7,554	9,100	188	1	–	(3,597)	13,246
Cost of sales	(6,727)	(6,296)	(14)	–	–	3,597	(9,440)
Other income	–	–	(4)	32	(1)	–	27
Gross margin	827	2,804	170	33	(1)	–	3,833
Operating costs (excluding depreciation and amortisation)	(532)	(26)	(726)	–	(264)	–	(1,548)
Underlying EBITDA	295	2,778	(556)	33	(265)	–	2,285
Depreciation and amortisation	(101)	(21)	(480)	–	(23)	–	(625)
Underlying EBIT	194	2,757	(1,036)	33	(288)	–	1,660
Net finance costs							(193)
Underlying Profit before tax							1,467
Income tax expense							(427)
Underlying Profit after tax							1,040

Financial Review

For the year ended 30 June 2020

1.7 Portfolio review reconciliation

2020 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	**5,914**	**1,671**	**106**	**(6)**	**7,685**
Wholesale Markets	**1,162**	**825**	**(2)**	**2,353**	**4,338**
Group Operations	**96**	–	**91**	**(50)**	**137**
Revenue	**7,172**	**2,496**	**195**	**2,297**	**12,160**
Customer Markets	**(3,312)**	**(584)**	**(123)**	**577**	**(3,442)**
Wholesale Markets	**(953)**	**(1,258)**	**47**	**(2,882)**	**(5,046)**
Group Operations	–	–	**(12)**	**8**	**(4)**
Cost of sales	**(4,265)**	**(1,842)**	**(88)**	**(2,297)**	**(8,492)**
Other income	–	–	**9**	–	**9**
Gross margin	**2,907**	**654**	**116**	**–**	**3,677**
Operating costs (excluding depreciation and amortisation)	**(612)**	–	**(995)**	–	**(1,607)**
Depreciation and amortisation	**(499)**	–	**(254)**	–	**(753)**
Portfolio Margin / Underlying EBIT	**1,796**	**654**	**(1,133)**	**–**	**1,317**

2020 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	**7,172**	**2,496**	**3,294**	–	**12,962**
Revenue reclass	**(735)**	–	**(71)**	–	**(806)**
Intragroup	**(2)**	**(264)**	–	**–**	**(266)**
Other	**(299)**	**15**	**53**	**501**	**270**
Note 2 - Revenue	**6,136**	**2,247**	**3,276**	**501**	**12,160**

2019 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	5,802	1,698	54	(14)	7,540
Wholesale Markets	1,104	928	5	3,524	5,561
Group Operations	104	–	88	(48)	144
Other	–	–	1	–	1
Revenue	7,010	2,626	148	3,462	13,246
Customer Markets	(3,067)	(575)	(28)	503	(3,167)
Wholesale Markets	(954)	(1,332)	–	(3,980)	(6,266)
Group Operations	–	–	(22)	15	(7)
Cost of sales	(4,021)	(1,907)	(50)	(3,462)	(9,440)
Other income	–	–	27	–	27
Gross margin	2,989	719	125	–	3,833
Operating costs (excluding depreciation and amortisation)	(578)	–	(970)	–	(1,548)
Depreciation and amortisation	(422)	–	(203)	–	(625)
Portfolio Margin / Underlying EBIT	1,989	719	(1,048)	–	1,660

2019 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	7,010	2,626	4,508	–	14,144
Revenue reclass	(849)	–	(53)	–	(902)
Intragroup	(4)	(293)	–	(55)	(352)
Other	(128)	13	14	457	356
Note 2 - Revenue	6,029	2,346	4,469	402	13,246

Notes

(a) Other AGL includes Natural Gas Underlying EBIT.

(b) Key adjustments include:

- Wholesale Markets electricity pool sales in the statutory accounts has been reallocated to cost of sales (net portfolio management) in the Portfolio Review where it is combined with pool purchase costs and derivatives to reflect AGL's net position.
- Wholesale Markets other revenue in the statutory accounts has been reallocated to cost of sales (generation running costs) in the Portfolio Review including ancillary services revenue, brown coal sales and wind farm asset management fees.
- Within Wholesale Markets, derivatives from certain wholesale contracts are recognised within cost of sales in the statutory accounts. In the Portfolio Review the revenue and costs have been separately disclosed.
- Intra-segment and inter-segment eliminations include: Gas sales from Wholesale Gas to Wholesale Electricity; gas sales from Group Operations (Natural Gas) to Wholesale Markets. Elimination adjustment also includes the reallocation of green costs from Wholesale Markets (Eco-Markets) to Consumer and Business customer other cost of sales.

2. Governance Summary

AGL is committed to ensuring that its corporate governance framework, policies and practices are of a high standard. Delivering on this commitment requires AGL to have a sound understanding of current governance requirements and practices, as well as being attuned to emerging governance trends and shifting stakeholder expectations. Set out below is a summary of selected aspects of AGL's corporate governance framework and a highlight of the key governance issues affecting AGL during FY20.

Throughout FY20, AGL's corporate governance arrangements were consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council (ASX Principles). AGL's 2020 Corporate Governance Statement is available at **agl.com.au/CorporateGovernance**.

AGL's 2020 Corporate Governance Statement outlines AGL's arrangements in relation to its Board, Board Committees, Executive Team, risk management framework and financial reporting, diversity and inclusion, key corporate governance policies and shareholder engagement.

AGL's governance framework is summarised in the diagram below.

2.1 Board skills

During FY20, a refreshed Board skills analysis was undertaken, which was facilitated by an experienced external consultant. The Board Skills Matrix (Table 1) was updated following an analysis of the skills and experience of each Director and an assessment of the current and future strategic direction, opportunities and challenges facing AGL.

The skills analysis demonstrated that AGL's Board members are highly experienced and all skills that would be considered important or critical to the effective performance of the Board are present on the Board. In particular, the Board has strength in the skills and experience required for the delivery of AGL's strategic priorities – Growth, Transformation and Social Licence.

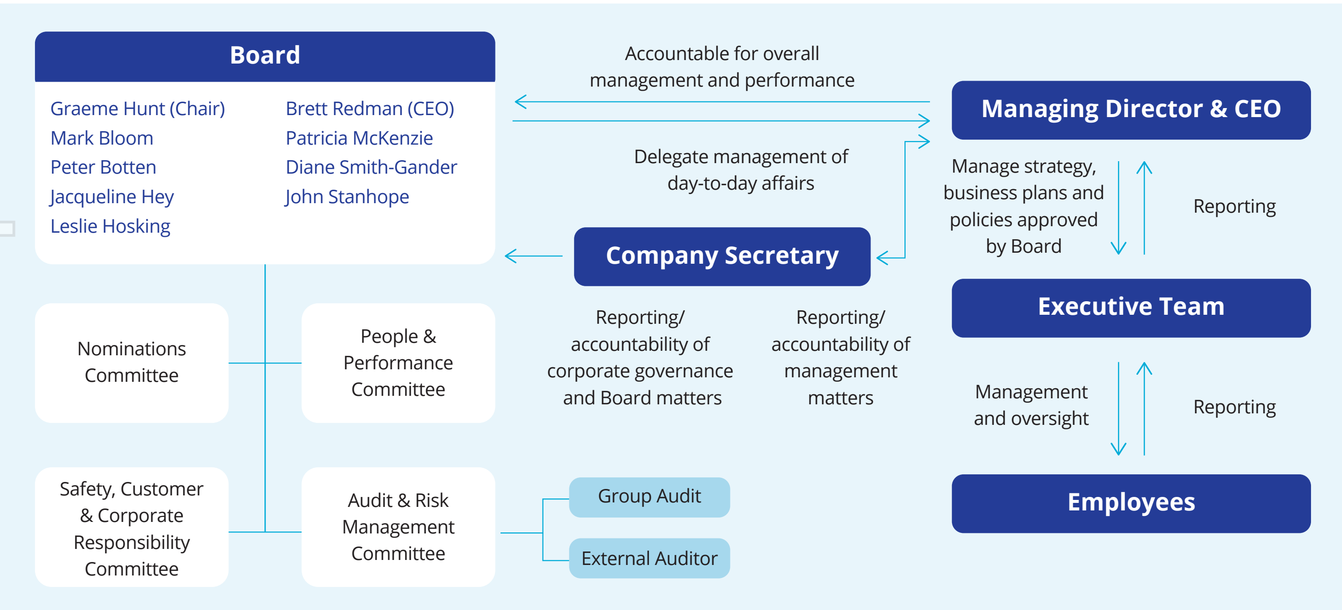
The updated Board Skills Matrix also identified additional skills and experience that may be required in the future having regard to the ongoing transition of the energy sector. Those areas include customer and marketing, financial markets and trading and technology, which will be the focus for future succession planning and development plans.

Further details about AGL's Board Skills Matrix are set out in AGL's 2020 Corporate Governance Statement available at **agl.com.au/CorporateGovernance**.

2.2 Key areas of focus during FY20

The key areas of focus for the Board during FY20, in addition to standing agenda items, are set out in Table 2.

The key areas of focus for the Board Committees, in addition to standing agenda items, are set out in Table 3.



Governance Summary

For the year ended 30 June 2020

Table 1 – Board Skills Matrix

Skills, experience & knowledge	Key competencies	Competency level	BVD
AGL Strategic Priorities	• Growth - Accelerate growth to meet evolving customer needs • Transformation - Reposition, refresh and reinvigorate AGL • Social licence - Meet and exceed rising community expectations	Proficient	
Commercial & leadership	• CEO/Leadership Team experience and strategic delivery in large, complex industrial organisations • Strategic thinking • Industrial and large asset operations management • Deal making, mergers and acquisitions • Innovation and disruption • Engineering • Operational efficiency and optimisation • Project governance and management • Financial markets and trading/derivatives and futures	Proficient	
Corporate finance	• Large complex ASX financial management skills (including accounting, capital management, treasury, tax) • Financial governance (including internal controls, audit, financial and business performance reporting)	Practiced	$
Customer & Marketing	• Marketing, brand and reputation management • Customer experience, insight and analytics • Business to business marketing	Practiced	
People & culture	• Large workforce management and planning • Culture and leadership oversight and development • Remuneration, talent development, succession planning	Proficient	
Risk	• Risk management strategies, appetite, culture • Operational risk (safety/people & well-being, technology, security, liquidity & financial, process & systems, OH&S, business resilience and crisis management) • Strategic and emerging risk • Regulatory, prudential, compliance & legal risk	Proficient	
Technology	• Technology literacy • Digital marketing/customer service delivery	Practiced	
Stakeholder management	• Stakeholder management and communications (including staff and community) • Government and regulatory relations and policy • Shareholders and investment advisors	Proficient	
Corporate governance	• ASX100 board and committee experience • Prudential and fiduciary governance • ASX100 board and/or committee Chair experience • ESG including environment and sustainability	Proficient	

Skills, experience & knowledge	Key competencies	Competency level	BVD
Sector experience	• Electricity and gas • IT and telecommunications • Merchant banking • Financial markets • Mass market retail • ASX50 • Capital intensive businesses (including industrials, manufacturing, large construction) • New and emerging energy industries and businesses	Practiced	
Attributes	• Highest standards of ethics and integrity • Cultural alignment • Diverse thinking styles • Networks and influence	Proficient	

Key:

Proficient – Board regarded overall to have expert or highly qualified proficiency, knowledge and experience in the subject matter or domain.

Practiced – Board overall has a sound working knowledge and understanding of the subject matter.

Table 2 - Board Focus Areas during FY20

Committee	Key Focus Areas in FY20	Business Value Drivers
Board	• Initiatives to support our people, customers and community through both the bushfire emergency and the COVID-19 pandemic and overseeing AGL's social licence program. • Board succession processes, which resulted in the appointment of Mark Bloom as a Non-Executive Director on 1 July 2020. • Overseeing the processes to appoint new members to the Executive Team, including Markus Brokhof (Chief Operating Officer) and Liz McNamara (EGM Corporate Affairs). • Group performance (including financial performance, asset performance, customer metrics and HSE performance). • Growth options available to AGL, including the Perth Energy and Southern Phone Company acquisitions. • AGL's transformation programs, including grid scale and residential battery projects. • AGL's Climate Statement, which confirms AGL's target of net zero emissions by 2050. • AGL's customer strategy, including the implementation of customer affordability measures such as the COVID-19 Customer Support Program. • AGL's executive remuneration framework, including the introduction of carbon transition metrics in AGL's Long Term Incentive Plan from FY21. • AGL's governance and risk management systems and identifying ways to further strengthen governance, accountability and culture within AGL. • The ongoing feasibility of the LNG import jetty project at Crib Point.	

Table 3 – Board Committee Focus Areas

Committee	Key Focus Areas in FY20	Business Value Drivers
Safety, Customer & Corporate Responsibility	• Site visits to AGL's Loy Yang power station and Mt Beauty hydro operations to oversee key health, safety and environmental issues affecting the sites. • Site visit to AGL's customer call centre in Adelaide, which included customer call listening and meeting with a C&I customer. • AGL's safety, culture, systems, capability and risk, including overseeing initiatives to improve health, safety and environmental performance. • Key themes in relation to AGL's customers including complaint handling processes, brand health, initiatives to drive improved customer advocacy and customer affordability. • Action AGL is taking to deliver on its strategic priority to build Social Licence and to promote stakeholder advocacy.	
Audit & Risk Management	• Overseeing the issues, incidents and risks identified by management in Group Audit, compliance and risk reports and ensuring there is clear accountability for, and effective closure of, relevant issues. • Overseeing AGL's financial reporting processes, including consideration of AGL's half-year and full-year reports and AGL's 2020 TCFD Report - Pathways to 2050. • AGL's transition to reporting that meets the principles of the International Integrated Reporting Framework. • Reviewing the effectiveness of AGL's governance and risk management systems and identifying ways to further strengthen governance, accountability and culture within AGL. • AGL's preparedness for peak period operations and reviewing performance of assets during peak periods, including risk controls and lessons learned. • Post implementation reviews of major projects. • Reviewing reports from management on emerging sources of risk and the mitigation measures in place to deal with those risks, including in relation to IT security and climate change.	
People & Performance	• Overseeing the preparation of AGL's Remuneration Report. • Changes to AGL's Executive Remuneration Framework, including the introduction of carbon transition metrics in AGL's Long Term Incentive Plan from FY21. • CEO and Executive Team FY21 objectives. • Consideration of AGL's Diversity Targets. • Executive succession planning and talent development. • Action AGL is taking to foster employee engagement and monitoring of workplace culture.	
Nominations	• FY20 Board Review process. • Succession planning to address AGL's future opportunities and challenges, including the process to appoint Mark Bloom as a Non-Executive Director.	

Board of Directors

For the year ended 30 June 2020

The Directors present their report together with the financial statements of AGL Energy Limited and its controlled entities for the year ended 30 June 2020. The sections of our Annual Report titled Managing Director & CEO's Report, Five-Year Summary, COVID-19 Response, Purpose, Values & Strategy, Operating Environment, How We Create Value, Business Value Drivers and Financial Review comprise our operating and financial review (OFR) and form part of the Director's Report. The Corporate Governance Summary, Remuneration Report and Other Required Disclosures also form part of the Directors' Report.

The names of the persons who have been Directors, or appointed as Directors during the period since 1 July 2019 and up to the date of this Report are Brett Redman (Managing Director & CEO), Graeme Hunt, Les Hosking, Jacqueline Hey, John Stanhope, Peter Botten, Diane Smith-Gander, Patricia McKenzie and Mark Bloom.

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

Graeme Hunt

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

Age 63. MBA, BMET, FAus IMM

Current Directorships: Chairman of BIS Industries Limited and Member of CSIRO Energy Advisory Council. Director of the Future Battery Industry Collaborative Research Centre.

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Graeme has extensive experience in establishing and operating large capital projects including in energy intensive industries. He was previously Managing Director of Broadspectrum Limited and Managing Director of Lihir Gold Limited. He has also held a number of senior executive positions in a 30 year career with the BHP Group.

Brett Redman

Managing Director & CEO since January 2019.

Age 50. BCom, FCA, GAICD

Current Directorships: Chair of the Australian Energy Council.

Former Directorships of listed companies over the past 3 years: Nil

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

Mark Bloom

Non-Executive Director since 1 July 2020

Age 62. BCom, BAcc, CA

Current Directorships: Director of Pacific Smiles Group Limited (commenced 18 October 2019).

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Mark has over 35 years' experience as a Finance Executive. Mr Bloom was CFO at ASX listed Scentre Group Limited from its formation in July 2014 until his retirement in April 2019. Prior to the formation of Scentre Group Limited, Mark was the Deputy Group CFO of Westfield Group for 11 years.

Mark's executive career includes acting as CFO and an Executive Director at three listed entities in Real Estate (Westfield and Scentre Group – 16 years) and Insurance and diversified Financial Services (Liberty Life, South Africa and Manulife Financial, Toronto – 20 years). Mark has extensive experience in overseeing global and local finance and IT teams.

Board of Directors

For the year ended 30 June 2020

Peter Botten AC, CBE

Non-Executive Director since October 2016.

Age 65. BSc, ARSM

Current Directorships: Council Member of the Australia PNG Business Council, Chairman of the Oil Search Foundation, NiuPower Limited, Hela Provincial Health Authority and the National Football Stadium Trust in Papua New Guinea.

Former Directorships of listed companies over the past 3 years: Managing Director of Oil Search Limited from 28 October 1994 to 25 February 2020.

Experience: Peter was Managing Director of Oil Search Limited from 28 October 1994 until 25 February 2020, overseeing its development into a major Australian Securities Exchange-listed company. Peter has extensive worldwide experience in the oil and gas industry, holding various senior technical, managerial and board positions in a number of listed and government-owned bodies.

Jacqueline Hey

Non-Executive Director since March 2016.

Age 54. BCom, Grad Cert (Mgmt), GAICD

Current Directorships: Director of Qantas Airways Limited (commenced 29 August 2013) and Cricket Australia, Chair of Bendigo and Adelaide Bank Limited (Director from 5 July 2011 and Chair from 29 October 2019) and Member of Brighton Grammar School Council.

Former Directorships of listed companies over the past 3 years: Jacqueline was a director of Australian Foundation Investment Company Ltd from 31 July 2013 until 18 January 2019.

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

Leslie Hosking

Non-Executive Director since November 2008.

Age 75.

Current Directorships: Adjunct Professor of the University of Sydney John Grill Centre for Project Leadership. Group Executive of Market Infrastructure at FEX Global.

Former Directorships of listed companies over the past 3 years: Les was a Non-Executive Director of Adelaide Brighton Limited from 10 June 2003 until 16 May 2018 (Chairman from 17 May 2012 until 16 May 2018) and a Director of Magnis Energy Technologies Limited from 5 March 2019 until 21 February 2020 (Interim Managing Director from 31 January 2020 to 21 February 2020).

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

Patricia McKenzie

Non-Executive Director since May 2019.

Age 64. LLB FAICD

Current Directorships: Director of The Housing Connection. Chair of NSW Ports and the Sydney Desalination Plant group companies.

Former Directorships of listed companies over the past 3 years: Patricia was a director of APA Group from 1 January 2011 to 8 March 2019.

Experience: Patricia has 40 years' experience in the Australian energy sector with particular focus on matters of market design, industry governance and regulatory reform. She was previously the Chair of Essential Energy, a director of Macquarie Generation and Transgrid, CEO of the Gas Market Company from 2001 to 2008 and a member of the Gas Market Leaders Group representing gas market operators from 2005 to 2010. In these roles, she was a key participant in the Council of Australian Government's National Energy Reform, a major outcome of which was the establishment of the Australian Energy Market Operator (AEMO), of which she was a Director (2009 to 2011) .

Board of Directors

For the year ended 30 June 2020

Diane Smith-Gander AO

Non-Executive Director since September 2016.

Age 62. BEc, MBA, FAICD, FGIA, Hon. DEc, FAIM, GAICD

Current Directorships: Chair of Safe Work Australia, the Committee for Economic Development of Australia and the UWA Business School Advisory Board, Director of Wesfarmers Limited (commenced 27 August 2009), North Queensland Airports Group, Keystart Loans Group and HBF Health Limited.

Former Directorships of listed companies over the past 3 years: Nil.

Experience: Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. This includes as a former partner at McKinsey & Company, and Group Executive IT and Operations, Westpac Banking Corporation.

John Stanhope AM

Non-Executive Director since March 2009.

Age 69. BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI

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

Former Directorships of listed companies over the past 3 years: Nil.

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

Composition of Board Committees
as at 30 June 2020

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

Board of Directors

For the year ended 30 June 2020

Directors' Interests

The relevant interest of each Director in the share capital of AGL or any of its related bodies corporate, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

AGL Energy Limited Ordinary Shares	
Brett Redman	99,331
Les Hosking	11,701
Graeme Hunt	12,500
John Stanhope	9,788
Jacqueline Hey	10,953
Peter Botten	9,890
Diane Smith-Gander	9,462
Patricia McKenzie	8,465
Mark Bloom	0

No options have been granted over any securities or interests of AGL or the consolidated entity. Brett Redman also holds performance rights allocated as LTI awards under AGL's Long-Term Incentive Plan, which are detailed on page 85 of the Remuneration Report.

Company Secretaries

John Fitzgerald was appointed Company Secretary on 1 October 2015. In December 2007, John was appointed General Counsel and continues to hold that position in addition to his role as Company Secretary. John's qualifications are a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is admitted as a Solicitor of the Supreme Court of New South Wales and has been practising in projects, mining and energy law for over 20 years.

Melinda Hunter was appointed as an additional Company Secretary on 23 May 2017. Melinda's qualifications are a Bachelor of Commerce and a Bachelor of Laws from Macquarie University. Melinda is admitted as a Solicitor of the Supreme Court of New South Wales and has been practising corporate law for over 18 years.

Dividends

The Directors have declared a final dividend of 51.0 cents per share, compared with 64.0 cents per share for the prior final dividend. The annual dividend for the year ended 30 June 2020 was 98.0 cents per share compared with 119.0 cents per share for the prior year. The dividend will be 80% franked and will be paid on 25 September 2020. The record date to determine shareholders' entitlements to the final dividend is 27 August 2020. Shares will commence trading ex-dividend on 26 August 2020.

The following dividends have been paid or declared by the Directors since 30 June 2019:

Final dividend of 64.0 cents per share (80% franked) paid on 20 September 2019	$420 million
Interim dividend of 47.0 cents per share (80% franked) paid on 27 March 2020	$299 million
Final dividend of 51.0 cents per share (80% franked) payable on 25 September 2020	$318 million

AGL targets a payout ratio of approximately 75% of Underlying Profit after tax and a minimum franking level of 80%. Before declaring each dividend the Directors satisfied themselves that:

- AGL's assets exceeded its liabilities immediately before declaring the dividend and the excess was sufficient for the payment of the dividend;
- the payment of the dividend was fair and reasonable to AGL's shareholders as a whole; and
- the payment of the dividend would not materially prejudice AGL's ability to pay its creditors.

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2020 final dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade during each of the 10 trading days commencing 31 August 2020. The last date for shareholders to elect to participate in the DRP for the 2020 final dividend is 28 August 2020.

Directors' Meetings

The number of Directors' Meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of AGL during the financial year ended 30 June 2020 were:

	Regular Board Meetings		Special Board Meetings		Audit & Risk Management Committee		People and Performance Committee		Safety, Customer and Corporate Responsibility Committee		Nominations Committee	
Directors' Name	A	B	A	B	A	B	A	B	A	B	A	B
Graeme Hunt	11	11	4	4							3	3
Brett Redman	11	11	4	4								
Jacqueline Hey	11	11	4	4	5	5			4	4	3	3
Les Hosking	11	11	4	4	5	5			4	4	3	3
Peter Botten	11	11	3	4			5	5	4	4	3	3
Diane Smith-Gander	11	11	4	4			5	5	4	4	3	3
John Stanhope	10	11	4	4	5	5	5	5			3	3
Patricia McKenzie	11	11	4	4	5	5	5	5				

A – number of meetings attended as a member
B – number of meetings held during the time the Director held office during the year

During the year, in aggregate, there were 34 occasions when Non-Executive Directors also attended some of the meetings of committees, of which they were not members.

Directors also participated in informal meetings and telephone conferences. AGL makes extensive use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; to settle routine matters and allow formal Board meetings to concentrate on more important matters. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Executive Team

For the year ended 30 June 2020

Brett Redman
Managing Director & CEO

See page 61 for Brett's bio.

Markus Brokhof
Chief Operating Officer

Markus joined AGL in April 2020 as Chief Operating Officer.

Prior to joining AGL, Markus was the Head of Digital and Commerce, and an Executive Board Member at ALPIQ Group in Switzerland, a leading Swiss electricity producer. In this capacity, Markus was responsible for the trading and origination activities in more than 30 countries as well for the retail and digital business of the Group.

With more than 25 years' experience in the oil, power and gas sectors gained across operations in Europe, Africa and the Middle East, Markus brings a wealth of experience in mining, asset management and trading. Markus holds a Masters of Engineering from Technical University of Clausthal, Germany.

Christine Corbett
Chief Customer Officer

Christine joined AGL in July 2019. Prior to joining AGL, Christine built a career at Australia Post spanning almost three decades, where she held several leadership roles, including two years as Chief Customer Officer, responsible for group channel operations, marketing, digital and customer experience. She also held the role of Interim Chief Executive Officer at Australia Post prior to joining PwC in 2018 as a Special Advisor consulting for a range of clients in the customer and integrated solution space.

Christine holds a Bachelor of Law and a Bachelor of Business (Comm) from the Queensland University of Technology, and is a graduate of the Australian Institute of Company Directors and Stanford Graduate School of Business' Executive Program.

John Fitzgerald
General Counsel & Company Secretary

John was appointed Company Secretary in October 2015. In December 2007, John was appointed General Counsel and continues to hold that position in addition to his role as Company Secretary.

Previous to joining AGL, John worked in both government and private legal practice.

John holds a Bachelor of Arts and a Bachelor of Law from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is admitted as a Solicitor of the Supreme Court of New South Wales and has been practising in projects, mining and energy law for over 20 years.

Joanne Fox
Executive General Manager, People & Culture

Joanne joined AGL in June 2019, following a successful career at Santos.

With more than 26 years' experience, Joanne has a strong and diverse background leading the Human Resources function in large ASX100 companies in the oil and gas, FMCG and pharmaceutical industries. Joanne brings extensive experience in capability and culture development, succession management, talent development and organisational design.

Joanne holds a Graduate Certificate in Energy & Resources from University College of London plus a Masters of Business Administration from the University of South Australia.

Elizabeth McNamara
Executive General Manager, Corporate Affairs

Elizabeth joined AGL in February 2020 following various roles spanning multiple industries in both the public and private sectors.

With more than 20 years' experience gained across multiple industries in the public and private sectors, Elizabeth has extensive experience in stakeholder engagement, public policy, communications and sustainability. Prior to joining AGL, Elizabeth was Group Director, Public Affairs, Communications and Sustainability for Coca-Cola Amatil and has held various roles in the resources industry at South32 Ltd and BHP's Energy Coal Business.

Elizabeth has a Bachelor of Economics (Hons) from Sydney University and is a Graduate of the Australian Institute of Company Directors.

Simon Moorfield
Executive General Manager, Future Business & Technology

Simon joined AGL in January 2016 as Chief Information Officer, before being appointed to Executive General Manager, Future Business & Technology in July 2019.

Simon has over 20 years' experience in technology and program management, having held several executive roles both locally and internationally with enterprises such as NAB, GE Captial and CBA. His significant leadership experience in large retail businesses such as CBA Retail and GE Capital Asia Pacific includes leading numerous innovative change and transformation programs.

Simon holds a Bachelor of Computer Science from RMIT.

Damien Nicks
Chief Financial Officer

Damien joined AGL in March 2013 and held several senior executive finance roles before being appointed Interim CFO in August 2018, then formally CFO in May 2019.

Damien has more than 25 years' experience across large multinational businesses including Linfox Logistics, Smorgon Steel and Deloitte.

Damien is a Board member of ActewAGL, a joint venture that governs the electricity and gas retailer and distribution businesses in the ACT. Damien holds a Bachelor of Commerce (Honours) from La Trobe University, is a fellow of the Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors.

João Segorbe
Executive General Manager, Strategy & Corporate Development

João joined AGL in August 2019.

With more then 19 years' experience, João brings a wealth of international energy sector expertise, most recently from the global team leading McKinsey & Company's thinking on energy transition. João headed up the company's Electrical Power and Natural Gas Professional Practice in Australia and New Zealand since 2016.

João holds a degree in Mechanical Engineering at the Instituto Superior Técnico, Portugal, and completed his Masters of Business Administration at Northwestern University in the USA.

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

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.

FY20 remuneration framework

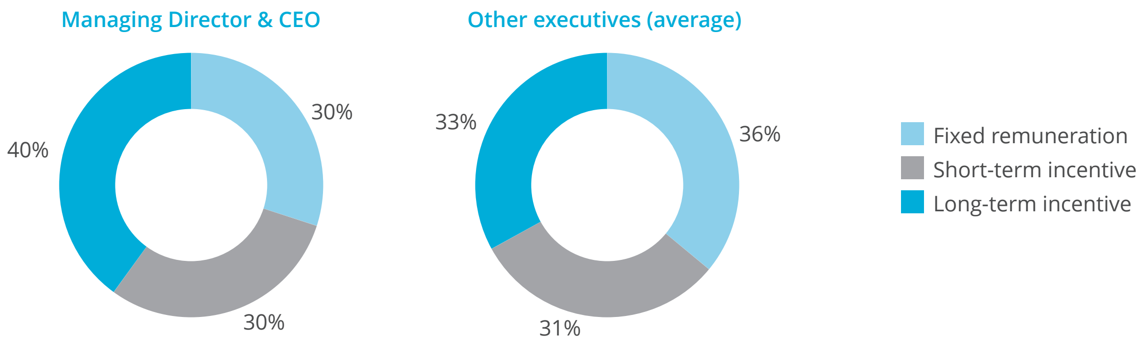
Fixed remuneration	Short-term incentive	Long-term incentive
Objective		
To attract and retain executives with the right capability and experience.	To reward executives for delivering financial returns and progress relative to AGL's strategy.	To reward executives for long-term performance, encourage shareholding 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

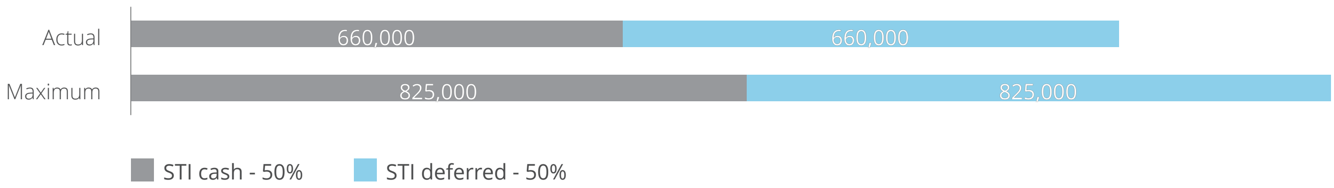
	Weighting		Outcome in target range	
Performance measure	MD & CEO	Other KMP	Min – Max	Outcome
Safety: total injury frequency rate (TIFR); health, safety and environment leadership, near misses	10%	10%		TIFR was 3.3 (against 3.6 in FY19), and the high potential near miss to recordable incident ratio was 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

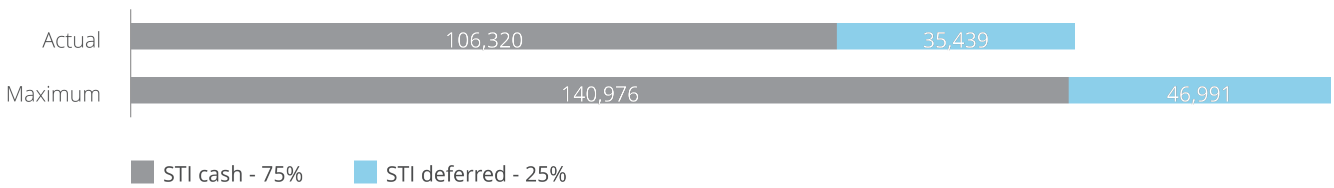
Group objectives 90%	Achieved **74.0**%. Refer Table 3.3.3.2 for details.
Individual strategic objective 10%	Achieved **6.0**%. **Growth:** drive AGL's growth agenda. • Completed Southern Phone Company and Perth Energy acquisitions. • Investments made to help provide reliability and security during peak 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

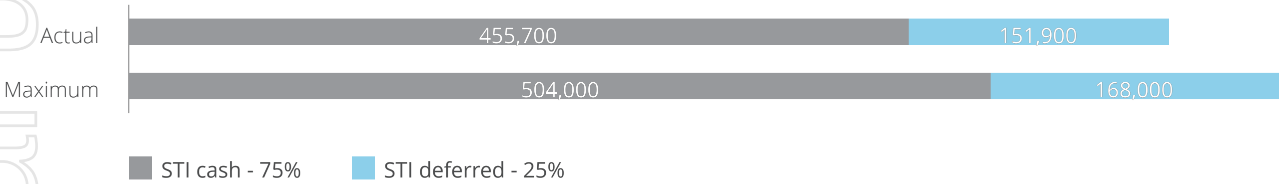
Group objectives 80%	Achieved **66.25**%. Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
Individual strategic objectives 20%	Achieved **9.17**%. **Growth:** development of the east coast energy market; **Social licence:** commercial availability. • New battery orchestration 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.



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

Achieved 90.4% of maximum STI measured on:

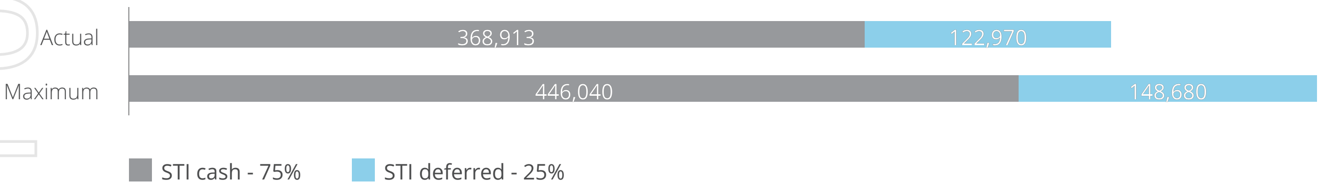
Group objectives 80%	Achieved **70.4**%. Refer Table 3.3.3.2 for details. Adjusted for business unit performance.
Individual strategic objectives 20%	Achieved **20.0%**. **Growth:** drive growth in customer numbers; **Social licence:** drive improvement in customer experience. • Strong customer growth 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.



Damien Nicks
CFO
Term as KMP in FY20:
Full year

Achieved 82.7% of maximum STI measured on:

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

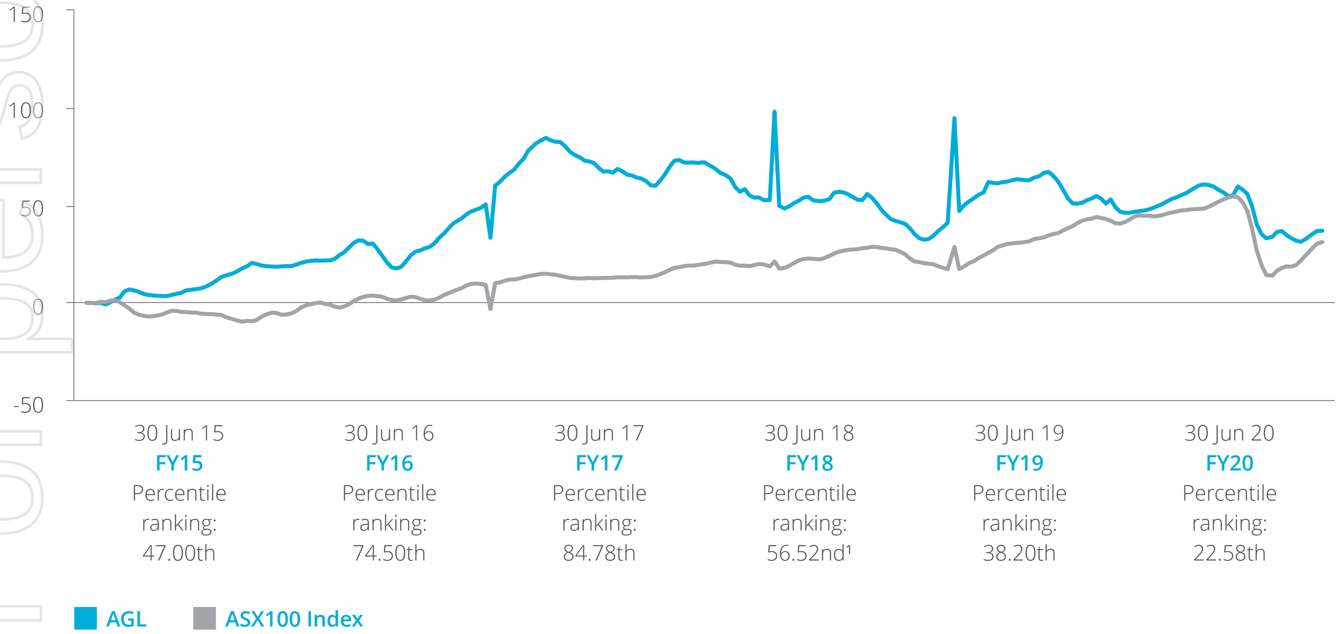
In assessing outcomes under the LTI, the Board will assess the quality of the results and the manner in which they were achieved as well as ensuring that those outcomes are aligned with the experience of AGL's shareholders.

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

Other Required Disclosures
For the year ended 30 June 2020

- changes in the fair value of financial instruments recognised in the statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

AGL believes that Underlying Profit provides a better understanding of its financial performance than Statutory Profit/(Loss) and allows for a more relevant comparison of financial performance between financial periods.

Underlying Profit is presented with reference to ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information", issued in December 2011. AGL's policy for reporting Underlying Profit is consistent with this guidance. The Directors have had the consistency of the application of the policy reviewed by the external auditor of AGL.

4.10 Corporate governance

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

4.11 Environmental regulation

AGL's businesses are subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at both the Federal and State Government levels.

During the financial year ended 30 June 2020, a penalty infringement notice was issued to AGL Macquarie Pty Limited (**AGLM**) in relation to an event that occurred in late February 2019 at the Bayswater Power Station where a spill occurred from a pipeline, known as the 'lime softening plant pipeline'. The event resulted in approximately 25,000m^3 of lime sludge travelling approximately 500m down an unnamed drainage line. This event became the subject of regulatory action by the NSW Environment Protection Authority (**EPA**) under relevant environmental legislation, with a penalty infringement notice being issued to AGLM for an alleged failure to comply with a licence condition involving the pollution of waters.

An event occurred on 3 July 2019, which resulted in an official caution being issued to AGLM on 21 April 2020. The event, which occurred at the Bayswater Power Station, involved oil leaking into the power station cooling water system. The official caution was issued for an alleged failure to comply with a licence condition that required plant and equipment to be maintained and operated in a proper and efficient condition and manner, respectively.

On 19 February 2020, AGLM reported an event to the EPA where dust from the Liddell Ash Dam was observed leaving the boundary of the premises. On 3 July 2020, the EPA issued a penalty infringement notice to AGLM for an alleged failure to comply with a licence condition which requires AGLM to minimise dust emitting from the premises.

On 16 January 2019, AGLM suspended coal ash sales from the Bayswater and Liddell power stations as a precautionary measure after a number of test results identified elevated levels of metals, including chromium and copper, in the ash that could exceed limits set by the EPA in the Coal Ash Order 2014 (**Coal Ash Order**). AGL notified the EPA, SafeWork and NSW Health and the four companies in the Upper Hunter that buy and use the coal ash, predominantly in engineering applications for concrete based products. At the time, AGL sought advice from an external expert who confirmed through a comprehensive human health risk assessment that, based on AGL's coal ash sample test results, the use of the coal ash for all known uses did not pose a risk to human health and would not be considered to be of concern to the environment. In June 2019 AGLM resumed supply of fly ash supply from site, with the resumption of cenosphere supply commencing in July 2019. On 17 December 2019, AGLM entered into an enforceable undertaking with the EPA in relation to this matter. The enforceable undertaking includes requirements that AGLM pay $100,000 towards the delivery of two environmental projects, undertake training for employees, contractors and industry on Coal Ash Order awareness and training for employees on general environmental compliance. Three of the six undertakings have been completed as at the date of this report. The remaining undertakings, which were originally due to be completed by the end of 2020, are now required to be completed by 30 June 2021. These dates were extended by the EPA due to operational interruptions resulting from COVID-19. AGLM is on track to meet its commitments within the required timeframe.

In June 2017, the EPA commenced proceedings against AGL Upstream Investments Pty Limited (**AGL Upstream**), alleging that AGL Upstream had contravened a condition of its EPL 12003. The alleged offence related to a flood event that occurred in early June 2016 and impacted the Camden Gas Project. There was no allegation that environmental harm occurred. AGL pleaded not guilty to the charge. In March 2020, a decision was made by the EPA to withdraw the charge and the proceedings are now complete.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 13th day of August 2020.

Graeme Hunt
Chairman

Financial Report

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 $m	2019 $m
Continuing operations			
Revenue	2	**12,160**	13,246
Other income	3	**-**	54
Expenses	4	**(9,820)**	(11,236)
Share of profits of associates and joint ventures	13	**17**	33
Profit before net financing costs, depreciation and amortisation		**2,357**	2,097
Depreciation and amortisation	5	**(753)**	(625)
Profit before net financing costs		**1,604**	1,472
Finance income	6	**4**	10
Finance costs	6	**(183)**	(203)
Net financing costs		**(179)**	(193)
Profit before tax		**1,425**	1,279
Income tax expense	7	**(410)**	(374)
Profit for the period attributable to the shareholders of AGL Energy Limited		**1,015**	905
Earnings per share			
Basic earnings per share	22	**158.4 cents**	138.0 cents
Diluted earnings per share	22	**158.2 cents**	137.8 cents

The Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and controlled entities

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $m	2019 $m
Profit for the period		**1,015**	905
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain/(loss) on defined benefit plans	31	**12**	(90)
Fair value (loss)/gain on the revaluation of equity instrument financial assets		**(1)**	2
Income tax relating to items that will not be reclassified subsequently	7	**(4)**	23
		7	(65)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
(Loss)/gain in fair value of cash flow hedges		**(99)**	63
Reclassification adjustments transferred to profit or loss		**33**	33
Cost of hedging subject to basis adjustment		**(3)**	4
Income tax relating to items that may be reclassified subsequently	7	**21**	(30)
		(48)	70
Other comprehensive (loss)/income for the year, net of income tax		**(41)**	5
Total comprehensive income for the period attributable to the shareholders of AGL Energy Limited		**974**	910

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and controlled entities

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 $m	2019 $m
Current assets			
Cash and cash equivalents	34	**141**	115
Trade and other receivables	9	**1,571**	1,703
Inventories	10	**400**	388
Current tax assets	7	**99**	89
Other financial assets	11	**640**	798
Other assets	12	**271**	303
Total current assets		**3,122**	3,396
Non-current assets			
Trade and other receivables	9	**25**	-
Inventories	10	**59**	57
Other financial assets	11	**688**	590
Investments in associates and joint ventures	13	**135**	150
Property, plant and equipment	14	**6,640**	6,588
Intangible assets	15	**3,786**	3,740
Deferred tax assets	7	**252**	261
Other assets	12	**3**	39
Total non-current assets		**11,588**	11,425
Total assets		**14,710**	14,821
Current liabilities			
Trade and other payables	16	**1,351**	1,556
Borrowings	17	**38**	102
Provisions	18	**286**	225
Current tax liabilities	7	**25**	27
Other financial liabilities	19	**679**	632
Other liabilities	20	**9**	4
Total current liabilities		**2,388**	2,546
Non-current liabilities			
Borrowings	17	**3,070**	2,748
Provisions	18	**424**	481
Deferred tax liabilities	7	**273**	97
Other financial liabilities	19	**239**	282
Other liabilities	20	**241**	229
Total non-current liabilities		**4,247**	3,837
Total liabilities		**6,635**	6,383
Net assets		**8,075**	8,438
Equity			
Issued capital	21	**5,603**	6,223
Reserves		**(80)**	(33)
Retained earnings		**2,552**	2,248
Total equity attributable to owners of AGL Energy Limited		**8,075**	8,438

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to owners of AGL Energy Limited						
	Issued capital $m	Investment revaluation reserve $m	Employee equity benefits reserve $m	Hedge reserve $m	Other reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2019	**6,223**	**(5)**	**(2)**	**(29)**	**3**	**2,248**	**8,438**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**1,015**	**1,015**
Other comprehensive (loss)/income for the period, net of income tax	**-**	**(1)**	**-**	**(46)**	**(2)**	**8**	**(41)**
Total comprehensive income for the period	**-**	**(1)**	**-**	**(46)**	**(2)**	**1,023**	**974**
Transactions with owners in their capacity as owners:							
On-market share buy-back	**(620)**	**-**	**-**	**-**	**-**	**-**	**(620)**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**(719)**	**(719)**
Share-based payments	**-**	**-**	**2**	**-**	**-**	**-**	**2**
Balance at 30 June 2020	**5,603**	**(6)**	**-**	**(75)**	**1**	**2,552**	**8,075**
Balance at 1 July 2018	6,223	(3)	(3)	(96)	-	2,180	8,301
Profit for the period	-	-	-	-	-	905	905
Other comprehensive (loss)/income for the period, net of income tax	-	(2)	-	67	3	(63)	5
Total comprehensive income for the period	-	(2)	-	67	3	842	910
Transactions with owners in their capacity as owners:							
Payment of dividends	-	-	-	-	-	(774)	(774)
Share-based payments	-	-	1	-	-	-	1
Balance at 30 June 2019	6,223	(5)	(2)	(29)	3	2,248	8,438

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and controlled entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers		**13,333**	14,426
Payments to suppliers and employees		**(10,836)**	(12,440)
Dividends received		**16**	27
Finance income received		**4**	11
Finance costs paid		**(128)**	(162)
Income taxes paid		**(233)**	(263)
Net cash provided by operating activities	34(b)	**2,156**	1,599
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		**(758)**	(915)
Payments for investments in associates and joint ventures		**(11)**	(60)
Payments for equity instrument financial assets		**(29)**	(27)
Payments for subsidiaries and businesses, net of cash acquired		**(48)**	-
Payments of deferred consideration		**(33)**	(35)
Payments for sale of joint operations, net of cash disposed		**-**	(2)
Proceeds from the sale of property, plant and equipment		**-**	6
Proceeds from the sale of subsidiaries and businesses, net of transaction costs		**-**	129
Net cash used in investing activities		**(879)**	(904)
Cash flows from financing activities			
Payments for buy-back of shares		**(620)**	-
Purchase of shares on-market for equity based remuneration		**(7)**	(5)
Proceeds from borrowings		**1,637**	508
Repayment of borrowings		**(1,543)**	(772)
Dividends paid	8	**(719)**	(774)
Net cash used in financing activities		**(1,252)**	(1,043)
Net increase/(decrease) in cash and cash equivalents		**25**	(348)
Cash and cash equivalents at the beginning of the financial period		**115**	463
Effect of exchange rate changes on the balance of cash held in foreign currencies		**1**	-
Cash and cash equivalents at the end of the financial period	34(a)	**141**	115

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

1. Segment information

Operating Segments

AGL reports segment information on the same basis as the internal management reporting structure. The operating segments reflect the manner in which products are sold, whether retail or wholesale, and the nature of the services provided.

AGL views the business as four interrelated segments collectively servicing our customers' needs. AGL's segments are:

- **Customer Markets** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers, and the retailing of telecommunications. Customer Markets sources its energy from Wholesale Markets at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state.
- **Wholesale Markets** comprises Wholesale Electricity, Wholesale Gas and Eco Markets and is responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. Wholesale Markets also controls the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.
- **Group Operations** comprises AGL's power generation portfolio and other key sites and operating facilities.
- **Investments** comprises AGL's interests in the ActewAGL Retail Partnership, Powering Australian Renewables Fund, Advanced Microgrid Solutions Inc, Energy Impact Partners' Fund, Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc and Ecobee Inc.

In the segment financial results, the 'Other' category consists of various Corporate activities. These are not considered to be reportable segments.

Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions. For the purposes of the year ended 30 June 2020, Wholesale Markets and Group Operations are reported separately.

Segment financial results

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their Underlying earnings before interest and tax (Underlying EBIT) contribution to AGL. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

AGL operates as an integrated business and uses a portfolio approach to manage the operations and assets to drive value and efficiency. AASB 8 *Operating Segments* requires AGL to report segment information on the same basis as the internal management structure. As a result, the Customer Markets and Wholesale Markets segments report the revenue and margin associated with satisfying the gas and electricity requirements of AGL's wholesale consumer and business customer portfolio. In contrast, the Group Operations segment reports the majority of expenses associated with these operations and is therefore a cost centre.

For the purposes of reviewing the carrying values of AGL's assets, the segments impute a revenue transfer between Customer Markets, Wholesale Markets and Group Operations. Revenues are derived to approximate prices similar to transactions with third parties.

1. Segment information (cont.)

2020	Customer Markets $m	Wholesale Markets $m[1]	Group Operations $m[1]	Investments $m	Other $m	Total $m
Revenue						
Total segment revenue	7,717	7,775	183	-	-	15,675
Inter-segment revenue	(32)	(3,437)	(46)	-	-	(3,515)
External revenue	7,685	4,338	137	-	-	12,160
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	318	2,630	(554)	18	(342)	2,070
Depreciation and amortisation	(132)	(17)	(533)	-	(71)	(753)
Underlying EBIT	186	2,613	(1,087)	18	(413)	1,317
Net financing costs						(179)
Underlying profit before tax						1,138
Underlying income tax expense						(322)
Underlying profit after tax						816
Segment assets	2,495	2,322	7,469	253	532	13,071
Segment liabilities	575	664	890	-	182	2,311
Other segment information						
Share of profits of associates and joint ventures	-	-	-	17	-	17
Investments in associates and joint ventures	-	-	4	131	-	135
Additions to non-current assets	92	43	541	-	70	746
Other non-cash expenses	(119)	-	-	-	(9)	(128)

1. Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of Wholesale Markets and Group Operations, adjusted for any intra-segment transactions. Had the new operating model been effective at 30 June 2020, the Integrated Energy segment would have reported External revenue of $4,475 million (2019: $5,705 million), Underlying EBITDA of $2,076 million (2019: $2,222 million) and Underlying EBIT of $1,526 million (2019: $1,721 million).

1. Segment information (cont.)

2019	Customer Markets $m	Wholesale Markets $m	Group Operations $m	Investments $m	Other $m	Total $m
Revenue						
Total segment revenue	7,554	9,100	188	1	-	16,843
Inter-segment revenue	(14)	(3,539)	(44)	-	-	(3,597)
External revenue	7,540	5,561	144	1	-	13,246
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	295	2,778	(556)	33	(265)	2,285
Depreciation and amortisation	(101)	(21)	(480)	-	(23)	(625)
Underlying EBIT	194	2,757	(1,036)	33	(288)	1,660
Net financing costs						(193)
Underlying profit before tax						1,467
Underlying income tax expense						(427)
Underlying profit after tax						1,040
Segment assets	2,576	2,951	7,560	239	266	13,592
Segment liabilities	543	884	887	-	181	2,495
Other segment information						
Share of profits of associates and joint ventures	-	-	1	32	-	33
Investments in associates and joint ventures	-	-	4	146	-	150
Additions to non-current assets	134	71	688	60	104	1,057
Other non-cash expenses	(120)	-	-	-	(6)	(126)

1. Segment information (cont.)

Segment revenue reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment revenue to total revenue is as follows:

	2020 $m	2019 $m
Segment revenue for reportable segments	**15,675**	16,843
Elimination of inter-segment revenue	**(3,515)**	(3,597)
Revenue for reportable segments	**12,160**	13,246
Total revenue	**12,160**	13,246

Revenue from major products and services

The following is an analysis of AGL's revenue from its major products and services:

	2020 $m	2019 $m
Electricity	**6,136**	6,029
Generation sales to pool	**3,276**	4,469
Gas	**2,247**	2,346
Rendering of services	**290**	206
Other revenue	**211**	196
Total revenue	**12,160**	13,246

Segment Underlying EBIT reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment Underlying EBIT to profit before tax is as follows:

	2020 $m	2019 $m
Underlying EBIT for reportable segments	**1,730**	1,948
Other	**(413)**	(288)
	1,317	1,660
Amounts excluded from underlying results:		
- gain/(loss) in fair value of financial instruments	**308**	(198)
- significant items	**(21)**	10
Finance income	**4**	10
Finance costs	**(183)**	(203)
Profit before tax	**1,425**	1,279

1. Segment information (cont.)

Segment assets reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment assets to total assets is as follows:

	2020 $m	2019 $m
Segment assets for reportable segments	**12,539**	13,326
Other	**532**	266
	13,071	13,592
Cash and cash equivalents	**141**	115
Current tax assets	**99**	89
Deferred tax assets	**252**	261
Derivative financial instruments	**1,147**	764
Total assets	**14,710**	14,821

Segment liabilities reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment liabilities to total liabilities is as follows:

	2020 $m	2019 $m
Segment liabilities for reportable segments	**2,129**	2,314
Other	**182**	181
	2,311	2,495
Borrowings	**3,108**	2,850
Current tax liabilities	**25**	27
Deferred tax liabilities	**273**	97
Derivative financial instruments	**731**	715
Deferred consideration	**187**	199
Total liabilities	**6,635**	6,383

Geographical information

AGL principally operates in one geographical area being Australia. All non-current assets and total external revenue from customers is attributed to Australia.

Information about major customers

No single customer amounts to 10 percent or more of AGL's total external revenue (2019: none).

ACCOUNTING POLICY

Segment reporting

An operating segment is a component of AGL that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of AGL. Operating segments are identified on the basis of internal reports about components of AGL that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Board of Directors.

2. Revenue

2020	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	4,214	1,626	296	-	6,136
Generation sales to pool	-	-	3,271	5	3,276
Gas	1,538	118	563	28	2,247
Rendering of services	37	45	111	97	290
Other revenue	-	-	129	82	211
Total revenue	5,789	1,789	4,370	212	12,160

2019	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	4,041	1,731	255	2	6,029
Generation sales to pool	-	-	4,469	-	4,469
Gas	1,520	161	640	25	2,346
Rendering of services	37	1	79	89	206
Other revenue	-	-	113	83	196
Total revenue	5,598	1,893	5,556	199	13,246

ACCOUNTING POLICY

Revenue from contracts with customers

AGL's primary revenue streams relate to the retail sale of electricity and gas to residential (consumer) and business customers in Australia, the sale of electricity and gas to wholesale customers in Australia and the sale of generated electricity to the National Electricity Market in Australia. Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer at an amount that reflects the consideration to which AGL expects to be entitled to receive in exchange for those goods or services.

The majority of contractual energy supply arrangements with customers have no fixed duration, generally require no minimum consumption by the customer and are able to be terminated by either party at any time without incurring significant penalty. Given this, the enforceable contracts are considered short term (less than 12 months) in nature. There are some longer term contracts particularly those with business and wholesale customers.

AGL has generally concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

AGL's primary performance obligations are the supply of energy (gas or electricity) over the contractual term. There are either individual contracts representing separate purchasing decisions of customers, or the units of supply of energy represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and hence is considered one performance obligation satisfied over time. For the shorter term contracts, the performance obligations are considered to be satisfied, and revenue is recognised, as and when the units of energy are delivered. Additionally, in relation to AGL's longer term contracts, AGL determines that the right-to-invoice approach to measure the progress towards completion of the performance obligation is most appropriate as it depicts AGL's performance. AGL uses the units of energy delivered to the customer as estimated as part of the unbilled process (and later verified by meter readings) or as indicated by the customer's energy meter (where these are known more frequently).

In most instances, the transaction price is determined by the unbilled process. For some wholesale contracts, AGL also considers the effects of variable consideration and for some business sales, there is non-cash consideration and consideration payable to the customer relating to renewable energy certificates (RECs).

Electricity and Gas revenue

Residential electricity and gas sales

Residential energy sales relate to the sale of energy (gas and electricity) to retail customers. Residential sales are classified as individual, short term, day-by-day contracts and are recognised as revenue on a day-by-day basis upon delivery of energy to customers.

Where the customers are eligible to receive additional discounts (e.g. pay on time discounts to encourage timely payment of energy invoices), AGL considers this to be variable consideration, which is estimated as part of the unbilled process.

Portfolio approach for residential electricity and gas sales

AGL recognises revenue from contracts with its residential customers at the electricity and gas portfolio levels. Furthermore, AGL has elected to apply the portfolio approach in accounting for the fair valuing of RECs, accounting for connection fees and sales commissions. Recognition at the portfolio level would not differ materially from applying the standard on a contract-by-contract basis.

2. Revenue (cont.)

ACCOUNTING POLICY

Business electricity and gas sales

Business sales represent the sale of energy to business customers. Revenue recognition is largely consistent with residential sales. These contracts are longer term in nature and represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and are treated as one performance obligation satisfied over time based on the output delivered to the customer. For a large majority of business sales customers, revenue is recognised when AGL has the 'right to invoice' the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer.

Some business sales arrangements also include the transfer of RECs to the customer, which can, in some instances, represent a separate performance obligation.

Material right applicable to residential and business sales

Where a fixed fee (e.g. connection fee, distribution fee, capacity reservation charge, etc.) received from a customer does not represent a transfer of a good or service to a customer, but the customer is charged an upfront amount, the customer contract contains a material right in that the customer is effectively able to buy additional units of energy at a lower cost per unit.

The material right is valued based on its relative standalone selling price. If standalone selling prices are not directly observable, the price is estimated by taking into consideration the discount the customer would receive in a standalone transaction and the likelihood that the customer would exercise the option.

Revenue from a material right is recognised as and when the right is exercised by the customer or the right expires, whichever is earlier.

Wholesale energy sales

Wholesale energy sales represent the sale of gas and electricity to wholesale customers. These involve a high volume of energy usually over an extended period of time. Supply of energy represents a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and is the major performance obligation. It is treated as one performance obligation which is satisfied over time. In some instances, there is an additional performance obligation in these contracts by way of a material right.

Revenue is recognised for these arrangements when AGL has the 'right to invoice' the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer.

Some wholesale electricity arrangements may involve the transfer of RECs to the customer, which may represent a separate performance obligation.

Renewable energy certificates (RECs) applicable to business and wholesale sales

There are two main instances where RECs pass between AGL and its customers. These include those transferred under a self-surrender arrangement as part of the consideration for energy and those that are sold to customers.

Received from customer (self-surrender)

As a retailer, AGL incurs costs in relation to its renewable energy obligations for which RECs must be surrendered to the government. For most customers, the costs associated with meeting these renewable energy obligations is factored into the cost of energy (i.e. there is a REC cost component built into the price paid). For some customers, instead of paying for the cost of the energy in cash, they have the option to elect to pay for their energy usage in the form of cash and by self-surrendering RECs.

The obligation to remit RECs to the regulator remains with AGL, but the customer is choosing to meet part of its payment by way of surrendering its own RECs rather than paying for the cost of the RECs as part of the overall cost of the energy.

The transfer of RECs as consideration in exchange for energy is a form of non-cash consideration. AGL measures non-cash consideration at its fair value at the date of surrender (i.e., the date of transfer by the customer).

Transferred to the customer

For some customer contracts, AGL sells both energy and RECs to the customer. A customer may purchase RECs to meet its own REC obligations and/or where it wants actual title to the RECs.

The RECs sold to a customer represent a separate performance obligation, i.e. a good, as the customer can benefit from the RECs on their own and the promise to transfer RECs to the customer is separately identifiable from the other promises in the contract (e.g. promise to deliver energy).

AGL determines the portion of the transaction price that it allocates to the RECs using the relative standalone selling price method.

The transaction price is allocated to each performance obligation based on the proportion of the stand-alone selling price of each performance obligation to the sum of the stand-alone selling prices of all of the performance obligations in the contract.

2. Revenue (cont.)

ACCOUNTING POLICY

Revenue is recognised as and when the control of the RECs are transferred to the customer, which occurs at a point in time. Where the customer is entitled to all the RECs generated at a specified power plant (e.g. in cases where power plants are located at the customer's site), transfer of control to the customer occurs as and when the RECs are generated. In other cases where the RECs are transferred to the customer from inventory, control of the RECs transfers upon receipt by the customer.

Pool Revenue

Pool generation sales

Pool generation sales and pool purchase costs relate to sales by AGL's generation assets to the grid and purchases of energy by AGL wholesale on behalf of AGL's retail business. AGL has assessed it is acting as the principal in relation to such sales and purchases of energy to the pool and therefore the transactions are recognised on a 'gross' basis. Revenue from these arrangements is recognised at the spot price achieved when control of the energy passes to the grid.

Variable consideration

If the consideration in a contract includes a variable amount, AGL estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

AGL applies the practical expedient in that it does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Costs to obtain a contract

Costs that are incurred regardless of whether a contract is obtained are expensed as incurred, unless those costs are explicitly chargeable to the customer. Discretionary bonuses paid to sales staff based on meeting annual sales targets, overall profitability and individual performance evaluations are expensed as incurred as they are not directly attributable to identifiable contracts and do not meet the criteria for capitalisation. The direct costs of establishing customer contracts are recognised as an asset when they relate to a specific customer acquisition campaign. The direct costs are amortised over the minimum contract term. Direct costs include customer acquisition fees paid to channel partners and upfront account purchase payments.

Costs to fulfil

The costs incurred by AGL to fulfil a contract with a customer, which may qualify for capitalisation include connection fees paid/incurred by AGL (including those charged by distribution businesses to provide such network services, or those incurred directly by AGL in connecting a customer). These costs do not fall within the scope of any other standard (i.e. the cost is not part of inventory, an intangible asset or property, plant and equipment). Therefore, these costs are capitalised as a contract cost (cost to fulfil) asset and amortised over the life of the customer contract or customer relationship, where material.

Cost sharing arrangements

AGL enters into cost sharing arrangements whereby the costs to operate and maintain assets that are shared with parties outside the AGL Group are recharged to the parties in accordance with their beneficial interest. These recharged amounts are recognised as revenue when the associated costs to which they relate impact the statement of profit or loss. Revenue is measured with reference to the fair value of the consideration received.

Government grants

Government grants are recognised when there is reasonable assurance that AGL will comply with the conditions of the grant and the grant will be received.

Government grants that require AGL to construct an asset are recognised as deferred revenue in the Consolidated Statement of Financial Position and transferred to profit or loss on a systemic basis over the useful life of the related assets.

2. Revenue (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Variable consideration and constraints

AGL includes variable consideration in the transaction price as estimated at the inception of a contract. However, if it is considered 'highly probable' that a significant reversal of revenue recognised will occur in the future, the variable consideration is constrained and not included in the transaction price.

AGL's contractual arrangements contain a number of variable pricing elements including pay-on-time discounts, payment plans, and escalations. Some of these variable elements are resolved during the reporting periods. Where they are not, management estimates the likelihood of the variable pricing element eventuating and recognises the variable pricing element to the extent it is not highly probable that it will reverse.

Revenue recognition

AGL recognises revenue from gas and electricity services once the gas and/or electricity has been consumed by the customer. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

3. Other income

	Note	2020 $m	2019 $m
Gain on disposal of subsidiaries and businesses	28	-	52
Net gain on disposal of property, plant and equipment		-	2
Total other income		-	54

4. Expenses

	2020 $m	2019 $m
Cost of sales[1]	**8,512**	9,440
Administrative expenses	**238**	289
Employee benefits expenses	**635**	601
Other expenses		
(Gain)/loss on fair value of financial instruments	**(328)**	198
Contracts and materials	**288**	306
Impairment loss on trade receivables (net of bad debts recovered)	**119**	120
Marketing expenses	**45**	53
Short term lease and outgoings expenses	**22**	12
Impairment loss on investment in a joint venture	**14**	-
Acquisition costs	**7**	-
Net loss on disposal of property, plant and equipment	**9**	-
Derecognition of assets and costs associated with exit of business	**-**	47
Net loss on disposal of joint operation	**-**	2
Other	**259**	168
Total expenses	**9,820**	11,236

1. Includes $3 million of depreciation expense for wind assets.

5. Depreciation and amortisation

	2020 $m	2019 $m
Property, plant and equipment	**550**	477
Intangible assets	**203**	143
Other	**-**	5
Total depreciation and amortisation	**753**	625

6. Net financing costs

	2020 $m	2019 $m
Finance income		
Interest income	4	10
	4	10
Finance costs		
Interest expense[1]	110	127
Lease interest expense	10	10
Unwinding of discounts on provisions and other liabilities	35	35
Unwinding of discount on deferred consideration	22	23
Other finance costs	6	8
	183	203
Net financing costs	179	193

1. Interest expense for the year ended 30 June 2020 is presented net of capitalised interest of $9 million (2019: $21 million).

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 4.50% (2019: 5.61%).

ACCOUNTING POLICY

Net financing costs

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets.

All other finance costs are recognised in profit or loss in the period in which they are incurred. Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities, unwinding of the discount on provisions and deferred consideration, and gains and losses on certain hedging instruments that are recognised in profit or loss.

7. Income tax

Income tax recognised in the Consolidated Statement of Profit or Loss

The major components of income tax expense are:

	2020 $m	2019 $m
Current tax		
Current tax expense in respect of the current year	219	265
Deferred tax		
Relating to the origination and reversal of temporary differences	191	109
Total income tax expense	410	374

7. Income tax (cont.)

Numerical reconciliation between tax expense and pre-tax accounting profit

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2020 $m	2019 $m
Profit before tax	**1,425**	1,279
Income tax expense calculated at the Australian tax rate of 30% (30 June 2019: 30%)	**428**	384
Non-deductible capital losses on disposal and impairment	**-**	5
Non-deductible expenses	**2**	1
Recognition of previously derecognised capital losses	**-**	(2)
Adjustments in relation to current tax of prior years	**(15)**	(12)
Other	**(5)**	(2)
Total income tax expense	**410**	374

Income tax recognised in other comprehensive income

	2020 $m	2019 $m
Deferred tax		
Cash flow hedges	**(21)**	30
Remeasurement gain/(loss) on defined benefit plans	**4**	(27)
Fair value gain on the revaluation of equity instrument financial assets	**-**	4
Total income tax recognised in other comprehensive income	**(17)**	7

Deferred income tax recognised in the Consolidated Statement of Profit or Loss

	2020 $m	2019 $m
Temporary differences		
Tax losses	**94**	149
Provisions, payables and accruals	**(7)**	2
Allowance for expected credit losses	**(6)**	17
Defined benefit superannuation plans	**(7)**	(6)
Borrowings	**1**	(3)
Derivative financial instruments	**93**	(59)
Property, plant and equipment and intangible assets	**22**	7
Other	**1**	2
Total deferred income tax recognised in profit or loss	**191**	109

Current tax balances

	2020 $m	2019 $m
Current tax assets		
Income tax refund receivable	**99**	89
Current tax liabilities		
Income tax payable	**25**	27

7. Income tax (cont.)

Deferred tax balances

	2020 $m	2019 $m
Deferred tax assets/(liabilities) arise from the following:		
Tax losses	**306**	395
Provisions, payables and accruals	**197**	188
Allowance for expected credit losses	**58**	53
Defined benefit superannuation plans	**46**	43
Borrowings	**40**	40
Derivative financial instruments	**(40)**	31
Property, plant and equipment and intangible assets	**(607)**	(578)
Trade and other receivables	**(12)**	-
Other	**(9)**	(8)
Net deferred tax (liabilities)/assets[1]	**(21)**	164

	2020 $m	2019 $m
Recognised in the Consolidated Statement of Financial Position as follows:		
Deferred tax assets	**252**	261
Deferred tax liabilities	**(273)**	(97)
Net deferred tax (liabilities)/assets	**(21)**	164

1. A deferred tax liability of $10 million was recognised on acquisition of Perth Energy Holdings Pty Ltd and Southern Phone Company Limited.

Deferred tax assets of $25 million (2019: $25 million) remain unrecognised.

AGL has adopted the voluntary Tax Transparency Code as endorsed by the Board of Taxation and the Australian Taxation Office.

ACCOUNTING POLICY

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax payable is based on taxable profit for the year and any adjustments in respect of prior years. AGL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which AGL expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if AGL has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7. Income tax (cont.)

ACCOUNTING POLICY

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised outside profit or loss (whether in other comprehensive income or directly in equity) or a business combination.

Tax consolidation

AGL Energy Limited (the Parent Entity) and its wholly-owned Australian resident subsidiaries formed a tax-consolidated group pursuant to Australian taxation law with effect from 25 October 2006 and are therefore taxed as a single entity from that date. AGL Energy Limited is the head entity in the tax-consolidated group.

On 23 July 2012, AGL Generation Holdco Pty Ltd, a subsidiary 99.99% owned by AGL, and AGL Generation Pty Ltd elected to form a tax-consolidated group with Loy Yang Marketing Holdings Pty Limited and its wholly-owned subsidiary, in addition to the existing group. On 27 July 2012, Great Energy Alliance Corporation Pty Limited (GEAC) and its wholly-owned subsidiaries joined the new tax-consolidated group. AGL Generation Holdco Pty Ltd is the head entity in the new tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'standalone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the tax-consolidated group are recognised by the head entity in each tax consolidated group.

The members of the tax-consolidated group have entered into a tax sharing and tax funding agreement. The tax funding agreement requires payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and any tax loss deferred tax asset assumed by the head entity. The payments are recorded as intercompany receivables/payables.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Deferred tax assets relating to tax losses

AGL recognises a deferred tax asset relating to tax losses incurred by a subsidiary. The recoverability of this deferred tax asset is dependent on the generation of sufficient taxable income, by the subsidiary, to utilise those tax losses. Management judgements and estimates are required in the assessment of this recoverability, including forecasting sufficient future taxable income.

8. Dividends

Recognised amounts

	2020 $m	2019 $m
Final dividend		
Final dividend for 2019 of 64.0 cents per share, franked to 80%, paid 20 September 2019 (2019: Final dividend for 2018 of 63.0 cents per share, franked to 80%, paid 21 September 2018).	**420**	413
Interim dividend		
Interim dividend for 2020 of 47.0 cents per share, franked to 80%, paid 27 March 2020 (2019: Interim dividend for 2019 of 55.0 cents per share, franked to 80%, paid 22 March 2019).	**299**	361
Dividends paid as per the Consolidated Statement of Cash Flows	**719**	774

Unrecognised amounts

Since the end of the financial year, the Directors have declared a final dividend for 2020 of 51.0 cents per share, franked to 80%, payable 25 September 2020 (2019: 64.0 cents per share, franked to 80%, paid 20 September 2019).	**318**	420

8. Dividends (cont.)

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2020 final dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade during each of the 10 trading days commencing 31 August 2020. The last date for shareholders to elect to participate in the DRP for the 2020 final dividend is 28 August 2020.

Dividend franking account

	2020 $m	2019 $m
Adjusted franking account balance	**(114)**	(111)
Impact on franking account balance of dividends proposed after the reporting date but not recognised as a liability	**(109)**	(144)

ACCOUNTING POLICY

Dividends

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends are not accrued as a liability until a dividend declaration is made by the Board of Directors. The liability is reduced when the dividend is paid. The Board of Directors takes into consideration factors including AGL's relative capital strength and the existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

9. Trade and other receivables

	2020 $m	2019 $m
Current		
Trade receivables	**816**	946
Unbilled revenue	**890**	898
Allowance for expected credit loss	**(196)**	(175)
	1,510	1,669
Other receivables	**61**	34
Total current trade and other receivables	**1,571**	1,703
Non-current		
Other	**25**	-
Total non-current trade and other receivables	**25**	-
Allowance for expected credit loss		
Balance as at 1 July	**175**	232
Impairment losses recognised on receivables	**177**	149
Amounts written off as uncollectible	**(156)**	(206)
Balance at end of the financial year	**196**	175

9. Trade and other receivables (cont.)

The allowance for expected credit loss associated with unbilled revenue and the ageing of trade receivables at the reporting date is detailed below:

	2020		2019	
	Total $m	Allowance $m	Total $m	Allowance $m
Unbilled revenue	**890**	**(47)**	898	(55)
Not past due	**439**	**(17)**	628	(10)
Past due 0 – 30 days	**96**	**(11)**	71	(9)
Past due 31 – 60 days	**45**	**(9)**	45	(9)
Past due 61 – 90 days	**23**	**(10)**	30	(8)
Past 90 days	**213**	**(102)**	172	(84)
Total	**1,706**	**(196)**	1,844	(175)

At the end of the reporting period, trade receivables with a carrying amount of $245 million (2019: $208 million) were past due but not considered impaired. These trade receivables relate to customers for whom there has not been a significant change in credit quality and the amounts are considered recoverable.

Other balances within trade and other receivables are neither impaired nor past due. It is expected that these other balances will be received when due.

ACCOUNTING POLICY

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are recognised at amortised cost, less an allowance for expected credit loss. AGL's policy requires customers to pay in accordance within agreed payment terms. Depending on the customer segment, trade receivables are generally due for settlement within 30 days.

AGL assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, unbilled revenue, contract assets and lease receivables, AGL applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Unbilled revenue

Unbilled revenue represents estimated gas and electricity services supplied to customers but unbilled at the end of the reporting period. Unbilled gas and electricity revenue is not collectible until such time as customers' meters are read and bills rendered.

9. Trade and other receivables (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Expected credit loss on trade receivables and unbilled revenue

AGL uses an allowance matrix to measure expected credit losses of trade receivables and unbilled revenue from its customers. Trade receivable amounts are disaggregated into customer segments.

Loss rates are estimated in each age category and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and economic factors such as wholesale electricity forward curves, commodity fuel forward curves and prevailing macro-economic information.

The methodology for calculating the allowance for expected credit loss has not changed as a result of COVID-19, however certain assumptions have been updated and further segmentation of the customer base has been introduced to reflect observed payment behaviours. The key assumptions impacted are external macro-economic trends such as unemployment and small business impacts.

Unbilled revenue

AGL recognises revenue from gas and electricity sales once the gas and/or electricity has been consumed by the customer. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

Some of the assumptions and estimates include:

- Volume and timing of energy consumed by the customers
- Various pricing plans prevalent and allocation of the estimated volume to such pricing plans
- Loss factors
- Behavioural discounts

10. Inventories

	2020 $m	2019 $m
Current		
Raw materials and stores - at cost	321	311
Finished goods - at cost	79	77
Total current inventories	**400**	388
Non-current		
Finished goods - at cost	59	57
Total non-current inventories	**59**	57

ACCOUNTING POLICY

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out or weighted average basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to sell the inventory.

11. Other financial assets

	2020 $m	2019 $m
Current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**13**	5
Forward foreign exchange contracts - cash flow hedges	-	1
Energy derivatives - cash flow hedges	-	32
Energy derivatives - economic hedges	**568**	229
	581	267
Futures deposits and margin calls	**59**	531
Total current other financial assets	**640**	798

	2020 $m	2019 $m
Non-current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**235**	131
Energy derivatives - cash flow hedges	-	1
Energy derivatives - economic hedges	**331**	365
	566	497
Equity instrument financial assets - at fair value through other comprehensive income		
Unlisted investment funds	**122**	93
Total non-current other financial assets	**688**	590

Refer to Note 35 for AGL's financial assets accounting policy and critical accounting estimates and assumptions.

12. Other assets

	Note	2020 $m	2019 $m
Current			
Green commodities scheme certificates and instruments		**216**	251
Prepayments		**55**	52
Total current other assets		**271**	303

	Note	2020 $m	2019 $m
Non-current			
Defined benefit superannuation plan asset	31	**3**	7
Other		-	32
Total non-current other assets		**3**	39

ACCOUNTING POLICY

Green commodity scheme certificates

AGL participates in a number of renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. AGL holds green commodity scheme certificates in order to satisfy its surrender obligations under the various schemes.

Green commodity scheme certificates are initially recorded at cost, being the fair value of the consideration paid or the cost of generation of the certificate. Subsequent to initial recognition, green commodity scheme certificates are recorded at cost, being the fair value of the consideration paid or the cost of the generation of the certificate.

13. Investments in associates and joint ventures

	2020 $m	2019 $m
Investments in joint ventures - unlisted	**135**	150
Investments in associates - unlisted	**-**	-
Total investments in associates and joint ventures	**135**	150

Reconciliation of movements in investments in associates and joint ventures

	2020 $m	2019 $m
Balance at beginning of financial year	**150**	100
Additions[1]	**11**	60
Impairment loss recognised in profit or loss[2]	**(14)**	-
Share of profits after income tax	**17**	33
Dividends received	**(15)**	(27)
Other	**(14)**	(16)
Balance at end of financial year	**135**	150

1. During the year, AGL made $11 million of capital contributions (2019: $60 million) to Powering Australian Renewables Fund in accordance with the terms of the Investor Agreement and Commitment Deed.
2. During the year, AGL partially impaired the carrying value of its investment interest in Powering Australian Renewables Fund, reflecting revised market pricing and generation output assumptions for operations sites. An impairment loss of $14 million ($10 million post-tax) was recognised as a Significant Item in the period.

		Ownership interest		Carrying value	
	Principal activities	2020 %	2019 %	2020 $m	2019 $m
Associates					
Solar Analytics Pty Ltd	Solar PV monitoring	**31.2**	31.2	**-**	-
Joint ventures					
ActewAGL Retail Partnership	Gas and electricity retailer	**50**	50	**51**	50
Energy Infrastructure Management Pty Ltd	Pipeline management services	**50**	50	**4**	4
Central Queensland Pipeline Pty Ltd	Gas pipeline development	**50**	50	**-**	-
Powering Australian Renewables Fund	Development and owner of renewable energy generation projects	**20**	20	**80**	96
Total investments in associates and joint ventures				**135**	150

All the above entities are incorporated and operate in Australia.

13. Investments in associates and joint ventures (cont.)

Aggregate information of joint ventures that are not individually material

	2020 $m	2019 $m
Current assets	**502**	546
Non-current assets	**1,297**	1,221
Total assets	**1,799**	1,767
Current liabilities	**242**	223
Non-current liabilities	**1,057**	1,043
Total liabilities	**1,299**	1,266
Net assets	**500**	501
Revenue	**734**	1,037
Expenses	**(696)**	(966)
AGL's share of joint ventures' profit	**17**	33

Commitments and contingent liabilities

AGL's share of commitments and contingent liabilities of associates and joint ventures are disclosed in Notes 23(b) and 24 respectively.

ACCOUNTING POLICY

Investments in equity accounted investees

AGL's interests in equity accounted investees comprise interests in associates and joint ventures. Associates are those entities in which AGL has significant influence, but not control, over the financial and operating policies of the entity. A joint venture is an arrangement in which AGL has joint control and AGL has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, investments in associates and joint ventures are initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise AGL's share of the profit or loss and other comprehensive income of the associates and joint ventures.

An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Unrealised gains on transactions between AGL and an associate or a joint venture are eliminated to the extent of AGL's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no evidence of an impairment.

14. Property, plant and equipment

2020	Plant and equipment $m	Right-of-use plant and equipment $m	Other $m	Right-of-use other $m	Total $m
Balance at 1 July 2019, net of accumulated depreciation and impairment	**6,295**	**5**	**92**	**196**	**6,588**
Reclassified to intangible assets	**(107)**	**-**	**-**	**-**	**(107)**
Additions	**704**	**1**	**-**	**16**	**721**
Disposals	**(9)**	**-**	**-**	**-**	**(9)**
Depreciation expense[1]	**(534)**	**(1)**	**(3)**	**(15)**	**(553)**
Balance at 30 June 2020 net of accumulated depreciation and impairment	**6,349**	**5**	**89**	**197**	**6,640**

1. Includes $3 million of depreciation expense for wind assets.

Balance at 1 July 2019					
Cost (gross carrying amount)	**8,672**	**11**	**109**	**278**	**9,070**
Accumulated depreciation and impairment	**(2,377)**	**(6)**	**(17)**	**(82)**	**(2,482)**
Net carrying amount	**6,295**	**5**	**92**	**196**	**6,588**

Balance at 30 June 2020					
Cost (gross carrying amount)	**9,260**	**12**	**109**	**294**	**9,675**
Accumulated depreciation and impairment	**(2,911)**	**(7)**	**(20)**	**(97)**	**(3,035)**
Net carrying amount	**6,349**	**5**	**89**	**197**	**6,640**

2019	Plant and equipment $m	Right-of-use plant and equipment $m	Other $m	Right-of-use other $m	Total $m
Balance at 1 July 2018, net of accumulated depreciation and impairment	6,463	6	94	194	6,757
Reclassified to intangible assets	(450)	-	-	-	(450)
Additions	756	-	-	17	773
Disposals	(15)	-	-	-	(15)
Depreciation expense	(459)	(1)	(2)	(15)	(477)
Balance at 30 June 2019, net of accumulated depreciation and impairment	6,295	5	92	196	6,588

Balance at 1 July 2018					
Cost (gross carrying amount)	8,895	11	109	261	9,276
Accumulated depreciation and impairment	(2,432)	(5)	(15)	(67)	(2,519)
Net carrying amount	6,463	6	94	194	6,757

Balance at 30 June 2019					
Cost (gross carrying amount)	8,672	11	109	278	9,070
Accumulated depreciation and impairment	(2,377)	(6)	(17)	(82)	(2,482)
Net carrying amount	6,295	5	92	196	6,588

Other
Includes land, buildings and leasehold improvements.

Property, plant and equipment under construction
The net carrying amount of property, plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of $451 million (2019: $793 million), of which $29 million (2019: $42 million) relates to software.

Software
During the year, $107 million (2019: $450 million) of software was reclassified to intangible assets.

14. Property, plant and equipment (cont.)

ACCOUNTING POLICY

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs related to the acquisition or construction of qualifying assets are capitalised. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are capitalised when it is probable that future economic benefits associated with the item will flow to AGL and the cost of the item can be measured reliably. Other costs are recognised in profit or loss as incurred.

The gain or loss arising on disposal or retirement is recognised in profit or loss.

Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter. Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements – lesser of lease period or up to 50 years
- Plant and equipment – Up to 50 years

Right-of-use assets (ROU assets)

A ROU asset is recognised in relation to each lease and is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. AGL does not apply the revaluation model but instead carries all ROU assets at cost. The ROU asset is depreciated over its useful life. The useful life of a ROU asset for depreciation purposes is the shorter of the useful life of the asset and the lease term. Where the ROU asset is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation on ROU assets:

- Plant and equipment – ROU assets: lesser of lease period or up to 50 years
- Other – ROU assets: lesser of lease period or up to 50 years

Short-term and low value leases as lessee

AGL has elected to apply the practical expedients available for short-term leases (i.e. where the lease period is 12 months or less) and low-value asset leases. As a result of application of these practical expedients, the measurement requirements of accounting standards do not apply and the expense for these leases is recognised on a straight-line basis.

Impairment of non-financial assets excluding goodwill

At the end of each reporting period, AGL reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, AGL estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

15. Intangible assets

2020	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2019, net of accumulated amortisation and impairment	2,866	503	304	67	3,740
Reclassified from property, plant and equipment	-	107	-	-	107
Additions	13	109	-	20	142
Disposals	-	-	-	-	-
Amortisation expense	-	(179)	(8)	(16)	(203)
Balance at 30 June 2020, net of accumulated amortisation and impairment	2,879	540	296	71	3,786

Balance at 1 July 2019					
Cost (gross carrying amount)	2,867	1,072	311	258	4,508
Accumulated amortisation and impairment	(1)	(569)	(7)	(191)	(768)
Net carrying amount	2,866	503	304	67	3,740

Balance at 30 June 2020					
Cost (gross carrying amount)	2,880	1,288	311	278	4,757
Accumulated amortisation and impairment	(1)	(748)	(15)	(207)	(971)
Net carrying amount	2,879	540	296	71	3,786

2019	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2018, net of accumulated amortisation and impairment	2,881	-	311	79	3,271
Reclassified from property, plant and equipment	-	450	-	-	450
Additions	-	177	-	-	177
Disposals	(15)	-	-	-	(15)
Amortisation expense	-	(124)	(7)	(12)	(143)
Balance at 30 June 2019, net of accumulated amortisation and impairment	2,866	503	304	67	3,740

Balance at 1 July 2018					
Cost (gross carrying amount)	2,882	-	311	258	3,451
Accumulated amortisation and impairment	(1)	-	-	(179)	(180)
Net carrying amount	2,881	-	311	79	3,271

Balance at 30 June 2019					
Cost (gross carrying amount)	2,867	1,072	311	258	4,508
Accumulated amortisation and impairment	(1)	(569)	(7)	(191)	(768)
Net carrying amount	2,866	503	304	67	3,740

15. Intangible assets (cont.)

Impairment testing for goodwill and intangibles with indefinite useful lives

Goodwill, that is significant in comparison to AGL's total carrying amount of intangible assets with indefinite lives, has been allocated to cash-generating units (CGUs) for the purpose of impairment testing as follows:

Year ended 30 June 2020	Goodwill $m
Customer Markets	**899**
Wholesale Markets	**1,353**
Group Operations	**627**
Total goodwill and intangibles with indefinite useful lives	**2,879**

Year ended 30 June 2019	
Customer Markets	886
Wholesale Markets	1,353
Group Operations	627
Total goodwill and intangibles with indefinite useful lives	2,866

ACCOUNTING POLICY

Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Indefinite intangible assets are assessed at least annually for impairment. Finite intangible assets are amortised over their estimated useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of amortisation for intangible assets with finite lives:

- Customer relationships and contracts – 3 to 20 years
- Software – 3 to 7 years
- Licences – the lesser of licence term and asset useful life

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of AGL's CGUs or groups of CGUs expected to benefit from the synergies of the combination, and tested for impairment at least annually.

A CGU or groups of CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU or group of CGUs is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU(s) and then to the other assets of the CGU(s) pro rata based on the carrying amount of each asset in the CGU(s). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Software

Software is measured at cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or development of the software.

Licences

Licences are carried at cost less any accumulated amortisation and impairment losses.

15. Intangible assets (cont.)

ACCOUNTING POLICY

Customer relationships and contracts

Customer relationships and contracts acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised as an expense on a straight-line basis over the period during which economic benefits are expected to be received.

The direct costs of establishing customer contracts are recognised as an asset when they relate to a specific customer acquisition campaign. The direct costs are amortised over the minimum contract term. Direct costs include customer acquisition fees paid to channel partners and upfront account purchase payments. All other customer acquisition costs are expensed as incurred.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment testing for Customer Markets, Wholesale Markets and Group Operations

The recoverable amounts for the Customer Markets, Wholesale Markets and Group Operations CGUs have been determined using value-in-use models including an appropriate terminal value. The key assumptions in the calculation of value in use include:

- corporate tax rates;
- forward market-based transfer pricing between CGUs;
- customer numbers and churn;
- consumption volumes;
- energy procurement costs and volumes and generation volumes; and
- gross margin including assumptions around regulatory outcomes, pricing in unregulated markets and customer discounts.

Corporate tax rates reflect the Australian company tax rate. The estimate of regulatory outcomes is based on actual regulatory decisions for the current price reset period, which are publicly available, together with AGL's expectations of regulatory decisions beyond the current reset period and market prices in unregulated markets. The assumed future gross margin in unregulated markets is determined with reference to historic achieved rates along with AGL's expectations of future price changes and their correlation with the long run marginal cost of electricity in the NEM (LRMC), together with the impact of expected customer discounts. Customer numbers and consumption volumes are estimated based on historical experience in various segments, together with marketing strategies for the retention and winning of customers. Energy procurement costs are estimated based on the actual hedge portfolio, together with an estimate of future hedging prices and volumes beyond the period of the actual hedge portfolio.

Cash flow forecasts are based on Board approved budgets and the most recent three-year plan. The terminal value is based on final year free cash flow, except for known site closures, adjusted operating and capital expenditure, which is normalised into perpetuity adjusted for inflation of 2.5% (2019: 2.5%) and alignment with long-term energy price forecasts. Discount rates used are the pre-tax equivalent of a post-tax weighted average cost of capital of 7.1% (2019: 8.6%). The WACC was reduced following AGL's annual cost of capital review process as a result of sustained low interest rates.

If the recoverable amount of a cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount with any impairment recognised immediately in the statement of financial performance.

Impact of possible changes in key assumptions

Group Operations

The recoverable amount of the Group Operations CGU is estimated to exceed the carrying amount at 30 June 2020 by $876 million. Following a detailed impairment review of future cash flow projections, the assets are considered recoverable at 30 June 2020.

As a result of lowering the assumed discount rate to reflect the low interest rate environment, the value-in-use calculation for the Group Operations CGU is more sensitive to changes in the assumed LRMC than in prior years which used a higher discount rate. When viewed in connection with the current low market prices, it is reasonably possible that a change in the LRMC assumption could lead to an impairment in this CGU. The interrelationship of key assumptions, particularly in the Group Operations CGU, is very complex. Changes in the external operating environment, such as closure of aluminium smelters that consume significant volumes of electricity from the market; extended economic recovery timelines or significant changes in customer demand as a result of COVID-19; or changes to the scheduled closure dates of other power stations, could result in a decrease in the LRMC which may give rise to an impairment.

No other reasonably possible changes in key assumptions have been identified which may cause the carrying amount to exceed its recoverable amount.

Customer Markets and Wholesale Markets

Management do not believe that any reasonably possible change in the key assumptions would result in an impairment.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impact of climate change related risk

The recoverable value estimates used in the impairment of assets analysis considers climate change risk through the adjustment of cash inflows associated with the planned closure of AGL's Liddell Power Station. This recoverable value estimate demonstrates that the carrying value of AGL's Group Operations CGU is not impaired.

Management recognises that there is an increased pace of change in the energy industry and associated political landscape and will continue to work towards incorporating quantification of the financial impact of climate change and related policies within AGL's annual financial filings in accordance with Australian Securities and Investments Commission (ASIC), Australian Prudential Regulation Authority (APRA), and Australian Accounting Standards Board (AASB) recommendations.

Notwithstanding the above, any change to the planned closure dates of AGL's coal-fired generation plants as a result of climate change may have a material impact on the National Electricity Market and may result in a material change to AGL's estimated cash inflows. Similarly, any change to policy in relation to climate change may have a material impact on the National Electricity Market and may result in a material change to AGL's estimated cash inflows.

No impairment loss has been recognised for the Customer Markets, Wholesale Markets or the Group Operations CGUs for the year ended 30 June 2020 (2019: $nil).

Impairment of goodwill and other intangibles with indefinite useful lives

AGL determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on a semi-annual basis. This requires an assessment of impairment indications, and an estimation of the recoverable amount of the cash-generating units, using a value in use discounted methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

16. Trade and other payables

	2020 $m	2019 $m
Current		
Trade payables and accrued expenses	**708**	951
Accrued distribution costs	**404**	400
Green commodity scheme obligations	**211**	189
Other	**28**	16
Total trade and other payables	**1,351**	1,556

Trade payables are unsecured and are generally settled within 32 days from end of month of the date of recognition.

ACCOUNTING POLICY

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to AGL prior to the end of the reporting period that are unpaid and arise when AGL becomes obliged to make future payments in respect of the purchase of these goods and services.

Green commodity scheme obligations

Green commodity scheme obligations represent liabilities to satisfy surrender obligations under the various renewable energy and energy efficiency schemes administered by the Commonwealth and State governments. Given the schemes are surrendered on a calendar year basis, the liability is calculated based on the best estimated unit cost at the time of expected surrender.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Accrued distribution costs

AGL recognises distribution costs once the gas and electricity has been delivered to the customer and is measured through a regular review of usage meters. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining distribution costs for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

17. Borrowings

	2020 $m	2019 $m
Current		
Bank loans - unsecured	-	60
CPI bonds - unsecured	9	8
Other loans - unsecured	11	11
Lease liabilities	18	23
Total current borrowings	38	102
Non-current		
USD senior notes - unsecured	1,164	1,054
Medium term notes - unsecured	599	599
Bank loans - unsecured	985	760
CPI bonds - unsecured	66	73
Other loans - unsecured	111	122
Lease liabilities	156	149
Deferred transaction costs	(11)	(9)
Total non-current borrowings	3,070	2,748

Financing facilities

AGL has access to the following committed bank facilities:

	Total facilities		Amounts used	
	2020 $m	2019 $m	2020 $m	2019 $m
USD senior notes - unsecured (after effect of cross currency swaps)	910	910	910	910
Medium term notes - unsecured	599	599	599	599
Bank loans - unsecured	1,909	1,261	985	820
CPI bonds - unsecured	75	81	75	81
Other loans - unsecured	122	133	122	133
Bank guarantees - unsecured	541	569	383	408
Total financing facilities	4,156	3,553	3,074	2,951

USD senior notes

On 8 December 2016, AGL issued US$395 million of fixed rate unsecured senior notes in the US private placement market, comprising three tranches of 12 year, 13 year and 15 year maturities for US$150 million, US$70 million and US$175 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$395 million, the notes were converted back to approximately A$522 million through cross currency interest rate swaps. On 8 December 2016, AGL further issued A$50 million of fixed rate unsecured senior notes in the US private placement market with a 10 year maturity.

On 8 September 2010, AGL issued US$300 million of fixed rate unsecured senior notes in the US private placement market, comprising two tranches of 12 year and 15 year maturities for US$165 million and US$135 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$300 million, the notes were converted back to approximately A$338 million through cross currency interest rate swaps.

Medium term notes

On 5 November 2014, AGL issued $600 million of senior unsecured, seven year fixed rate medium term notes. The notes were issued at a spread of swap plus 170 basis points, equating to a 5% coupon.

17. Borrowings (cont.)

Bank loans

In February 2017, AGL amended and extended the $400 million revolving tranche of the syndicated loan facility to mature in September 2020. As at 30 June 2020, the tranche was not utilised.

In June 2018, AGL extended its existing $410 million 6.5-year club term loan facility for another four years to mature in June 2025. As at 30 June 2020, this facility was fully utilised.

In September 2019 AGL executed a A$600 million 5-year syndicated Sustainability Linked Loan. At the end of FY20, $100 million of the available facility was undrawn.

During the FY17 financial year, AGL executed $375 million of new bank bilateral debt facilities for tenors between 1.5 to 5 years. Out of the $375 million, $100 million matured in FY19 and $200 million was further extended to mature in FY21. In December 2019, AGL extended its existing $150 million bilateral facility for 3 years with a reduced limit of $100 million, and transferred the bilateral facility on to the same sustainability-linked terms. As at 30 June 2020, $424 million of bilateral debt facilities remained undrawn.

CPI bonds

CPI bonds rank pari passu with other unsecured debt and will mature in May 2027.

Other loans

On 5 July 2011, AGL entered into a $200 million loan facility with EKF, the Danish export credit agency. Amortising over 18 years, the loan matures in 2031. As at 30 June 2020, this facility was fully utilised.

ACCOUNTING POLICY

Borrowings

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Leases

At inception of a contract, AGL assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys to the customer a right to control the use of an identified asset for a period of time in exchange for consideration.

17. Borrowings (cont.)

ACCOUNTING POLICY

AGL assesses whether:

- The contract involves the use of an identified asset – the asset may be explicitly or implicitly specified in the contract. Capacity portions of larger assets would be considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. An asset is not considered an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer in the contract has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The customer in the contract has the right to direct the use of the asset throughout the period of use – the customer is considered to have the right to direct the use of the asset only if either:
  - The customer has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
  - The relevant decisions about how and for what purposes the asset is used are predetermined and the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

AGL has applied the above approach in identifying leases in contracts entered into, or modified, on or after 1 July 2018. For contracts entered into before 1 July 2018, AGL has elected to apply the grandfathering practical expedient on transition as detailed in Note 37(c). Consequently, the transition and measurement requirements only apply to arrangements that were identified as leases pursuant to the previous leases standards as at and subsequent to 1 July 2018.

AGL as lessee

In contracts where AGL is a lessee, AGL recognises a right-of-use asset and a lease liability at the commencement date of the lease for all leases other than short-term or low-value asset leases.

- Lease liabilities

A lease liability is recognised in relation to each lease and is initially measured at the present value of future lease payments at the commencement date. To calculate the present value, the future lease payments are discounted using the interest rate implicit in the lease (IRIL), if the rate is readily determinable. If the IRIL cannot be readily determined, the incremental borrowing rate at the commencement date is used. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments that vary due to changes in CPI, or commodity prices); and
- Amounts expected to be payable by the lessee under residual value guarantees, purchase options and termination penalties (where relevant).

Variable payments other than those included in the measurement of the lease liability above (i.e. those not based on an index or rate) are recognised in profit or loss in the period in which the event or condition that triggers those payments occur.

For contracts containing lease and non-lease components, AGL accounts for each lease component separately from the non-lease components of the contract, where material. The consideration in the contract is allocated to the components based on their relative stand-alone prices.

Subsequently, the lease liability is measured in a manner similar to other financial liabilities, i.e., at amortised cost using the effective interest rate method. This means the liability is:

- Increased to reflect interest on the lease liability;
- Decreased to reflect lease payments made; and
- Remeasured to reflect any reassessment of lease payments or lease modifications, or to reflect revised in-substance fixed lease payments.

After commencement date, the following amounts are recognised in profit or loss with respect to the payments pursuant to the lease:

- interest expense: recognised as finance cost; and
- variable lease payments not based on an index or a rate: recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Short-term and low value leases

AGL has elected to apply the practical expedients available for short-term leases (i.e. where the lease term is less than 12 months) and low-value asset leases. As a result of application of these practical expedients, the measurement requirements above do not apply and the expense for these leases is recognised on a straight-line basis.

17. Borrowings (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Leases

Lease term

Where lease arrangements contain options to extend the term or terminate the contract, AGL assesses whether it is 'reasonably certain' that the option to extend or terminate the contract will be made. Consideration is given to the prevalence of other contractual arrangements and or the economic circumstances relevant to the lease contract, that may indicate the likelihood of the option being exercised. Lease liabilities and ROU assets are measured using the reasonably certain contract term.

Lease discount rates

The discount rate applicable to a lease arrangement is determined at the inception of the contract or when certain modifications are made to the contract. The discount rate applied is the rate implicit in the arrangement, or if unknown, AGL's incremental borrowing rate. The incremental borrowing rate is determined with reference to AGL's borrowing portfolio at the inception of the arrangement or the time of the modification and the amount and nature of the lease arrangement. If the arrangement relates to a specialised asset, incremental project financing assumptions are considered.

18. Provisions

	2020 $m	2019 $m
Current		
Employee benefits	**213**	184
Environmental restoration	**45**	12
Onerous contracts	**27**	25
Restructuring	**1**	4
Total current provisions	**286**	**225**

	2020 $m	2019 $m
Non-current		
Employee benefits	**14**	13
Environmental restoration	**299**	330
Onerous contracts	**111**	138
Total non-current provisions	**424**	481

Movements in each class of provision, except employee benefits, are set out below:

	Environmental restoration $m	Restructuring $m	Onerous contracts $m	Total $m
Balance at 1 July 2019	**342**	4	163	509
Additional provisions recognised	**2**	1	-	3
Provisions utilised and derecognised	**(30)**	(4)	(30)	(64)
Unwinding of discount	**30**	-	5	35
Balance at 30 June 2020	**344**	1	138	483

18. Provisions (cont.)

ACCOUNTING POLICY

Provisions

Provisions are recognised when AGL has a present obligation (legal or constructive) as a result of a past event, it is probable that AGL will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The unwinding of the discount is recognised in profit or loss as part of finance costs.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Environmental restoration

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the end of the reporting period, based on current legal requirements and current technology. Future restoration costs are reviewed periodically and any changes are reflected in the provision at the end of each reporting period.

The initial estimate of the environmental restoration provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset. Changes in the estimate of the provision for environmental restoration are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Restructuring

A restructuring provision is recognised when AGL has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Future operating losses are not provided for.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by AGL in respect of services provided by employees up to the end of the reporting period.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Provision for environmental restoration

AGL estimates the future removal and restoration costs of electricity generation assets, oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of restoration activities required and available technologies.

The provisions for environmental restoration represents the best estimate of the present value of the expenditure required to settle the obligations at the end of the period. In line with AGL's accounting policy, the Provisions for Environmental Restoration is reviewed on a regular basis. Technical review is performed every five years and discount rate is reviewed every three years at a minimum. AGL expects to complete the latest cycle of reviews in FY21.

19. Other financial liabilities

	2020 $m	2019 $m
Current		
Derivative financial instruments - at fair value		
Interest rate swap contracts - cash flow hedges	**29**	20
Energy derivatives - cash flow hedges	**31**	-
Energy derivatives - economic hedges	**580**	576
	640	596
Deferred consideration	**39**	36
Total current other financial liabilities	**679**	632
Non-current		
Derivative financial instruments - at fair value		
Interest rate swap contracts - cash flow hedges	**42**	37
Energy derivatives - cash flow hedges	**-**	5
Energy derivatives - economic hedges	**49**	77
	91	119
Deferred consideration	**148**	163
Total non-current other financial liabilities	**239**	282

ACCOUNTING POLICY

Financial Instruments

Refer to Note 35.

Deferred consideration

To the extent that deferred consideration is payable after one year from the acquisition date, the deferred consideration is discounted at an appropriate interest rate and, accordingly, carried at net present value in the Consolidated Statement of Financial Position. The discount component is then unwound as an interest charge in profit or loss over the life of the obligation.

20. Other liabilities

	Note	2020 $m	2019 $m
Current			
Deferred revenue		**8**	4
Other		**1**	-
Total current other liabilities		**9**	4
Non-current			
Deferred revenue		**14**	17
Defined benefit superannuation plan liability	31	**158**	152
Other		**69**	60
Total non-current other liabilities		**241**	229

21. Issued capital

	2020 Total $m	2020 Number of shares	2019 Total $m	2019 Number of shares
Balance at beginning of reporting period	**6,223**	**655,825,043**	6,223	655,825,043
On-market share buy-back[1]	**(620)**	**(32,686,947)**	-	-
Balance at reporting date	**5,603**	**623,138,096**	6,223	655,825,043

1. During the period, AGL completed the buy-back of 32,686,947 shares. This is part of AGL's on-market share buy-back program for up to 5% of its issued share capital, or 32,791,252 shares from 23 August 2019 to 22 August 2020. As at 30 June 2020, the total consideration paid for shares bought back on market was $620 million at an average price of $18.98 per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Every ordinary Shareholder present at a general meeting of the Parent Entity, in person or by proxy is entitled to one vote per share.

ACCOUNTING POLICY

Issued capital

Ordinary shares are classified as equity. Ordinary shares issued by AGL are recorded at the proceeds received, less transaction costs directly attributable to the issue of new shares, net of any tax effects.

22. Earnings per share

	2020	2019
Statutory earnings per share		
Basic earnings per share	**158.4 cents**	138.0 cents
Diluted earnings per share	**158.2 cents**	137.8 cents
Underlying earnings per share		
Basic earnings per share	**127.4 cents**	158.6 cents
Diluted earnings per share	**127.2 cents**	158.4 cents

Earnings used in calculating basic and diluted earnings per share

	2020 $m	2019 $m
Statutory earnings used to calculate basic and diluted earnings per share	**1,015**	905
Significant expense/(income) items after income tax	**17**	(4)
(Gain)/loss in fair value of financial instruments after income tax	**(216)**	139
Underlying earnings used to calculate basic and diluted earnings per share	**816**	1,040

Weighted average number of ordinary shares

	30 June 2020 Number	30 June 2019 Number
Number of ordinary shares used in the calculation of basic earnings per share	**640,653,780**	655,825,043
Effect of dilution - LTIP share performance rights	**808,529**	711,067
Number of ordinary shares used in the calculation of diluted earnings per share	**641,462,309**	656,536,110

23. Commitments

(a) Capital expenditure commitments

Property, plant and equipment and intangible assets

	2020 $m	2019 $m
Not later than one year	**69**	147
Later than one year and not later than five years	**-**	2
	69	149

There are nil (2019: nil) joint operations capital commitments and AGL's share of associates' commitments is nil (2019: nil).

(b) Joint venture commitments

AGL's share of commitments made jointly with other investors relating to its joint ventures is nil (2019: nil).

24. Contingent liabilities

Crib Point liquefied natural gas jetty

AGL has executed certain key agreements in relation to its proposed liquefied natural gas import jetty at Crib Point in Victoria. As at 30 June 2020, if AGL does not proceed with the project, AGL's total financial exposure as a result of entering into the agreements is $42 million which may increase up to $67 million prior to Final Investment Decision (FID). AGL is progressing its environmental approvals and licencing requirements for the project and continues to negotiate further key commercial arrangements. A FID on the Crib Point project will be made subject to and following the outcome of the Environment Effects Statement which is expected in late FY21.

Other contingent liabilities

Certain entities in AGL are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on AGL.

Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

25. Remuneration of auditors

Auditor of the Parent Entity

	2020 $000	2019 $000
Deloitte Touche Tohmatsu Australia		
Audit and review of financial reports		
Group	**1,466**	1,299
Controlled entities	**156**	375
	1,622	1,674
Other regulatory audit services	**187**	173
Other assurance services	**161**	161
Other accounting advice and services	**95**	25
	2,065	**2,033**
Deloitte Touche Tohmatsu related practices		
Audit of subsidiary financial reports	**28**	25
Total remuneration of auditors	**2,093**	**2,058**

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu Australia.

26. Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2020 %	2019 %
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Barker Inlet Pty Limited	(a)	Australia	**100**	100
AGL Community Legacy Program Pty Limited	(a)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
Victorian Energy Pty Limited	(a)	Australia	**100**	100
AGL Sales Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland) Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland Electricity) Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Holdings Pty Limited	(a)	Australia	**100**	100
AGL SA Generation Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Pty Limited	(a)	Australia	**100**	100
AGL South Australia Pty Limited	(a)	Australia	**100**	100
AGL APG Holdings Pty Limited	(a)	Australia	**100**	100
Australian Power and Gas Company Limited	(a)	Australia	**100**	100
Australian Power and Gas Pty Limited	(a)	Australia	**100**	100
APG Operations Pty Ltd	(a)	Australia	**100**	100
Australian Power and Gas (NSW) Pty Ltd	(a)	Australia	**100**	100
Ignition Energy Pty Ltd	(a)	Australia	**100**	100
Greentricity Pty Limited	(a)	Australia	**100**	100
IQ Energy Services Pty Ltd	(a)	Australia	**100**	100
AGL Energy Limited		New Zealand	**100**	100
AGL Energy Sales & Marketing Limited	(a)	Australia	**100**	100
AGL Energy Services Pty Limited	(a)	Australia	**100**	100
AGL Financial Energy Solutions Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Hunter) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (PNG) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Sydney) Pty Limited	(a)	Australia	**100**	100
AGL Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Loy Yang Pty Ltd	(d)	Australia	**75**	-
AGL Loy Yang Partnership	(d)	Australia	**75**	-
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**75**	-
AGL Generation Proprietary Limited	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(d)	Australia	**25**	-
AGL Loy Yang Partnership	(d)	Australia	**25**	-
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**25**	-
Loy Yang Marketing Holdings Pty Limited	(b)	Australia	**100**	100
AGL Loy Yang Marketing Pty Ltd	(b)	Australia	**100**	100
Great Energy Alliance Corporation Pty Limited	(b)	Australia	**100**	100
GEAC Operations Pty Limited	(b)	Australia	**100**	100
AGL LYP 1 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(d)	Australia	**-**	25
AGL Loy Yang Partnership	(d)	Australia	**-**	25
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**-**	25
AGL LYP 2 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(d)	Australia	**-**	25
AGL Loy Yang Partnership	(d)	Australia	**-**	25
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**-**	25

26. Subsidiaries (cont.)

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2020 %	2019 %
AGL LYP 3 Pty Ltd	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(d)	Australia	**-**	24.63
AGL Loy Yang Partnership	(d)	Australia	**-**	24.63
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**-**	24.63
AGL LYP 4 BV	(e)	Netherlands	**-**	100
AGL Loy Yang Pty Ltd	(d)	Australia	**-**	25.37
AGL Loy Yang Partnership	(d)	Australia	**-**	25.37
AGL Loy Yang Projects Pty Ltd	(d)	Australia	**-**	25.37
AGL Gloucester MG Pty Ltd	(a)	Australia	**100**	100
AGL HP1 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**49.5**	49.5
AGL Southern Hydro (NSW) Pty Limited	(a)	Australia	**100**	100
AGL HP2 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**20.0**	20.0
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**30.5**	30.5
AGL LNG Pty Ltd	(a)	Australia	**100**	100
AGL Macquarie Pty Limited	(a)	Australia	**100**	100
AGL New Energy Pty Limited	(a)	Australia	**100**	100
AGL New Energy ACP Pty Limited	(a)	Australia	**100**	100
AGL New Energy EIF Pty Limited	(a)	Australia	**100**	100
AGL New Energy Investments Pty Limited	(a)	Australia	**100**	100
AGL PARF NSW Pty Limited	(a)	Australia	**100**	100
AGL PARF QLD Pty Limited	(a)	Australia	**100**	100
AGL Power Generation Pty Limited	(a)	Australia	**100**	100
AGL Power Generation (Wind) Pty Limited	(a)	Australia	**100**	100
Australia Plains Wind Farm Pty Ltd	(a)	Australia	**100**	100
Ben Lomond Wind Farm Pty Ltd	(a)	Australia	**100**	100
Box Hill Wind Farm Pty Limited	(a)	Australia	**100**	100
Crows Nest Wind Farm Pty Ltd	(a)	Australia	**100**	100
Highfields Wind Farm Pty Limited	(a)	Australia	**100**	100
Worlds End Wind Farm Pty Ltd	(a)	Australia	**100**	100
AGL PV Solar Holdings Pty Limited	(a)	Australia	**100**	100
AGL PV Solar Developments Pty Limited	(a)	Australia	**100**	100
AGL Retail Energy Limited	(a)	Australia	**100**	100
AGL Share Plan Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Camden) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) Operations Pty Limited	(a)	Australia	**100**	100
AGL Shipping Pty Ltd	(a)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)	Australia	**100**	100
AGL Gas Storage Pty Ltd	(a)	Australia	**100**	100
AGL Upstream Infrastructure Investments Pty Limited	(a)	Australia	**100**	100
AGL Upstream Investments Pty Limited	(a)	Australia	**100**	100
AGL Wholesale Gas Limited	(a)	Australia	**100**	100
AGL Wholesale Gas (SA) Pty Limited	(a)	Australia	**100**	100
Barker Inlet Trust		Australia	**100**	100
Barn Hill Wind Farm Pty Ltd	(a)	Australia	**100**	100

26. Subsidiaries (cont.)

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 2020 %	2019 %
Connect Now Pty Ltd	(a)	Australia	**100**	100
Coopers Gap Wind Farm Pty Ltd	(a)	Australia	**100**	100
Digital Energy Exchange Australia Pty Limited	(a)	Australia	**100**	100
Geogen Victoria Pty Ltd	(a)	Australia	**100**	100
GRCI Australia Pte Ltd		Singapore	**100**	100
H C Extractions Pty Limited	(a)	Australia	**100**	100
Perth Energy Holdings Pty Ltd	(a), (c)	Australia	**100**	-
Perth Energy Pty Ltd	(a), (c)	Australia	**100**	-
WA Power Exchange Pty Ltd	(a), (c)	Australia	**100**	-
Western Energy Holdings Pty Ltd	(a), (c)	Australia	**100**	-
Western Energy Pty Ltd	(a), (c)	Australia	**100**	-
NGSF Asset Pty Limited	(a)	Australia	**100**	100
NGSF Assets Trust		Australia	**100**	100
NGSF Finance Pty Limited	(a)	Australia	**100**	100
NGSF Operations Pty Limited	(a)	Australia	**100**	100
NGSF Operations Trust		Australia	**100**	100
Powerdirect Pty Ltd	(a)	Australia	**100**	100
Silverton Wind Farm Holdings Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Developments Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Transmission Pty Limited	(a)	Australia	**100**	100
Southern Phone Company Limited	(a), (c)	Australia	**100**	-
The Australian Gas Light Company	(a)	Australia	**100**	100
Wellington North Solar Farm Pty Limited	(a)	Australia	**100**	100

Names inset indicate that shares are held by the company immediately above the inset.

(a) Parties to a Deed of Cross Guarantee with AGL Energy Limited as detailed in Note 30.

(b) Parties to a Deed of Cross Guarantee with AGL Generation Proprietary Limited as detailed in Note 30.

(c) Acquired during the financial year as detailed in Note 27.

(d) On 21 April 2020, AGL Generation Holdco Pty Ltd and AGL Generation Proprietary Limited purchased the relevant interests in AGL Loy Yang Pty Ltd, AGL Loy Yang Partnership and AGL Loy Yang Projects Pty Ltd from its ultimate subsidiaries AGL LYP 1 Pty Ltd, AGL LYP 2 Pty Ltd, AGL LYP 3 Pty Ltd, and AGL LYP 4 BV (the "Sellers") for consideration equal to the carrying value of each of the Sellers' interest.

(e) Liquidated on 29 June 2020.

27. Acquisition of subsidiaries and businesses

2020

Acquisition of Perth Energy Holdings Pty Ltd

On 2 September 2019, AGL completed the purchase of 100% of the outstanding share capital of Perth Energy Holdings Pty Ltd based on an enterprise value of $93 million. Perth Energy was Western Australia's leading independent energy retailer, marketing electricity and gas to small and medium size enterprises and commercial and industrial users. The business also owns and operates the 120 MW Kwinana Swift dual fuel peaking power station.

Acquisition of Southern Phone Company Limited

On 18 December 2019, AGL completed the purchase of 100% of the outstanding share capital of Southern Phone Company Limited for consideration of $28 million. Southern Phone Company is a provider of fixed line, mobile and internet communications services in regional Australia with 167,000 broadband and mobile accounts nationwide.

2019

There were no acquisitions of subsidiaries and businesses made during the year ended 30 June 2019.

28. Disposal of subsidiaries and businesses

2020

There were no disposals of subsidiaries and businesses made during the year ended 30 June 2020.

2019

Disposal of National Assets

On 11 September 2018, AGL completed the divestment of its portfolio of small generation and compressed natural gas refuelling assets, National Assets, for consideration of $136 million.

29. Joint operations

Joint operation	Principal activities	Interest 2020 %	Interest 2019 %
Bowen Basin - Queensland			
Moranbah Gas Project - PL 191, PL 196, PL 222, PL 223 & PL 224	Gas production and exploration	**50**	50
Spring Gully Project - ATP 592P, PL 195, PL 203 & PL 417	Gas production and exploration	**0.75**	0.75
Spring Gully Project - ATP 701, PL 204	Gas production	**0.0375**	0.0375
Surat Basin - Queensland			
ATP 1190 (Bainbilla Block)	Oil and gas exploration	**75.252**	75.252
ATP 1190 (Spring Grove #2 sole risk)	Oil and gas exploration	**52.752**	52.752
ATP 1190 (Weribone)	Oil and gas exploration	**28.71**	28.71
PL 1 (Cabawin)	Oil production	**16.67**	23.08
PL 15	Gas production	**75**	75
PL 30 (Riverslea)	Oil production	**10**	10
PL 74 (Major)	Oil production	**16**	16
Others			
North Queensland Energy Joint Venture	Sale of gas and electricity	**50**	50

AGL's interest in assets employed in the above joint operations is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	2020 $m	2019 $m
Current assets		
Cash and cash equivalents	**4**	2
Trade and other receivables	**3**	3
Total current assets	**7**	5
Non-current assets		
Property, plant and equipment	**1**	-
Total non-current assets	**1**	-
Total assets	**8**	5

AGL's share of capital expenditure commitments and contingent liabilities of joint operations are disclosed in Notes 23 and 24 respectively.

ACCOUNTING POLICY

Joint operations

AGL has joint operations where the entity has joint control and direct rights to the assets, liabilities, revenues and expenses. This share has been recognised in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses.

30. Deeds of cross guarantee

The wholly-owned subsidiaries identified in Note 26 have entered into a Deed of Cross Guarantee with AGL in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the Corporations Act 2001 requirement to prepare and lodge an audited financial report and directors' report. The effect of the deed is that each party guarantees the debts of the others.

The following wholly-owned subsidiaries became a party to the Deed of Cross Guarantee during FY20:

- Southern Phone Company Limited pursuant to an Assumption Deed dated 6 March 2020;
- Perth Energy Holdings Pty Ltd, Perth Energy Pty Limited, Western Energy Holdings Pty Ltd, Western Energy Pty Ltd and WA Power Exchange Pty Ltd pursuant to an Assumption Deed dated 11 December 2019.

Set out below is the statement of profit or loss, statement of comprehensive income, statement of financial position and a summary of movements in retained earnings of the entities party to a Deed of Cross Guarantee.

Statement of profit or loss

	AGL Energy Limited		AGL Generation Pty Ltd	
	2020 $m	2019 $m	2020 $m	2019 $m
Revenue	**10,164**	10,465	**-**	404
Other income	**200**	457	**-**	-
Expenses	**(9,861)**	(8,333)	**-**	(4)
Share of profits/(losses) of associates and joint ventures	**17**	33	**53**	(142)
Profit before net financing costs, depreciation and amortisation	**520**	2,622	**53**	258
Depreciation and amortisation	**(537)**	(437)	**-**	-
Profit before net financing costs	**(17)**	2,185	**53**	258
Finance income	**64**	85	**1**	-
Finance costs	**(190)**	(196)	**(1)**	(13)
Net financing costs	**(126)**	(111)	**-**	(13)
(Loss)/profit before tax	**(143)**	2,074	**53**	245
Income tax benefit/(expense)	**200**	(442)	**(154)**	47
Profit/(loss) for the year	**57**	1,632	**(101)**	292

Statement of comprehensive income

Profit for the year	**57**	1,632	**(101)**	292
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit plans	**(3)**	(54)	**(5)**	(27)
Fair value gain on the revaluation of equity instrument financial assets	**3**	2	**-**	-
Income tax relating to items that will not be reclassified subsequently	**(4)**	12	**1**	8
	(4)	(40)	**(4)**	(19)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	**(35)**	96	**-**	-
Cost of hedging basis adjustment	**(3)**	4	**-**	-
Income tax relating to items that may be reclassified subsequently	**21**	(30)	**-**	-
	(17)	70	**-**	-
Other comprehensive (loss)/income for the year, net of income tax	**(21)**	30	**(4)**	(19)
Total comprehensive income for the year	**36**	1,662	**(105)**	273

30. Deeds of cross guarantee (cont.)

Statement of financial position

	AGL Energy Limited		AGL Generation Pty Ltd	
	2020 $m	2019 $m	2020 $m	2019 $m
Current assets				
Cash and cash equivalents	**113**	78	**-**	1
Trade and other receivables	**1,366**	1,526	**-**	-
Inventories	**320**	313	**-**	-
Current tax assets	**103**	89	**-**	-
Other financial assets	**64**	848	**-**	-
Other assets	**69**	60	**-**	-
Total current assets	**2,035**	2,914	**-**	1
Non-current assets				
Trade and other receivables	**25**	-	**-**	-
Inventories	**59**	57	**-**	-
Other financial assets	**2,723**	3,287	**3,650**	5,032
Investments in associates and joint ventures	**135**	150	**-**	-
Property, plant and equipment	**3,218**	3,153	**-**	-
Intangible assets	**2,872**	2,816	**-**	-
Deferred tax assets	**347**	-	**-**	-
Other assets	**3**	39	**-**	-
Total non-current assets	**9,382**	9,502	**3,650**	5,032
Total assets	**11,417**	12,416	**3,650**	5,033
Current liabilities				
Trade and other payables	**1,081**	1,304	**-**	-
Borrowings	**29**	93	**-**	-
Provisions	**238**	192	**-**	-
Current tax liabilities	**-**	-	**143**	209
Other financial liabilities	**979**	596	**-**	-
Other liabilities	**9**	4	**-**	-
Total current liabilities	**2,336**	2,189	**143**	209
Non-current liabilities				
Borrowings	**2,962**	2,637	**-**	-
Provisions	**337**	405	**-**	-
Deferred tax liabilities	**-**	10	**256**	102
Other financial liabilities	**106**	204	**66**	1,432
Other liabilities	**143**	132	**-**	-
Total non-current liabilities	**3,548**	3,388	**322**	1,534
Total liabilities	**5,884**	5,577	**465**	1,743
Net assets	**5,533**	6,839	**3,185**	3,290
Equity				
Issued capital	**5,603**	6,223	**2,878**	2,878
Reserves	**(50)**	(33)	**-**	-
(Accumulated losses)/retained earnings	**(20)**	649	**307**	412
Total equity	**5,533**	6,839	**3,185**	3,290

30. Deeds of cross guarantee (cont.)

Summary of movements in (accumulated losses)/retained earnings

	AGL Energy Limited		AGL Generation Pty Ltd	
	2020 $m	2019 $m	2020 $m	2019 $m
Retained earnings/(accumulated losses) at beginning of financial year	**649**	(171)	**412**	**1,639**
Profit for the year	**57**	1,632	**(101)**	**292**
Dividends paid	**(719)**	(774)	**-**	**(1,500)**
Remeasurement loss on defined benefit plans, net of tax	**(7)**	(38)	**(4)**	**(19)**
(Accumulated losses)/retained earnings at end of financial year	**(20)**	649	**307**	**412**

31. Defined benefit superannuation plans

AGL contributes to superannuation plans that provide defined benefit members a lump sum on retirement, death, disablement and withdrawal. Some defined benefit members are eligible for pension benefits in some cases. Lump sum benefits are calculated based on years of service and final average salary. The defined benefit plans are closed to new members.

The plans are the Equipsuper Fund (EF), Electricity Industry Superannuation Scheme (EISS), State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS).

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit plan every three years, or every year if the plan pays defined benefit pensions.

The plans' trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees have the following roles: administration of the plans and payment to the beneficiaries from plan assets when required in accordance with the plan rules; management and investment of the plan assets; and compliance with other applicable regulations.

There are a number of risks to which the plans expose AGL. The most significant risks are investment risk, salary growth risk, inflation risk, interest rate risk, legislative risk and changes in the life expectancy for members.

AGL also contributes to defined contribution superannuation plans for employees, which are also provided by these plans. Contributions made to these defined contribution plans are expensed as incurred.

Amounts recognised in profit or loss

	2020 $m	2019 $m
Current service cost	**19**	17
Net interest expense	**5**	2
Expense recognised in profit or loss as part of employee benefits expenses	**24**	19

Amounts recognised in other comprehensive income

Remeasurements		
Return on plan assets (excluding amounts included in net interest expense)	**4**	(14)
Actuarial loss arising from changes in demographic assumptions	**(1)**	-
Actuarial (gain)/loss arising from changes in financial assumptions	**(4)**	96
Actuarial (gain)/loss arising from experience	**(11)**	8
Remeasurement (gain)/loss on defined benefit plans recognised in other comprehensive income	**(12)**	90

31. Defined benefit superannuation plans (cont.)

Amounts included in the Consolidated Statement of Financial Position

	Note	2020 $m	2019 $m
Present value of funded defined benefit obligations		**769**	796
Fair value of plan assets		**(614)**	(651)
Net defined benefit liability		**155**	145
Recognised in the Consolidated Statement of Financial Position as follows:			
Defined benefit superannuation plan asset	12	**(3)**	(7)
Defined benefit superannuation plan liability	20	**158**	152
Net defined benefit liability		**155**	145
Net liability at beginning of financial year		**145**	37
Transfer to defined contribution superannuation plans		**6**	4
Expense recognised in profit or loss		**24**	19
Amounts recognised in other comprehensive income		**(12)**	90
Employer contributions		**(8)**	(5)
Net liability at end of financial year		**155**	145

Movements in the present value of defined benefit obligations

	2020 $m	2019 $m
Opening defined benefit obligations	**796**	725
Current service cost	**26**	21
Interest expense	**22**	28
Contributions by plan participants	**6**	7
Actuarial gain arising from changes in demographic assumptions	**(1)**	-
Actuarial (gain)/loss arising from changes in financial assumptions	**(4)**	96
Actuarial (gain)/loss arising from experience	**(11)**	8
Benefits paid	**(56)**	(83)
Taxes, premiums and expenses paid	**(3)**	(2)
Contributions to accumulation section	**(6)**	(4)
Closing defined benefit obligations	**769**	**796**

Movements in the fair value of plan assets

	2020 $m	2019 $m
Opening fair value of plan assets	**651**	688
Interest income	**18**	26
Return on plan assets (excluding amounts included in net interest expense)	**(4)**	14
Employer contributions	**8**	5
Contributions by plan participants	**6**	7
Benefits paid	**(56)**	(83)
Taxes, premiums and expenses paid	**(3)**	(2)
Transfer to defined contribution superannuation plans	**(6)**	(4)
Closing fair value of plan assets	**614**	651

31. Defined benefit superannuation plans (cont.)

Categories of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the end of the reporting period are as follows:

2020	EF %	EISS %	SSS, SASS, and SANCS %
Australian equities	**15**	**22**	**18**
International equities	**20**	**25**	**30**
Fixed interest securities	**16**	**18**	**8**
Property	**7**	**13**	**8**
Cash	**13**	**6**	**10**
Alternatives/other	**29**	**16**	**26**

2019			
Australian equities	14	25	20
International equities	19	21	27
Fixed interest securities	19	13	10
Property	7	13	8
Cash	17	7	10
Alternatives/other	24	21	25

All plan assets are held within investment funds which do not have a quoted market price in an active market.

The fair value of plan assets include no amounts relating to any of AGL's own financial instruments; or any property occupied by, or other assets used by AGL.

Principal actuarial assumptions

The principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) were as follows:

2020	EF %	EISS %	SSS, SASS, & SANCS %
Discount rate active members	**2.6**	**2.6**	**3.1**
Discount rate pensioners	**2.6**	**2.6**	**-**
Expected salary increase rate	**2.5 - 3.5**	**2.5**	**3.2**
Expected pension increase rate	**2.3**	**2.3**	**-**

2019			
Discount rate active members	2.6	3.1	3.1
Discount rate pensioners	2.6	3.1	-
Expected salary increase rate	2.5 – 5.0	2.5	3.2
Expected pension increase rate	2.5	2.5	-

31. Defined benefit superannuation plans (cont.)

Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligation			
	Increase 2020 $m	Decrease 2020 $m	Increase 2019 $m	Decrease 2019 $m
Discount rate (0.5 percentage point movement)	**(46)**	**50**	(47)	54
Expected salary increase rate (0.5 percentage point movement)	**17**	**(16)**	32	(29)
Expected pension increase rate (0.5 percentage point movement)	**11**	**(10)**	11	(10)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

Funding arrangements and employer contributions

Employer contributions are determined based on actuarial advice and are set to target the assets of the plans exceeding the total of members' vested benefits. Funding levels are reviewed regularly. Where assets are less than vested benefits, a management plan must be established to restore the coverage to at least 100%.

AGL expects to contribute $16 million to the defined benefit plans during the year ending 30 June 2021.

The weighted average duration of the defined benefit obligation as at 30 June 2020 was EF 11 years; EISS 11 years; and SSS, SASS and SANCS 14 years.

Defined contribution superannuation plans

AGL makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the year ended 30 June 2020 was $43 million (2019: $39 million).

ACCOUNTING POLICY

Defined benefit superannuation plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised directly in other comprehensive income, in the period in which they occur.

Changes in the net defined benefit liability, including all actuarial gains and losses that arise in calculating AGL's obligation in respect of the plan are recognised in other comprehensive income when they occur. All other expenses relating to the defined benefit plans are recognised as an expense in the profit or loss. Any defined benefit superannuation plan asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Defined benefit superannuation plans

Various actuarial assumptions are utilised in the determination of AGL's defined benefit obligations. AGL uses external actuarial experts to determine these assumptions.

32. 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
2020					
28 September 2019	**-**	**145,277**	**$19.08**	**(7,802)**	**137,475**
28 September 2018	**138,424**	**-**	**-**	**(10,348)**	**128,076**
29 September 2017	**81,586**	**-**	**-**	**(4,750)**	**76,836**
30 September 2016	**95,452**	**-**	**-**	**(95,452)**	**-**
Total share reward plan shares	**315,462**	**145,277**		**(118,352)**	**342,387**
2019					
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)	-
Total share reward plan shares	328,493	154,024		(167,055)	315,462

The expense recognised in profit or loss, as part of employee benefits expense during the year in relation to the SRP, was $3 million (2019: $3 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 four-year performance period (prior to FY20, a three-year performance period applied). 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.

LTI Transitional Arrangements

In FY20, the LTI performance period was extended from three years to four years to better reflect the business planning cycle. To ensure executives a smooth transition to the extension of the performance period, a Bridging Grant was made at the same quantum as the FY20 LTI to supplement the new four-year grant by providing an opportunity for LTI vesting every year. The Bridging Grant will be tested after three years. The Bridging Grant is a one-off grant; in FY21, no further bridging arrangements will be made. The Bridging Grant is not applicable for new/incoming executives.

32. Share-based payment plans (cont.)

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.

The performance period for the outstanding LTI plans as at 30 June 2020 are as follows:

- FY20: Four years from 1 July 2019 to 30 June 2023
- FY20 Bridging grant: Three years from 1 July 2019 to 30 June 2022
- FY19: Three years from 1 July 2018 to 30 June 2021
- FY18: Three years from 1 July 2017 to 30 June 2020

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			
LTI Plan	FY20	FY20 Bridging Grant	FY19	FY18
Below 50th percentile	Nil	Nil	Nil	Nil
50th – 75th percentile	50 – 100%	50 – 100%	50 – 100%	50 – 100%
At or above 75th percentile	100%	100%	100%	100%

ROE vesting schedule

Percentage of performance rights which vest	AGL's average ROE per LTI plan			
LTI plan	FY20	FY20 Bridging Grant	FY19	FY18
Nil	Below 8.5%	Below 8.5%	Below 10%	Below 11.5%
50 – 90%	8.5% – 10.5%	8.5% – 10.5%	10% – 12%	N/A
50 – 100%	N/A	N/A	N/A	11.5% – 14%
90 – 100%	10.5% – 12.5%	10.5% – 12.5%	12% – 14%	N/A
100%	At or above 12.5%	At or above 12.5%	At or above 14%	At or above 14%

Details of performance rights movements in the FY20 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
2020							
FY20 LTI – 18 Oct 2019	**Relative TSR**	-	**227,408**	**$8.63**	-	**(4,360)**	**223,048**
FY20 LTI – 18 Oct 2019	**ROE**	-	**227,389**	**$16.81**	-	**(4,359)**	**223,030**
Total share rights		-	**454,797**	**$12.72**	-	**(8,719)**	**446,078**

32. Share-based payment plans (cont.)

Details of performance rights movements in the FY20 Bridging Grant 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
2020							
FY20 Bridging Grant – 18 Oct 2019	**Relative TSR**	**-**	**301,573**	**$8.76**	**-**	**(3,628)**	**297,945**
FY20 Bridging Grant – 18 Oct 2019	**ROE**	**-**	**301,544**	**$16.02**	**-**	**(3,627)**	**297,917**
Total share rights		**-**	**603,117**	**$12.39**	**-**	**(7,255)**	**595,862**

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
2020							
FY19 LTI – 24 Oct 2018	**Relative TSR**	**164,230**	**-**	**$7.18**	**-**	**(17,685)**	**146,545**
FY19 LTI – 24 Oct 2018	**ROE**	**164,205**	**-**	**$16.12**	**-**	**(17,685)**	**146,520**
FY19 LTI – 14 December 2018	**Relative TSR**	**2,779**	**-**	**$9.78**	**-**	**(1,387)**	**1,392**
FY19 LTI – 14 December 2018	**ROE**	**2,779**	**-**	**$17.13**	**-**	**(1,387)**	**1,392**
Total share rights		**333,993**	**-**	**$11.68**	**-**	**(38,144)**	**295,849**
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
Total share rights		-	382,920	$11.68	-	(48,927)	333,993

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
2020							
FY18 LTI – 28 Sep 2017	**Relative TSR**	**140,103**	**-**	**$10.05**	**-**	**(5,730)**	**134,373**
FY18 LTI – 28 Sep 2017	**ROE**	**140,089**	**-**	**$20.86**	**-**	**(5,729)**	**134,360**
Total share rights		**280,192**	**-**	**$15.46**	**-**	**(11,459)**	**268,733**
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
Total share rights		413,762	-	$15.46	-	(133,570)	280,192

32. Share-based payment plans (cont.)

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.

	2020		2019	
	FY20 LTI	FY20 Bridging Grant	FY19 LTI	
Grant date	**18 Oct 2019**	**18 Oct 2019**	24 Oct 2018	14 Dec 2018
Weighted average fair value at grant date	**$12.72**	**$12.39**	$11.65	$13.45
Share price at grant date	**$19.13**	**$19.13**	$18.48	$19.50
Expected volatility	**21.0%**	**21.0%**	20.0%	20.0%
Expected dividend yield	**4.8%**	**4.8%**	5.1%	5.1%
Risk free interest rate (based on government bonds)	**0.8%**	**0.8%**	2.0%	2.0%

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 $6 million (2019: $3 million).

Shares purchased on-market

During the financial year ended 30 June 2020, 345,413 (2019: 237,116) AGL shares were purchased on-market at an average price of $19.06 (2019: $20.01) per share, for a total consideration of $6,584,566 (2019: $4,744,676), to satisfy employee entitlements pursuant to the SRP and the LTI Plan.

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
2020					
Employees	**220,272**	**141,479**	**$19.14**	**(29,767)**	**331,984**
Total share purchase plan shares	**220,272**	**141,479**		**(29,767)**	**331,984**
2019					
Employees	141,286	116,253	$20.26	(37,267)	220,272
Total share purchase plan shares	141,286	116,253		(37,267)	220,272

32. Share-based payment plans (cont.)

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).

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
2020					
Current Managing Director and Chief Executive Officer[1]	**3,476**	**21,378**	**$19.03**	**(3,476)**	**21,378**
Employees	**33,945**	**14,588**	**$18.41**	**(20,468)**	**28,065**
Total restricted equity plan shares	**37,421**	**35,966**		**(23,944)**	**49,443**
2019					
Current Managing Director and Chief Executive Officer[2]	3,571	3,476	$21.49	(3,571)	3,476
Former Managing Director and Chief Executive Officer[3,4]	152,692	71,603	$21.51	(224,295)	-
Employees	64,395	22,228	$20.37	(52,678)	33,945
Total restricted equity plan shares	220,658	97,307		(280,544)	37,421

1. Mr Redman was granted 21,378 restricted share awards on 20 August 2019 as part of the FY19 STI plan. The restricted shares vest after a period of twelve months, subject to continued service and forfeiture conditions.
2. Mr Redman, in his former role as CFO, was granted 3,476 restricted share awards on 21 August 2018 as part of the FY18 STI plan. The restricted shares vest after a period of twelve months, subject to continued service and forfeiture conditions.
3. Mr Vesey was granted 55,931 restricted share awards on 21 August 2018 as part of the FY18 STI plan. The restricted shares vested on cessation of employment.
4. Mr Vesey was granted 15,672 restricted share awards on 15 February 2019 as part of the FY19 STI plan. The restricted shares immediately vested.

Shares purchased on-market

During the financial year ended 30 June 2020, 177,445 (2019: 213,560) AGL shares were purchased on-market at an average price of $19.06 (2019: $20.71) per share, for a total consideration of $3,381,877 (2019: $4,423,559), to satisfy employee entitlements pursuant to the SPP and REP.

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.

33. 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:

	2020 $000	2019 $000
Short-term employee benefits	**8,666**	9,758
Post-employment benefits	**234**	237
Termination benefits	**1,023**	3,313
Share-based payments	**2,644**	2,599
Total remuneration to key management personnel	**12,567**	15,907

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	**27,428**	53,392
Powering Australian Renewables Fund	**-**	151
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	**16,318**	7,112

The amount owing is unsecured, interest free and will be net settled in cash.

33. Related party disclosures (cont.)

Trading transactions with joint ventures and joint operations

	2020 $000	2019 $000
ActewAGL Retail Partnership		
AGL sold gas and electricity to the ActewAGL Retail Partnership on normal commercial terms and conditions.		
Net amounts received	**373,149**	369,024
Powering Australian Renewables Fund		
AGL has purchased electricity and environmental products from Powering Australian Renewables Fund on normal commercial terms and conditions.		
Net amounts (paid)/received	**(18,516)**	155
AGL received management fees from Powering Australian Renewables Fund for overseeing the operation and construction of its generation assets.		
Net amounts received	**1,762**	1,863
North Queensland Energy Joint Venture		
North Queensland Energy Joint Venture (NQE) pays management fees to AGL as the operator of NQE.		
Net amounts received	**750**	750

34. Cash and cash equivalents

(a) Reconciliation to cash flow statement

Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	2020 $m	2019 $m
Cash at bank and on hand	**100**	99
Short-term deposits	**41**	16
Total cash and cash equivalents	**141**	115

34. Cash and cash equivalents (cont.)

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2020 $m	2019 $m
Profit for the year	1,015	905
Share of profits of associates and joint ventures	(17)	(33)
Dividends received from joint ventures	15	27
Depreciation and amortisation	753	625
Share-based payment expense	9	6
(Gain)/loss in fair value of financial instruments	(308)	198
Net gain on disposal of subsidiaries and businesses	-	(52)
Loss on disposal of assets on exit of business	-	47
Loss on disposal of joint operation	-	2
Net gain/(loss) on disposal of property, plant and equipment	9	(2)
Non-cash finance costs	64	61
Capitalised finance costs	(9)	(21)
Impairment of investments in associates	14	-
Other non-cash expenses	6	-
Changes in assets and liabilities		
Decrease in trade and other receivables	137	72
Increase in inventories	(14)	(74)
(Increase)/decrease in derivative financial instruments	(3)	17
Decrease/(increase) in other financial assets	471	(187)
Decrease/(increase) in other assets	39	(9)
Decrease in trade and other payables	(196)	(12)
Decrease in provisions	(31)	(81)
Increase/(decrease) in other liabilities	25	(1)
Decrease in tax assets and liabilities	177	111
Net cash provided by operating activities	2,156	1,599

(c) Reconciliation of changes in liabilities arising from financing activities

Year ended 30 June 2020	Balance at beginning of financial year $m	Net proceeds/ (repayments) $m[1]	Non-cash movements $m	Balance at end of financial year $m
Liabilities arising from financing activities				
USD senior notes	1,054	-	110	1,164
Medium term notes	599	-	-	599
Bank loans	820	165	-	985
CPI bonds	81	(6)	-	75
Other loans	133	(11)	-	122
Lease liabilities	172	(17)	19	174
Deferred transaction costs	(9)	(5)	3	(11)
	2,850	126	132	3,108

1. Excludes $32 million of repayment made on Perth Energy's external bank loans on the date of acquisition.

34. Cash and cash equivalents (cont.)

Year ended 30 June 2019	Balance at beginning of financial year $m	Net proceeds/ (repayments) $m	Non-cash movements $m	Balance at end of financial year $m
Liabilities arising from financing activities				
USD senior notes	931	-	123	1,054
Subordinated notes	650	(650)	-	-
Medium term notes	598	-	1	599
Bank loans	410	410	-	820
CPI bonds	88	(7)	-	81
Other loans	144	(11)	-	133
Lease liabilities	154	(5)	23	172
Deferred transaction costs	(12)	(1)	4	(9)
	2,963	(264)	151	2,850

ACCOUNTING POLICY

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash. The carrying amount represents fair value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts and accounts relating to dividend payments held in escrow.

35. Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
  - Amortised cost
  - Fair value through profit or loss ('FVTPL')
  - Fair value through other comprehensive income ('FVOCI')
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

35. Financial instruments (cont.)

	Carrying value						
	Financial assets			Financial liabilities			
2020 $m	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	Total
Cash and cash equivalents	-	-	**141**	-	-	-	**141**
Other financial assets	-	**122**	-	-	-	-	**122**
Trade and other receivables	-	-	**1,571**	-	-	-	**1,571**
Future deposits and margin calls	-	-	**59**	-	-	-	**59**
Derivative financial instruments	**1,147**	-	-	**(731)**	-	-	**416**
Borrowings	-	-	-	**(1,114)**	-	**(1,820)**	**(2,934)**
Finance lease liabilities	-	-	-	-	-	**(174)**	**(174)**
Trade and other payables	-	-	-	-	-	**(1,351)**	**(1,351)**
Deferred consideration	-	-	-	-	-	**(187)**	**(187)**
Total	**1,147**	**122**	**1,771**	**(1,845)**	-	**(3,532)**	**(2,337)**

	Carrying value						
	Financial assets			Financial liabilities			
2019 $m	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	Total
Cash and cash equivalents	-	-	115	-	-	-	115
Other financial assets	-	93	-	-	-	-	93
Trade and other receivables	-	-	1,703	-	-	-	1,703
Future deposits and margin calls	-	-	531	-	-	-	531
Derivative financial instruments	627	-	-	(658)	-	-	(31)
Borrowings	-	-	-	(1,004)	-	(1,674)	(2,678)
Finance lease liabilities	-	-	-	-	-	(172)	(172)
Trade and other payables	-	-	-	-	-	(1,556)	(1,556)
Deferred consideration	-	-	-	-	-	(199)	(199)
Total	627	93	2,349	(1,662)	-	(3,601)	(2,194)

(b) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no material transfers between Level 1 and Level 2 during the year.

35. Financial instruments (cont.)

2020	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted investment funds	**122**	**-**	**-**	**122**	**122**
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	**248**	**-**	**248**	**-**	**248**
Energy derivatives - economic hedges	**899**	**354**	**156**	**389**	**899**
Total financial assets	**1,269**	**354**	**404**	**511**	**1,269**
Financial liabilities					
Derivative financial instruments					
Interest rate swap contracts - cash flow hedges	**(71)**	**-**	**(71)**	**-**	**(71)**
Energy derivatives - cash flow hedges	**(31)**	**-**	**(31)**	**-**	**(31)**
Energy derivatives - economic hedges	**(629)**	**(227)**	**(347)**	**(55)**	**(629)**
Total financial liabilities	**(731)**	**(227)**	**(449)**	**(55)**	**(731)**

2019	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted investment funds	93	-	-	93	93
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	136	-	136	-	136
Forward foreign exchange contracts - cash flow hedges	1	-	1	-	1
Energy derivatives - cash flow hedges	33	-	33	-	33
Energy derivatives - economic hedges	594	145	78	371	594
Total financial assets	857	145	248	464	857
Financial liabilities					
Derivative financial instruments					
Interest rate swap contracts - cash flow hedges	(57)	-	(57)	-	(57)
Energy derivatives - cash flow hedges	(5)	-	(5)	-	(5)
Energy derivatives - economic hedges	(653)	(293)	(151)	(209)	(653)
Total financial liabilities	(715)	(293)	(213)	(209)	(715)

Management has assessed that the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) to be comparable to fair value.

35. Financial instruments (cont.)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

- Receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value if the effect of discounting is material.
- The fair value of forward foreign exchange contracts is calculated as the present value of expected future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties. Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties.
- The fair value of borrowings is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of energy derivatives is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of lease liabilities is estimated as the present value of future cash flows discounted where the effect of discounting is material.
- The fair value of deferred consideration is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

	2020 $m	2019 $m
Opening balance	**255**	215
Total gains or losses recognised in profit or loss		
Settlements during the year	**(132)**	(413)
Changes in fair value	**277**	457
Transfer from Level 3 to Level 2[1]	**50**	-
Premiums	**(23)**	(32)
Purchases	**29**	28
Closing balance	**456**	255

1. Contract fell into observable market curve during the financial year.

The total gains or losses for the year included a gain of $172 million relating to energy derivative Level 3 contracts held at the end of the reporting period (2019: a gain of $11 million). Fair value gains or losses on energy derivatives are included in other expenses in the line item '(Gain)/loss on fair value of financial instruments' in Note 4.

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10 percent is $(120) million and lower by 10 percent is $120 million (profit after tax increase/(decrease)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

(c) Capital risk management

AGL's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure of debt and equity.

In order to maintain or adjust the capital structure, AGL may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. AGL's overall capital management strategy remains unchanged from 2019.

The capital structure of AGL consists of net debt (borrowings offset by cash and cash equivalents) and total equity (comprising issued capital, reserves and retained earnings).

AGL monitors capital on the basis of the gearing ratio and funds from operations (FFO) to interest expense cover.

35. Financial instruments (cont.)

The gearing ratio is calculated as net debt divided by adjusted total capital. Net debt is calculated as total borrowings, adjusted for cross currency swap hedges and deferred borrowing costs, less cash and cash equivalents. Adjusted total capital is calculated as total equity less the hedge reserve plus net debt. The gearing ratio at the end of the reporting period was as follows:

	2020 $m	2019 $m
Current borrowings	**38**	102
Non-current borrowings	**3,070**	2,748
Total borrowings	**3,108**	2,850
Adjustment for cross currency swap hedges and deferred borrowing costs	**(244)**	(135)
Adjusted total borrowings	**2,864**	2,715
Cash and cash equivalents	**(141)**	(115)
Net debt	**2,723**	2,600
Total equity	**8,075**	8,438
Hedge reserve	**74**	26
Adjusted equity	**8,149**	8,464
Net debt	**2,723**	2,600
Adjusted total capital	**10,872**	11,064
Gearing ratio	**25.0%**	23.5%

(d) Financial risk management

AGL's activities expose it to a variety of financial risks, including market risk (interest rate risk, foreign currency risk and energy price risk), credit risk and liquidity risk. AGL's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on its financial performance. AGL uses a range of derivative financial instruments to hedge these risk exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management policy and framework. The Board has established the Audit & Risk Management Committee (the Committee), which is responsible for approving AGL's risk management policy and framework for identifying, assessing and managing risk. The Committee is also responsible for reviewing and updating the risk profile, monitoring the effectiveness of the risk management framework and reviewing at least annually the implementation of the risk management policy and framework. The Committee reports regularly to the Board of Directors on its activities.

AGL has written policies covering specific areas, such as interest rate risk, foreign currency risk, energy price risk, credit risk, liquidity risk, and the use of derivative and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis.

(e) Interest rate risk management

AGL is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts or other hedging instruments.

AGL regularly analyses its interest rate exposure, by taking into consideration forecast debt positions, refinancing, renewals of existing positions, alternative financing, hedging positions and the mix of fixed and floating interest rates.

At the end of the reporting period, AGL had the following financial assets and liabilities exposed to floating interest rate risk:

Floating rate instruments	2020 $m	2019 $m
Financial assets		
Cash and cash equivalents	**141**	115
Total financial assets	**141**	**115**
Financial liabilities		
USD senior notes (after effect of cross currency swaps)	**860**	860
Bank loans	**985**	820
Other loans	**122**	133
Interest rate swap contracts	**(1,555)**	(945)
Total financial liabilities	**412**	**868**

35. Financial instruments (cont.)

Interest rate swap contracts - cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

Outstanding hedging instruments cash flow hedge - receive floating, pay fixed contracts	Average contracted fixed interest rate 2020 %	Average contracted fixed interest rate 2019 %	Notional principal amount 2020 $m	Notional principal amount 2019 $m	Carrying value of outstanding hedging instruments 2020 $m	Carrying value of outstanding hedging instruments 2019 $m
Less than 1 year	**3.47**	3.13	**345**	340	**(7)**	(5)
1 to 2 years	**2.85**	3.47	**405**	345	**(17)**	(13)
2 to 3 years	**2.66**	3.12	**270**	355	**(15)**	(14)
3 to 4 years	**2.92**	3.86	**200**	170	**(12)**	(15)
4 to 5 years	**0.65**	2.92	**50**	200	**(1)**	(10)
5 years or more	**1.16**	-	**625**	-	**(19)**	-
Total			**1,895**	1,410	**(71)**	(57)

	Financial year	2020 $m	2019 $m
Aggregate notional amount of variable rate borrowings		**1,895**	1,410
Aggregate notional principal of the outstanding interest rate swaps		**1,895**	1,410
Included in this amount:			
Forward interest rate swap contracts		**340**	465
Of which:			
Commences in	**2020**	**-**	275
Commences in	**2021**	**40**	40
Commences in	**2022**	**150**	150
Commences in	**2023**	**100**	-
Commences in	**2024**	**-**	-
Commences in	**2025**	**50**	-

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian Bank Bill Swap (BBSW) reference rate. AGL will settle the difference between the fixed and floating interest rate on a net basis. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

35. Financial instruments (cont.)

Interest rate sensitivity

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the end of the reporting period, if interest rates had been 50 basis points higher or lower and all other variables were held constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease)		Other comprehensive income increase/(decrease)	
	2020 $m	2019 $m	2020 $m	2019 $m
Interest rates +0.5% (50 basis points)	**-**	(2)	**(5)**	(16)
Interest rates -0.5% (50 basis points)	**-**	2	**5**	17

(f) Foreign currency risk management

AGL undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Foreign currency risk arises primarily from overseas term borrowings and firm commitments for the purchase of plant and equipment which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and cross currency swap contracts.

Forward foreign exchange contracts - cash flow hedges

AGL's Corporate Treasury policy requires the hedging of foreign currency risk using forward foreign exchange contracts. The Corporate Treasury's policy is to hedge currency exposures of anticipated cash flows in excess of $2 million and to not enter into forward foreign exchange contracts until a firm commitment is in place.

AGL enters into contracts to purchase plant and equipment denominated in foreign currencies. AGL enters into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable to occur as per original forecast.

There was $27 million of forward foreign exchange contracts outstanding at the end of the reporting period (2019: $31 million). The fair value of those contracts is not material.

	Average exchange rate		Contract value (foreign currency)		Contract value (local currency)		Carrying value of oustanding hedging instruments	
Cash Flow Hedge - Outstanding contracts	2020	2019	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Buy JPY								
0 to 6 months	**-**	78.65	**-**	1,061	**-**	13	**-**	1
6 - 12 months	**72.82**	77.37	**1,903**	1,305	**26**	17	**-**	-
1 - 2 years	**71.53**	76.02	**100**	100	**1**	1	**-**	-
Sell US dollars								
0 to 6 months	**0.686**	0.701	**1**	14	**2**	21	**-**	-

35. Financial instruments (cont.)

Cross currency swap contracts

Under cross currency swap contracts, AGL has agreed to exchange specified foreign currency loan principal and interest amounts at agreed future dates at fixed exchange rates. Such contracts enable AGL to eliminate the risk of movements in foreign exchange rates related to foreign currency denominated borrowings.

The fair value of cross currency swaps at 30 June 2020 was an asset of $248 million (2019: asset of $136 million), of which $141 million (2019: $115 million) is in a cash flow hedge relationship, $106 million (2019: $16 million) is in a fair value hedge relationship and $1 million (2019: $4 million) relates to the currency basis of the cross currency swaps.

The following tables detail the cross currency swap contracts in hedges outstanding at the end of the reporting period:

	Average interest rate		Average exchange rate		Contract value (foreign currency)		Contract value (local currency)		Fair value/ carrying amount	
Outstanding contracts	2020 %	2019 %	2020	2019	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Buy US dollars										
2 to 5 years	**3.33**	4.47	**0.888**	0.888	**165**	165	**186**	186	**68**	59
5 years or more	**3.31**	4.46	**0.787**	0.787	**530**	530	**674**	674	**180**	77

Foreign currency exchange rate sensitivity

The following sensitivity analysis has been determined based on the exposure to foreign currency exchange rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the end of the reporting period, if the Australian dollar had weakened or strengthened by 10% against the respective foreign currencies where all other variables remain constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease)		Other comprehensive income increase/(decrease)	
	2020 $m	2019 $m	2020 $m	2019 $m
AUD exchange rates +10.0%	**-**	-	**(11)**	(11)
AUD exchange rates -10.0%	**-**	-	**14**	13

(g) Energy price risk management

AGL is exposed to energy price risk associated with the purchase and/or sale of electricity, gas, oil and environmental products. AGL manages energy risk through an established risk management framework consisting of policies to place appropriate risk limits on overall energy market exposures and transaction limits for approved energy commodities, requirements for delegations of authority on trading, regular reporting of exposures and segregation of duties.

It is AGL's policy to actively manage the energy price exposure arising from both forecast energy supply and customer energy load. AGL's risk management policy for energy price risk is to hedge forecast future positions for up to five years into the future.

Exposures to fluctuations in the wholesale market energy prices are managed through the use of various types of hedge contracts including derivative financial instruments.

35. Financial instruments (cont.)

The following table details the fair value of energy derivatives outstanding at the end of the reporting period:

	2020 $m	2019 $m
Energy derivative financial assets - current		
Energy derivatives - cash flow hedges	-	32
Energy derivatives - economic hedges	**568**	229
	568	261
Energy derivative financial assets - non-current		
Energy derivatives - cash flow hedges	-	1
Energy derivatives - economic hedges	**331**	365
	331	366
Energy derivative financial liabilities - current		
Energy derivatives - cash flow hedges	**31**	-
Energy derivatives - economic hedges	**580**	576
	611	576
Energy derivative financial liabilities - non-current		
Energy derivatives - cash flow hedges	-	5
Energy derivatives - economic hedges	**49**	77
	49	82

Energy derivatives – cash flow hedges

Derivative financial instruments are used by AGL in the normal course of business in order to hedge exposure to fluctuations in energy prices. The aggregate notional volumes of the outstanding energy derivatives at 30 June 2020 were 1 million MWh (2019: 4 million MWh). Energy derivatives are either designated in cash flow hedge relationships or remain non-designated. AGL will only apply hedge accounting to existing energy hedge relationships and will not apply hedge accounting to any new energy derivative arrangements.

	Average purchase price		Quantity		Carrying value of outstanding hedging instruments	
Hedging instruments - Outstanding contracts	2020 $	2019 $	2020 m MWh	2019 m MWh	2020 $m	2019 $m
Buy electricity	**76.18**	77.42	**1**	4	**(59)**	117

Energy derivatives – economic hedges

AGL has entered into certain derivative instruments for economic hedging purposes under the Board-approved risk management policies, which do not satisfy the requirements for hedge accounting under AASB 9 *Financial Instruments*. These derivatives are therefore required to be categorised as held for trading and are classified in the Consolidated Statement of Financial Position as economic hedges. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss as part of (loss)/gain on fair value of financial instruments.

35. Financial instruments (cont.)

Energy price sensitivity

The following table details the sensitivity to a 10 percent increase or decrease in the energy contract market forward prices. A sensitivity of 10 percent has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in market prices.

At the end of the reporting period, if the forward prices had been 10 percent higher or lower and all other variables were held constant, AGL's profit after tax and other comprehensive income would have been affected as follows:

	Profit/(loss) after tax increase/(decrease)		Other comprehensive income increase/(decrease)	
	2020 $m	2019 $m	2020 $m	2019 $m
Energy forward price +10%	**(126)**	(274)	**2**	25
Energy forward price -10%	**124**	280	**(2)**	(25)

The movement in profit after tax is mainly attributable to an increase/decrease in the fair value of certain energy derivative instruments which are not hedge accounted by AGL. The movement in other comprehensive income is due to the reclassification and/or amortisation of historical hedge accounted derivatives.

(h) Hedge effectiveness

The following table details the effectiveness of the hedging relationships and the amounts reclassified from hedging reserve to profit or loss:

	Cash flow hedges				Fair Value Hedges
2020	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	**141**	**-**	**-**	**-**	**106**
- Liabilities	**-**	**(70)**	**-**	**(31)**	**-**
Total carrying amount of the hedging instrument	**141**	**(70)**	**-**	**(31)**	**106**
Change in value of hedging instrument	**24**	**(13)**	**(1)**	**(59)**	**90**
Change in value of hedged item	**(24)**	**13**	**1**	**59**	**(93)**
Change in value of the hedging instrument recognised in reserve	**15**	**(33)**	**(1)**	**(27)**	**n/a**
Amount recognised in profit or loss on discontinued hedge relationships	**-**	**-**	**-**	**-**	**-**
Hedge ineffectiveness recognised in profit or loss[1]	**-**	**(1)**	**-**	**-**	**3**
Amount reclassified from hedge reserve to profit or loss[2]	**9**	**20**	**-**	**(32)**	**n/a**
Balance in cash flow hedge reserve for continuing hedges	**(7)**	**(70)**	**-**	**(31)**	**n/a**

1. Included in the line item '(Gain)/loss on fair value of financial instruments' within other expenses in the Consolidated Statement of Profit or Loss.
2. The profit or loss from foreign exchange movement of hedging instrument offsets by the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

35. Financial Instruments (cont.)

	Cash flow hedges				Fair Value Hedges
2019	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	116	-	1	28	16
- Liabilities	-	(57)	-	-	-
Total carrying amount of the hedging instrument	116	(57)	1	28	16
Change in value of hedging instrument	45	(15)	1	117	74
Change in value of hedged item	(45)	13	(1)	(117)	(72)
Change in value of the hedging instrument recognised in reserve	(8)	(29)	1	99	n/a
Amount recognised in profit or loss on discontinued hedge relationships	-	-	-	-	-
Hedge ineffectiveness recognised in profit or loss[1]	-	(2)	-	-	(2)
Amount reclassified from hedge reserve to profit or loss[2]	53	14	-	18	n/a
Balance in cash flow hedge reserve for continuing hedges	(15)	(56)	1	28	n/a

1. Included in the line item '(Gain)/loss on fair value of financial instruments' within other expenses in the Consolidated Statement of Profit or Loss.
2. The profit or loss from foreign exchange movement of hedging instrument offsets by the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

(i) Credit risk management

AGL manages its exposure to credit risk using credit risk management policies which provide credit exposure limits and contract maturity limits based on the credit worthiness of counterparties. AGL's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

Trade and other receivables consist of approximately 3.95 million residential, small business and large commercial and industrial services to customers, in New South Wales, Victoria, South Australia, Queensland and Western Australia. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for expected credit loss is raised. AGL does not have any significant credit risk exposure to any single customer or any group of customers.

AGL limits its exposure to credit risk by investing surplus funds and entering into derivative financial instruments only with approved financial institutions that have a credit rating of at least A from Standard & Poor's and within credit limits assigned to each financial institution. Derivative counterparties are limited to high creditworthy financial institutions and other organisations in the energy industry. AGL also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

At the end of the reporting period, there was a significant concentration of credit risk with certain counterparties in relation to energy derivatives undertaken in accordance with the AGL's hedging and risk management activities. The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

AGL does not hold any collateral or other credit enhancements to cover this credit risk.

(j) Liquidity risk management

Liquidity risk is the risk that AGL will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of AGL's short, medium and long-term funding and liquidity management requirements.

AGL manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details AGL's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts are based on the undiscounted cash flows of financial liabilities on the earliest date on which AGL can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

35. Financial instruments (cont.)

2020	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities						
Trade and other payables	1,351	-	-	-	-	1,351
USD senior notes	23	23	47	349	962	1,404
Medium term notes	15	15	615	-	-	645
Bank loans	7	7	90	953	-	1,057
CPI bonds	6	6	12	39	28	91
Other loans	7	7	14	40	74	142
Lease liabilities	10	10	22	67	234	343
Deferred consideration	2	37	37	118	84	278
	1,421	105	837	1,566	1,382	5,311

2019	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities						
Trade and other payables	1,556	-	-	-	-	1,556
USD senior notes	23	23	46	350	944	1,386
Medium term notes	15	15	30	615	-	675
Bank loans	70	9	362	33	422	896
CPI bonds	6	6	12	38	41	103
Other loans	8	7	15	43	89	162
Lease liabilities	13	12	23	69	251	368
Deferred consideration	-	36	37	115	124	312
	1,691	108	525	1,263	1,871	5,458

35. Financial instruments (cont.)

The following table details AGL's liquidity analysis for its derivative financial instruments. The amounts are based on the undiscounted net cash inflows and outflows on those derivatives instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. For interest rate swaps, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

2020	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Derivative financial instruments						
Gross settled						
Cross currency swap contracts - pay leg	**(12)**	**(12)**	**(25)**	**(252)**	**(781)**	**(1,082)**
Cross currency swap contracts - receive leg	**22**	**22**	**44**	**342**	**908**	**1,338**
Net receive/(pay)	**10**	**10**	**19**	**90**	**127**	**256**
Net settled						
Interest rate swap contracts	**(17)**	**(14)**	**(22)**	**(20)**	**(2)**	**(75)**
Energy derivatives	**(198)**	**(161)**	**(195)**	**(121)**	**(49)**	**(724)**
	(205)	**(165)**	**(198)**	**(51)**	**76**	**(543)**

2019	Less than 6 months $m	6 - 12 months $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Derivative financial instruments						
Gross settled						
Cross currency swap contracts - pay leg	(17)	(16)	(31)	(273)	(828)	(1,165)
Cross currency swap contracts - receive leg	22	22	43	343	888	1,318
Net receive/(pay)	5	6	12	70	60	153
Net settled						
Interest rate swap contracts	(10)	(11)	(19)	(19)	-	(59)
Energy derivatives	(331)	(218)	(148)	(90)	(42)	(829)
	(336)	(223)	(155)	(39)	18	(735)

35. Financial instruments (cont.)

ACCOUNTING POLICY

Financial assets

Non-derivative financial assets

Classification

AGL classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on AGL's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether AGL has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income. AGL reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, AGL measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on AGL's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which AGL classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

On initial recognition, AGL elects to classify each equity instrument as FVTPL or FVOCI. AGL subsequently measures all equity investments at fair value. Where AGL has elected to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains or losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when AGL's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of equity instrument financial assets classified as FVTPL are recognised in expenses in the statement of profit or loss as applicable.

Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

AGL documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. AGL documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

AGL's risk management policy is to establish a hedge ratio of 1:1.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

35. Financial instruments (cont.)

ACCOUNTING POLICY

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, AGL may elect to designate only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. Gains or losses related to the time value element of the option are recognised in a cost of hedging reserve.

When cross-currency contracts are used to hedge forecast transactions, AGL may elect to designate only the change in fair value of the cross-currency contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the cross-currency contracts are recognised in the cash flow hedge reserve in equity. The change in the currency basis spread element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, AGL may designate the full change in fair value of the cross-currency contract (including currency basis spread) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire cross-currency contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of hedge contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Fair value of financial instruments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices and rates.

36. Parent entity information

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Financial position

	2020 $m	2019 $m
Assets		
Current assets	**278**	259
Non-current assets	**13,002**	12,361
Total assets	**13,280**	12,620
Liabilities		
Current liabilities	**297**	400
Non-current liabilities	**6,924**	5,559
Total liabilities	**7,221**	5,959
Equity		
Issued capital	**5,603**	6,223
Reserves		
Employee equity benefits reserve	**-**	(2)
Hedge reserve	**(53)**	(46)
Retained earnings	**509**	486
Total equity	**6,059**	6,661

Financial performance

Profit for the year	**740**	1,016
Other comprehensive loss	**(8)**	(13)
Total comprehensive income for the year	**732**	1,003

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The Parent Entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts in respect of its wholly owned Australian subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 26 and 30 respectively.

Contingent liabilities

The Parent Entity is a party to various legal actions and claims which have arisen in the ordinary course of business. The Parent Entity has provided warranties and indemnities to certain third parties in relation to the performance of contracts by various wholly owned subsidiaries.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Capital expenditure commitments

As at 30 June 2020, the Parent Entity had commitments for the acquisition of property, plant and equipment of $3 million (2019: $2 million) and its share of joint operations capital commitments was nil (2019: nil).

37. Summary of other significant accounting policies

AGL Energy Limited (the Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office is Level 24, 200 George Street, Sydney NSW 2000 Australia.

The consolidated financial statements comprise the Parent Entity and its controlled entities (together referred to as AGL). For the purposes of preparing the consolidated financial statements, the Parent Entity is a for-profit entity.

The principal activities of AGL are described in Note 1.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 13 August 2020.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and equity instrument financial assets, which are measured at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the functional and presentation currency of AGL, unless otherwise noted.

The Parent Entity is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial statements are rounded off to the nearest million dollars, unless otherwise indicated.

The significant accounting policies that have been adopted in the preparation and presentation of the consolidated financial statements are set out below.

(c) Adoption of new and revised accounting standards and Interpretations

AGL has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 July 2019. These did not have any material impact on the disclosures or on the amounts recognised in AGL's consolidated financial statements.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Entity and entities (including special purpose entities) controlled by the Parent Entity (its subsidiaries). Control is achieved when the Parent Entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(e) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the end of the reporting period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

(f) Standards and Interpretations on issue not yet adopted

The following accounting standards, accounting standard amendments and interpretations are due for adoption for the year ending 30 June 2021:

- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material (AASB 101 and AASB 108)*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business (AASB 3)*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*
- *Amendments to References to the Conceptual Framework in IFRS Standards*

37. Summary of other significant accounting policies (cont.)

The following accounting standards, accounting standard amendments and interpretations are due for adoption for the year ending 30 June 2023:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (AASB 10 and AASB 128)*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (AASB 1, AASB 3, AASB 9, AASB 116, AASB 137and AASB 141)*

The standards and interpretations listed above are not expected to have a material impact on AGL's financial results or financial position on adoption.

38. Subsequent events

Subsequent to the end of the financial year and as described in Note 1, 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 other matter or circumstance that has arisen since the end of the financial year, 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 future financial periods.

Directors' Declaration
For the year ended 30 June 2020

In accordance with a resolution of the Directors of AGL Energy Limited, the Directors declare that:

(a) in their opinion, there are reasonable grounds to believe that AGL Energy Limited will be able to pay its debts as and when they fall due and payable;

(b) the financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 37(a) to the financial statements;

(c) in their opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the consolidated entity's financial position and performance for the year ended 30 June 2020;

(d) there are reasonable grounds to believe that AGL Energy Limited and the subsidiaries identified in Note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee between the Parent Entity and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785; and

(e) the Directors have received the declarations required by s.295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2020.

Signed on behalf of the Board.

Graeme Hunt
Chairman

13 August 2020

Deloitte.

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The Board of Directors
AGL Energy Limited
200 George Street
Sydney NSW 2000

13 August 2020

Dear Board Members

Auditor's Independence Declaration to AGL Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the audit of the financial report of AGL Energy Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

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Independent Auditor's Report to the Members of AGL Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AGL Energy Limited ("AGL" or the "Company") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 30 June 2020, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>

Carrying amount of intangible assets

Included in intangible assets is goodwill recorded in the consolidated statement of financial position totaling $2,879 million as at 30 June 2020, as disclosed in Note 15.

The evaluation of the recoverable amount of these intangible assets requires significant judgement by management in determining the key assumptions supporting the expected future cash flows of the business and the utilisation by management of the relevant assets including:

- forecasting future energy prices;
- forecasting long-term growth rates; and
- applying discount rates.

</td><td>

Our procedures included, but were not limited to:

- obtaining an understanding of the key controls associated with the preparation of the valuation models prepared by management and approved by the Board, used to assess the recoverable amount of each cash generating unit (CGU);
- evaluating management's methodologies and their documented basis for key assumptions utilised in the valuation models, which are described in Note 15;
- in conjunction with our valuation specialists assessing and challenging:
  - the identification of CGUs, including the allocation of goodwill and the associated identification and allocation of cash flows for the purposes of assessing the recoverable amounts of CGUs;
  - the key assumptions for future energy prices and long-term growth rates used in the forecast cash flows considering the impact of COVID-19 by comparing them to historical results, economic and industry forecasts; and
  - the discount rate applied by comparing to independent estimates, third party evidence and broker consensus data;
- checking the mathematical accuracy of the cash flow models;
- agreeing forecast cash flows to the latest forecasts approved by the Board;
- assessing the historical accuracy of forecasting by AGL;
- challenging the sensitivity analyses around future energy prices and long-term growth rates considering the impact of COVID-19, used in the cash flow forecasts in addition to the discount rate used considering independent estimates, third party evidence, economic and industry forecasts; and
- assessing management's consideration of the sensitivity to a change in key assumptions that either individually or collectively would be required for goodwill to be impaired and considering the likelihood of such movement in those key assumptions arising.

We have also assessed the appropriateness of the disclosures included in Note 15 to the financial statements.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
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Financial instruments

AGL enters into various financial instruments recorded at fair value including derivative financial instruments to economically hedge the company's exposure to variability in interest rates, foreign exchange movements and energy prices.

These financial instruments include long term energy purchase and supply contracts which in some cases have significant contractual volumes and/or pricing linked to commodity prices.

As at 30 June 2020, derivative financial assets totaled $1,147 million (current assets of $581 million and non-current assets of $566 million as disclosed in Note 11) and derivative financial liabilities totaled $731 million (current liabilities of $640 million and non-current liabilities of $91 million as disclosed in Note 19).

Significant judgement is required by management in the valuation and accounting for these financial instruments including:

understanding and applying contract terms;
forecasting future energy prices in the short and long term;
forecasting future emissions trading outcomes and prices; and
applying discount rates.

</td><td>
Our procedures included, but were not limited to:

obtaining an understanding of the internal risk management process and the systems and controls associated with the origination and maintenance of complete and accurate information relating to contracts containing financial instruments;
obtaining an understanding of the key contract terms in financial instruments to assess the appropriateness of the relevant accounting applied in the financial statements; and
in conjunction with our treasury specialists, testing on a sample basis the existence and valuation of financial instruments as at 30 June 2020. Our audit procedures included, but were not limited to:

testing hedge effectiveness where appropriate;
evaluating the integrity of the valuation models; and
assessing the incorporation of the contract terms and the key assumptions into valuation models, including future price assumptions and discount rates by comparing to market data.

We have also assessed the appropriateness of the disclosures included in Note 11, Note 19 and Note 35 to the financial statements.
</td></tr>
<tr><td>
Unbilled revenue and accrued distribution costs

Unbilled revenue of $890 million as disclosed in Note 9 represents the estimated value of electricity and gas supplied to customers between the date of the last meter reading and 30 June 2020 where no invoice has been issued to the customer at the end of the reporting period.

Accrued distribution costs of $404 million disclosed in Note 16 represents the estimated distribution costs related to energy consumption between the date of the last invoice from the distributor and 30 June 2020.
</td><td>
Our procedures included, but were not limited to:

obtaining an understanding of the process flows of key controls management has in place to determine the estimate of unbilled revenue and accrued distribution costs;
understanding and challenging management's assumptions relating to volume, customer pricing and distribution tariff rates used in determining unbilled revenue and accrued distribution costs by:

on a sample basis, agreeing data underlying the calculation of the estimated volumes to supporting systems, having performed sample testing of the key controls in those systems;

</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Significant management judgment is required in the calculation of the respective unbilled revenue and accrued distribution costs. Management exercise this judgement in the calculation of: • the consumption profile for electricity and gas retail portfolios; • pricing applicable to customers between the last customer invoice date and the end of the reporting period; and • application of consumption profiles of portfolios against relevant published distribution tariff rates.	○ comparing the prices applied to customer consumption with historical and current data; and ○ comparing the distribution tariff rates applied to current tariff tables. • in conjunction with our data analytics specialists: ○ calculating an independent estimate of the expected unbilled revenue at 30 June 2020 using historical customer consumption, purchase volumes and pricing data, and comparing this to the reported unbilled revenue; and ○ calculating an independent estimate of the expected accrued distribution costs at 30 June 2020 utilising information supplied by distributors and tariff data, and comparing this to the reported accrued distribution costs. We also assessed the appropriateness of the disclosures in Note 2, Note 9 and Note 16 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 67 to 91 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of AGL Energy Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 13 August 2020

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Independent Limited Assurance Report to the Management of AGL Energy Limited

Conclusion

We have undertaken a limited assurance engagement on key performance indicators (KPIs) included within the Customers, Communities & Relationships, People, Environment, Infrastructure, and Systems & Processes Business Value Driver KPI tables for FY20 in AGL Energy Limited's FY20 Annual Report for the year ended 30 June 2020 ('Business Value Driver FY20 KPIs').

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that, the Business Value Driver FY20 KPIs included in the FY20 Annual Report are not prepared, in all material respects in accordance with the AGL's definitions and approaches as described in the Business Value Drivers section of the FY20 Annual Report and on AGL's website at www.agl.com.au (Reporting Criteria) for the year ended 30 June 2020.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ASAE 3000"), issued by the Australian Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management of AGL's Responsibilities

Management of AGL are responsible for:

- ensuring that the Business Value Driver FY20 KPIs included in the FY20 Annual Report are prepared in accordance with Reporting Criteria;
- confirming the measurement or evaluation of the underlying subject matter against the Reporting Criteria, including that all relevant matters are reflected in the subject matter information;
- designing, establishing and maintaining an effective system of internal control over its operations and financial reporting, including, without limitation, systems designed to assure achievement of its control objectives and its compliance with applicable laws and regulations; and
- to provide us with:
    a. access to all information of which Management is aware that is relevant for the purpose of the engagement;
    b. additional information that we may request from Management for the purposes of this assurance engagement; and
    c. unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.
- to ensure that the Business Value Driver FY20 KPIs included in the FY20 Annual Report are prepared in accordance with Reporting Criteria.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on AGL Energy Limited's Business Value Driver FY20 KPIs included in the FY20 Annual Report as evaluated against the Reporting Criteria based on the procedures we have performed and the evidence we have obtained. ASAE 3000 requires that we plan and perform our procedures to obtain limited assurance about whether, anything has come to our attention that causes us to believe that the Business Value Driver FY20 KPIs included in the FY20 Annual Report are not properly prepared, in all material respects, in accordance with the Reporting Criteria.

A limited assurance engagement in accordance with ASAE 3000 involves identifying areas where a material misstatement of the Business Value Driver FY20 KPIs included in the FY20 Annual Report is likely to arise, addressing the areas identified and considering the process used to prepare the Business Value Driver FY20 KPIs included in the FY20 Annual Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Business Value Driver FY20 KPIs included in the FY20 Annual Report has been properly prepared, in all material respects, in accordance with the Reporting Criteria.

Our procedures included:

- Interviews with a selection of AGL executives and senior management, including AGL's sustainability management team concerning the overall governance structure, corporate sustainability strategy and policies used for managing and reporting sustainability performance across the business
- Interviews with a selection of AGL management responsible for the Business Value Driver FY20 KPIs to understand the compilation and review processes
- Conducting virtual site visits at a sample of facilities
- Applying analytical and other review procedures including assessing relationships between the reported information and other financial and non-financial data
- Analysing and inspecting on a sample basis, the key systems, processes and procedures and controls relating to the collation, validation, presentation and approval process of the information included in the FY20 Annual Report.
- Review underlying evidence on a sample basis to corroborate that the information is prepared and reported in line with the relevant reporting criteria.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that it is possible that fraud, error, or non-compliance with laws and regulations, where there has been concealment through collusion, forgery and other illegal acts may occur and not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data.

Restricted use

This report has been prepared for use by Management of AGL Energy Limited for the purpose of assisting them in reporting on the Business Value Driver FY20 KPIs in AGL Energy Limited's Annual Report for the year ended 30 June 2020. We disclaim any assumption of responsibility for any reliance on this report to any person other than the diretors of AGL or for any purpose other than that for which it was prepared.

Matters relating to electronic presentation of information

It is our understanding that AGL may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AGL website. The security and controls over information on the web site is not evaluated or addressed by the independent auditor. The examination of the controls over the electronic presentation of this Report on the AGL web site is beyond the scope of this engagement.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P Dobson

P Dobson
Partner
Sydney, 13 August 2020

Shareholding Information

The following information is provided regarding the Issued Capital of AGL as at 20 July 2020:

1. The Issued Capital consisted of 623,138,096 fully-paid ordinary shares. AGL's fully paid ordinary shares are listed on the Australian Securities Exchange under the code "AGL". Holders of AGL's fully paid ordinary shares have, at general meetings, one vote on a show of hands and, upon a poll, one vote for each fully paid ordinary share held by them.
2. There were 120,499 holders of ordinary shares.
3. There were 3,141 holders of less than a marketable parcel of 28 shares.

Distribution schedule of ordinary shares

	Securities	%	No. of Holders	%
100,001 and Over	397,333,979	63.76	79	0.07
10,001 to 100,000	57,457,450	9.22	2,955	2.45
5,001 to 10,000	42,277,042	6.78	6,082	5.05
1,001 to 5,000	98,960,862	15.88	44,223	36.70
1 to 1,000	27,108,763	4.35	67,160	55.73
Total	**623,138,096**	**100.00**	**120,499**	**100.00**

Substantial shareholders of AGL

In a substantial holding notice dated 15 March 2017, BlackRock Group advised that as at 27 February 2017, it had an interest in 40,935,468 ordinary shares, which represented 6.09% of AGL's ordinary shares at this time.

In a substantial holding notice dated 26 November 2019, Vanguard Group advised that as at 22 November 2019, it had an interest in 38,926,303 ordinary shares, which represented 6.03% of AGL's ordinary shares at this time.

In a substantial holding notice dated 27 December 2019, State Street Corporation advised that as at 23 December 2019, it had an interest in 32,165,826 ordinary shares, which represented 5.02% of AGL's ordinary shares at this time.

Shareholdings by geographic region

	Securities	%	No. of Holders	%
Australia	617,760,073	99.14	117,732	97.70
Hong Kong	155,063	0.02	65	0.05
New Zealand	4,146,986	0.67	1,784	1.48
United Kingdom	377,731	0.06	273	0.23
USA and Canada	408,910	0.07	446	0.37
Others	289,333	0.05	199	0.17
	623,138,096	**100.00**	**120,499**	**100.00**

Shareholding Information

20 largest holders of ordinary shares

Twenty Largest Holders as at 20 July 2020	Fully-Paid Ordinary Shares	% of Total Issued Shares
HSBC Custody Nominees (Australia) Limited	192,515,779	30.89
J P Morgan Nominees Australia Pty Limited	87,886,273	14.10
Citicorp Nominees Pty Limited	43,554,864	6.99
National Nominees Limited	16,905,480	2.71
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	8,032,469	1.29
BNP Paribas Noms Pty Ltd <DRP>	5,488,521	0.88
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,797,793	0.61
Argo Investments Limited	3,642,000	0.58
Milton Corporation Limited	3,570,141	0.57
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,347,895	0.38
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,014,833	0.32
Netwealth Investments Limited <Wrap Services A/C>	1,804,907	0.29
Pacific Custodians Pty Limited <AGK Plans Ctrl A/C>	1,699,580	0.27
BNP Paribas Nimінees Pty Ltd Hub24 Custodial Services Ltd DRP	1,550,668	0.25
Carlton Hotel Limited	1,378,556	0.22
The Senior Master of the Supreme Court <Common Fund No. 3>	1,276,701	0.20
Gwynvill Investments Pty Ltd	1,263,150	0.20
BKI Investment Company Limited	1,233,708	0.20
Loris H Hassall Pty Ltd	1,052,690	0.17
Custodial Services Limited <Beneficiaries Holding A/C>	948,064	0.15
	381,964,072	**61.30**

Investor Information

Website access

AGL's Investor Centre is available online at **agl.com.au/investors**. The Investor Centre provides you with easy access to important information about AGL's performance, including annual reports, investor presentations, share price graphs and general security holder information.

The Shareholder Services section in our Investor Centre also provides access to update your details with the Share Registry, Link Market Services, including:

- checking your holding balance;
- viewing, saving or printing interest payment summaries, transaction summaries and dividend statements for shareholders;
- updating or amending your bank account or DRP Instructions for Shareholders;
- electing to receive communications electronically; and
- downloading a variety of forms.

Link Market Services also offers shareholders the ability to register and create a portfolio view of their holdings. Registration is free and enables shareholders to view and update multiple holdings in AGL (or other clients Link act as registry for) using a single login. To create a portfolio, please go to **linkmarketservices.com.au**.

Share Registry

Shareholders with enquiries about their shareholdings can also contact AGL's Share Registry:
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Postal Address: Locked Bag A14, Sydney South NSW 1235

Telephone:	+61 1800 824 513 (free call within Australia)
Facsimile:	+61 2 9287 0309
Email:	aglenergy@linkmarketservices.com.au
Website:	**linkmarketservices.com.au**

When communicating with the Share Registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

Final share dividend

The final dividend of 51.0 cents per share, 80% franked, will be paid on 25 September 2020. As the final dividend will only be paid via direct credit, Australian and New Zealand shareholders need to nominate a bank, building society or credit union account within these jurisdictions. Payments are electronically credited on the dividend payment date and confirmed by a mailed or electronic payment advice. Payment instructions can either be lodged online or an appropriate form can be downloaded from Link Market Service's website.

Dividend Reinvestment Plan

AGL offers shareholders the opportunity to participate in the Dividend Reinvestment Plan. Shares are allocated under the Plan, free of transaction costs. The rate of discount, if any, applied to shares allocated under the Plan will be determined by the Directors at the time each dividend is declared. A zero discount was applied to the 2020 interim dividend and the same will apply to the 2020 final dividend.

On-market share buy-back and shares purchased on-market

On 8 August 2019, AGL announced its intention to undertake an on-market buy-back of up to 32,791,252 shares (being approximately 5% of AGL's issued ordinary shares). As at the date of this report, 32,686,947 AGL shares have been bought back. The buy-back is scheduled to complete by 22 August 2020.

During the financial year ended 30 June 2020, 520,858 AGL shares were purchased on-market at an average price of $19.13 per share to satisfy employee entitlements under the AGL Share Reward Plan, AGL Share Purchase Plan, AGL Restricted Equity Plan and the AGL Long-Term Incentive Plan.

Reporting to shareholders

The Corporations Act requires AGL to provide shareholders with access to this Annual Report on AGL's website, unless a shareholder has specifically requested to be sent a printed copy. Shareholders seeking a printed copy of the Annual Report should contact Link Market Services. The online Annual Report is available at **www.2020annualreport.agl.com.au**. Past annual reports are also available via AGL's website.

Change of name, address or banking details

Shareholders who are Issuer Sponsored should advise the Share Registry immediately of a change of name, address or banking details for dividends electronically credited to a bank account. All such changes must be advised online or in writing and cannot be accepted by telephone. For a change of name, supporting documentation must accompany your written advice. Appropriate forms can also be downloaded from the Share Registry's website.

Shareholders who are CHESS Sponsored should instruct their sponsoring broker in writing to notify the Share Registry of any change.

Tax File Number (TFN)/Australian Business Number (ABN)

It is not compulsory to provide a TFN or ABN. However AGL will be required to deduct tax at the top marginal rate from the unfranked portion of any dividend paid to shareholders who have not provided either a TFN/ABN or details of a relevant TFN exemption. TFN/ABN notification forms can be obtained by contacting the Share Registry, by lodging your details online or by downloading the appropriate form from the Share Registry's website.

Consolidation of shareholdings

Shareholders who wish to consolidate multiple shareholdings into a single shareholding should advise the Share Registry or their sponsoring broker, whichever is applicable, in writing.

Company Secretaries

John Fitzgerald BA MA LLB
Melinda Hunter BCom LLB

Glossary for the Business Value Drivers

All data relates to the year ended 30 June 2020 unless specified otherwise.

Term	Explanation
Net Promoter Score (NPS)	NPS is a measure of overall brand performance and is based on how likely a customer would be to recommend AGL as an energy provider. AGL's NPS is measured quarterly via an external survey that asks customers across all energy retailers "On a scale of 0-10, how likely is it that you would recommend Retailer X to a friend or colleague?" The NPS is calculated by subtracting the percentage of zeros to sixes from the percentage of nines and tens. The performance measure relates to the NPS measured in Q4 of the reporting year.
Ombudsman complaints	Reported figures represent complaints to the various state energy Ombudsman offices that are provided to AGL for resolution. Enquiries and complaints referred to other agencies or instances where the customer has been advised by the Ombudsman to contact AGL directly are not included. Numbers are based on complaints figures provided by the Ombudsmen of New South Wales, Victoria, Western Australia and South Australia. Complaints recorded for Queensland are based on AGL's internal complaints reporting systems until November 2017, after which time AGL started receiving monthly reports from the Queensland Ombudsman.
Number of customers on Staying Connected	Staying Connected is AGL's program for energy customers who have been identified to be in financial hardship. The performance measure relates to the number of customers on the program as of 30 June in the reporting year.
Average level of debt of customers on Staying Connected	The average level of energy debt calculated represents the outstanding debt at the customer (rather than account) level as of 30 June in the reporting year.
Total average debt across mass market customer portfolio	The average energy debt represents the outstanding debt at the customer (rather than account) level as of 30 June in the relevant reporting year. Debt levels include GST. Data excludes 'unknown customers' and commercial and industrial customers.
Total services to customers	Data comprises AGL's gas and electricity residential, small and large business, and wholesale customer energy services. From FY20, data also includes Southern Phone Company customers, reflecting each broadband and phone 'services-in-operation' (SIO) connected.
Customer churn	'Churn' is defined as a completed transfer of a customer to a competing retailer. This measure relates to residential and small business energy customers only and does not include commercial and industrial customers.
RepTrak score	The RepTrak score reflects the most recent score reported to AGL by RepTrak at the time of publication of the Annual Report. FY18 and FY19 have been updated this year from March to June to reflect quarterly RepTrak results received after the date of Annual Report publication. The FY20 RepTrak score represents the score for the June 2020 quarter.
Community contribution	Data includes the AGL matched component only of donations raised to the Employee Giving program and fundraising events, not the donations given by employees. Matched amounts are included in the year in which the employee donations were made (even though the matched payment may have been made after the close the financial year). Data is exclusive of GST.
Underlying effective tax rate	AGL's underlying income tax expense expressed as a percentage of AGL's underlying profit.
Total injury frequency rate (TIFR)	The rate is calculated as number of lost time and medical treatment injuries classified as TIFR related in a 12-month rolling period, per million hours worked in that 12-month period. FY20 data does not include the safety performance of Southern Phone Company's 131 employees and Perth Energy's 48 employees as they were not fully integrated into AGL's HSE reporting systems as at 30 June 2020.
High potential near miss: recordable incident ratio	A Recordable Incident is a safety or environment incident that resulted in the injury or illness of a person requiring Lost Time or Medical Treatment, or an Environment Regulatory Reportable event. A High Potential Near Miss is an unplanned Event or error that did not result in injury, illness, equipment/property damage or fire but where the potential to do so is ranked high or above as per AGL's FIRM matrix. This includes a high potential first aid, compliance breach of permits, critical controls and/or lifesaving rules. A High Potential environment near miss is classified as any event where no actual regulatory breach or unauthorised environmental impact occurred but where the potential for this to occur is ranked high or above as per AGL's FIRM framework. FY20 data does not include the safety or environmental performance of Southern Phone Company or Perth Energy which were not fully integrated into AGL's HSE reporting systems as at 30 June 2020.
Employee engagement	Engagement scores are calculated using the Aon Hewitt's Employee Engagement Model, utilising the ORC International methodology. During FY20, engagement was measured in June 2020 using a new platform (Culture Amp), with the methodology applied in the calculation of the scores being consistent with prior years. Southern Phone and Perth Energy were not included in the FY20 Engagement Survey. The measure of 62% in FY18 is taken from the results of an engagement pulse survey conducted in early FY19 and was considered a reflection of FY18 employee engagement.
Gender mix in senior leadership pipeline (SLP)	Senior Leadership Pipeline refers to employees in Management Groups A, B, ELT and ET (excluding CEO), in accordance with AGL's Position Framework. These are equivalent to Hay Level roles 18 and above. FY20 data does not include Southern Phone Company's 131 employees and Perth Energy's 48 employees as they were not fully integrated into AGL's human resource systems as at 30 June 2020.

Glossary for the Business Value Drivers

Term	Explanation
Material breaches of Code of Conduct	Performance measure relates to the number of substantiated material breaches of AGL's Code of Conduct. Material breaches are those ranked 'High' or above according to AGL's FIRM framework.
Attrition (total workforce)	Calculated based on the total number of voluntary departures per full-time equivalent. Includes fixed term, permanent full-time, and permanent part-time employees; excludes casuals, labour hire and contract workers. FY20 data does not include Southern Phone Company's 131 employees and Perth Energy's 48 employees as they were not fully integrated into AGL's human resource systems as at 30 June 2020.
Key talent retention	The performance measures relate to employees identified as 'key talent' from AGL's enterprise leadership team (ELT) and direct reports. Internal restructures resulting in changes to roles and talent ratings at the end of FY19 reduced the size of the cohort of AGL people designated as 'key talent' at the beginning of FY20, from 186 in FY19 to 89 in FY20. FY20 data does not include Southern Phone Company's 131 employees and Perth Energy's 48 employees as they were not fully integrated into AGL's human resource systems as at 30 June 2020.
Operated scope 1 & 2 emissions ($MtCO_2e$)	Total scope 1 and 2 emissions from facilities over which AGL had operational control during the period. Operational control is defined by the National Greenhouse and Energy Reporting Act 2007.
Controlled generation intensity (tCO_2e/MWh)	Total scope 1and 2 emissions divided by total sent out generation of electricity generation facilities which fit within AGL's controlled boundary[1]. This metric also forms part of AGL's Sustainability Linked Loan metrics.
Controlled renewable and electricity storage capacity (%)	The proportion of total controlled renewable and electricity storage capacity (MW) in AGL's total controlled[1] generation capacity (MW), based on the registered capacity as per the AEMO Registration and Exemption List. This metric also forms part of AGL's Sustainability Linked Loan metrics.
Emissions intensity of total revenue ($ktCO_2e$/\$million)	Total scope 1and 2 emissions from facilities over which AGL had operational control during the period divided by AGL's total revenue. Operational control is defined by the National Greenhouse and Energy Reporting Act 2007.
Revenue from green energy and carbon neutral products and services (%)	The percentage of total revenue derived from green energy and carbon neutral products and services, based on the following: • Total revenue represents AGL's total reported revenue • Green energy revenue represents: green revenue excluding state-based green schemes; RET revenue from green charges passed through to customers; and other revenue from state-based charges passed through to customers.
Environmental regulatory reportable incidents	Comprises incidents that trigger mandatory notification provisions under legislation and/or environmental licences.
Pool generation volume	Pool generation volume refers to electricity that AGL generates that is sold into the National Electricity Market and the Western Australian Wholesale Energy Market (together termed "the pool") and considers marginal loss factors, non-scheduled generation and auxiliary usage.
Equivalent availability factor (EAF)	EAF measures the percentage of rated energy available when required. Power stations included are Liddell, Bayswater, Loy Yang A, Torrens Island, and Somerton power stations, AGL's hydroelectric power stations, and wind and solar farms under AGL's operational control. Site EAF is weighted by megawatt (MW) capacity.
Reportable privacy incidents	Data comprises 'eligible data breaches' as defined in the Privacy Act 1988.
Major IT incidents	Data relates to the number of major IT incidents impacting a technology service, system, network or application ranked as 'critical' or 'high' in accordance with AGL's IT incident management processes.

1. AGL's controlled boundary includes all electricity assets (generation and/or storage) for which AGL Energy has: ownership; and/or operational control as defined by the National Greenhouse and Energy Reporting Act 2007; and/or contracted rights to control the dispatch of electricity of the asset.

The following KPIs were reported in AGL's FY19 Annual Report but have not been reported in the FY20 Annual Report:

- Notifable data breaches arising from a material risk relating to cybersecurity, data governance, or failure of internal controls (as data is captured through the disclosure of reportable privacy incidents);
- Operated generation intensity (this data series continues to be reported in the **ESG data centre**); and
- Proportion of operated renewable generation output (data enabling this proportion to be calculated is disclosed in the **ESG data centre**).

Corporate Directory and Financial Calendar

Directory

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Financial calendar[1]

13 August 2020
Full Year result and final dividend announced

27 August 2020
Record date of final dividend

28 August 2020
Record date of final DRP

7 October 2020
Annual General Meeting

25 September 2020
Payment date of final dividend

11 February 2021
Interim result and interim dividend announced (indicative)

12 August 2021
Full year result and final dividend announced (indicative)

1. The above dates are indicative only and may be subject to change.

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