



ASX & Media Release

AGL Energy Withdraws Demerger Proposal – Announces Review of AGL’s Strategic Direction and Board and Management Renewal

30 May 2022

Withdrawal of Demerger Proposal

AGL Energy Limited (**AGL Energy**) today advises that it has determined to withdraw the proposal to separate AGL Energy into AGL Australia and Accel Energy via a demerger (**Demerger Proposal**).

The Board of AGL Energy continues to believe that the Demerger Proposal offers the best way forward for AGL Energy and its shareholders, and this was also the view of the Independent Expert. However, the Board believes this path is no longer available.

AGL Energy believes that the Demerger Proposal would have been supported by a majority of shareholders, both retail and institutional, many of whom are long term holders of AGL Energy shares.

However, having regard to anticipated voter turnout and stated opposition from a small number of investors including Grok Ventures, AGL Energy believes the Demerger Proposal will not receive sufficient support to meet the 75% approval threshold for a scheme of arrangement.

In these circumstances, the AGL Energy Board considers that it is in the best interests of AGL Energy shareholders to withdraw the Demerger Proposal. AGL Energy will approach the Court for orders to cancel the Court ordered scheme meeting and will not proceed with the associated general meeting that was to have considered various related resolutions.

Following the withdrawal of the Demerger Proposal, the AGL Energy Board will review AGL Energy’s strategic direction, including:

- giving consideration to how the company moves forward in a way that will create long-term shareholder value in an environment where pressure on decarbonisation and energy affordability is accelerating;
- utilising the extensive analytical work conducted in preparation for the Demerger Proposal and a thorough assessment of the strategic plans that were developed for AGL Australia and Accel Energy, and their respective roles in the energy transition;
- any new approaches from third parties regarding alternative transactions; and
- further consultation with a broad range of stakeholders including Grok Ventures and other shareholders, regulators, governments and communities.

The review of the company’s strategic direction will be overseen by a Board sub-committee co-chaired by Vanessa Sullivan and Graham Cockroft utilising internal and external resources.

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Australia is at a pivotal moment in the transition of our energy system and the Board remains strongly committed to decarbonisation. AGL has been in ongoing discussions with key stakeholders in this regard and believes that the relevant dates for closure of coal fired power stations will continue to be accelerated. As Australia's largest energy generator, owner of the largest portfolio of renewable generation and storage assets of any ASX listed company, and a leading retailer of energy solutions, AGL Energy and its people have a critical role to play in just transition.

The Board notes the role that the rapidly changing public policy settings for the energy market, the continuing uplift in wholesale energy prices and the growing expectations of stakeholders will all play in setting the future direction for AGL Energy. The Board is committed to working actively with all stakeholders including government to decarbonise AGL Energy's business at the fastest rate possible, while ensuring energy system stability, energy affordability for retail and industrial customers, and appropriate shareholder value outcomes.

AGL Energy will report back to shareholders and investors in September and provide an update on the progress of the review of AGL Energy's strategic direction at the time of its FY22 results announcement.

As previously disclosed, AGL's estimated expenditure to date is approximately \$160 million of the total \$260 million estimated cost of the Demerger Proposal.

The Board will draw upon the work undertaken to date in its review of AGL Energy's strategic direction and will seek to ensure that the efficiencies gained through the review of the AGL Energy structure as part of the Demerger Proposal are captured in the future, including further changes in the short term to the management team to reflect the fact that the Demerger Proposal will not be proceeding.

Board and Management Renewal

As a result of the above decisions, the AGL Energy Board has determined that Board and Management renewal must occur through an orderly, expedited transition period with appropriate external advice. The decisions agreed today are:

- Chairman Peter Botten will resign from the Board upon appointment of a replacement independent Chairperson.
- the Board and Graeme Hunt have agreed that Mr Hunt will step down as Chief Executive Officer and Managing Director. Mr Hunt will continue to act in this role until a new Chief Executive Officer and Managing Director is appointed. The Board will immediately undertake a search process to complete this appointment as soon as possible.
- Jacqueline Hey has resigned as a Non-Executive Director effective 30 May 2022.
- Diane Smith-Gander will resign from the Board following the release of AGL's FY22 full-year results in August.

The Board will immediately commence a search process to identify potential new Non-Executive Directors of AGL Energy. This will include discussions with all relevant stakeholders.

"While the Board believed the Demerger Proposal offered the best way forward for AGL Energy and its shareholders, we have made the decision to withdraw it," AGL Energy Board Chair Peter Botten said. "The Board will now undertake a review of AGL's strategic direction, change the composition of the Board and management, and determine the best way to deliver long-term shareholder value creation in the context of Australia's energy transition.

"On behalf of the Board, I would like to thank Jacqueline Hey, who is leaving the Board today, for her significant contribution to AGL Energy including as Chair of the Safety, Customer and Corporate Responsibility Committee."



Authorised for release by AGL's Board of Directors.

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About AGL Energy

Proudly Australian for more than 180 years, AGL Energy supplies around 4.5 million energy and telecommunications customer services¹. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL Energy operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. 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.

¹ Services to customers number is as at 31 December 2021 and includes Click Energy and 100% of approximately 300,000 services to customers of ActewAGL, in which AGL owns a 50% equity stake of the retail operations.