AGL Energy Limited
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ASX & Media Release

AGL – Results for Announcement to the Market

10 August 2023

Attached are the following documents relating to AGL Energy Limited's results for the year ended 30 June 2023:

- Appendix 4E
- AGL Energy Limited 2023 Annual Report.

Authorised for release by AGL's Board of Directors.

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About AGL

At AGL, we believe energy makes life better and are passionate about powering the way Australians live. Proudly Australian for 185 years, AGL supplies around 4.3 million[1] energy and telecommunications customer services. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, move and work. AGL 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 one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. 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.

For more information visit agl.com.au

[1] Services to customers number is as at 10 August 2023.

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 2023

				30 June 2023 $A million	30 June 2022 $A million
Revenue	**Up**	**7.1%**	to	**14,157**	**13,221**
Statutory (loss)/profit after tax attributable to shareholders		**NM**[1]	to	**(1,264)**	**860**
Underlying Profit after tax attributable to shareholders	**Up**	**24.9%**	to	**281**	**225**
				30 June 2023 Cents	30 June 2022 cents
Statutory Earnings per share		**NM**[1]	to	**(187.9)**	**131.6**
Underlying Earnings per share	**Up**	**21.5%**	to	**41.8**	**34.4**
				30 June 2023 $A	30 June 2022 $A
Net tangible asset backing per share	**Down**	**40.7%**	to	**2.88**	**4.85**
				Amount cents	Franked amount cents
Final dividend per ordinary share				23.0	0.00
Interim dividend per ordinary share				8.0	0.00

[1] Not Meaningful

Record date for determining entitlements to the final dividend:
24 August 2023 and payable 22 September 2023.

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 loss after tax of $1,264 million included a loss of $655 million after tax treated as significant items and a loss of $890 million after tax from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit after tax was $281 million, 24.9% up 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 2023 Annual Report incorporating AGL Directors' Report (including the Operating & Financial Review) and the Financial Report released to the market on 10 August 2023.

The consolidated financial statements contained within the 2023 Annual Report, of which this report is based upon, have been audited by Deloitte Touche Tohmatsu.

Annual Report 2023

agl

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Table of Contents

About this report

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 6-94. Commentary on AGL's financial performance specifically is contained on pages 6- 54 and references information reported in the Financial Report (pages 95-182). The Financial Report includes AGL Energy Limited (the Company or Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2023. Throughout the report, the consolidated entity is referred to as AGL or the Group.

The Directors' Declaration forms part of the Financial Report under the *Corporations Act 2001 (Cth)* (Corporations Act).

Voluntary reporting frameworks

This report has been prepared with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework. This framework provides a useful basis for disclosing how sustainable value is created 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). Our FY23 TCFD 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 on page 29.

The disclosures in this report and the **ESG Data Centre** are aligned 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 which identifies the extent to which each SASB disclosure requirement has been applied.

Assurance

The Remuneration Report (pages 66- 92) and the Financial Report (pages 95-182) have been audited by Deloitte. Deloitte was also engaged to undertake limited assurance of selected key performance indicators included in the Business Value Driver scorecards (page 19 -33) 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. The key performance indicators are to be read in conjunction with the definitions in the Glossary (page 186). Full details of the assurance scope, process and outcomes are included in the assurance statement on page 179.

Business Value Drivers

We are focused on creating sustainable, long-term value for our shareholders and other stakeholders through the delivery of our strategy in a manner that is consistent with our values and delivers on our purpose of 'Powering Australian life'. As well as financial value, we consider value through six additional lenses as outlined in our ESG framework below.

CUSTOMERS	ASSETS	PEOPLE	RELATIONSHIPS	ENVIRONMENT	BUSINESS INTELLIGENCE
Connecting our customers to a sustainable future	Responsible management of and investment in the assets of today and tomorrow	Investing in and protecting our people, delivering optimal outcomes by living our values	Supporting communities and maintaining strong partnerships	Minimising impact, preserving nature and ensuring resource efficiency	Unlocking growth through technology and insights
Solutions to meet customer needs	Transitioning our energy portfolio	Safe and healthy workforce	Engaged and supported communities	Future low-carbon world	Enhancing customer experience
Energy affordability and support for customers experiencing vulnerability	Reliable and efficient plant operations	Performance culture	Collaboration for Australia's energy future	Environmental stewardship	Trading, operation and risk management capabilities
Decarbonised energy supply	Repurposed infrastructure (energy hubs)	Workforce transition	Strong business relationships	Responsible rehabilitation	Secure assets and data

Underpinned by effective governance and ethical behaviour

$ Driving financial value

Forward looking statements

This report includes information about AGL's performance for the period 1 July 2022 to 30 June 2023. 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 & UN Global Compact

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 our operations, the three SDGs that were most material to the strategy and operations of AGL over FY23 comprised 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 29			
7 AFFORDABLE AND CLEAN ENERGY	Page 21	Page 29	Page 19	Page 26
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Page 21	Page 32	Page 34	

Letter from the Chair and CEO

Together as AGL's Chair and MD & CEO, we're pleased to present AGL Energy's Annual Report for the financial year ended 30 June 2023 (FY23).

Patricia McKenzie
Chair

Damien Nicks
Managing Director & CEO

Dear Shareholders,

We're pleased to provide you with AGL's Annual Report for FY23. It's been a year of significant transformation in which we reset market and stakeholder confidence and progressed our strategy to connect our customers to a sustainable future and transition our energy portfolio.

Despite challenging market conditions and heightened volatility, our improved FY23 results reflect the strength of the underlying business: our low-cost generation portfolio, large and loyal customer base and effective risk management processes.

We're acutely aware of the broad cost of living pressures affecting our customers, including higher energy prices. In June, AGL committed to increasing customer support funding to at least $70 million over the next two years to support our customers to manage cost of living pressures.

This year we've made good progress with delivering on our strategy and Climate Transition Action Plan, which was endorsed by shareholders at our Annual General Meeting in November 2022.

> Our strategy includes transitioning our energy portfolio by exiting coal up to 10 years earlier than previously planned and an ambition to add ~12 GW of new renewable generation and firming capacity by the end of 2035.

Following the closure of our coal-fired generation assets, AGL will be net zero for operated Scope 1 and 2 emissions with an ambition to be net zero for all emissions (Scope 1, 2 and 3) by 2050. This plan represents a major step forward in Australia's decarbonisation journey and supports the transition to a lower carbon world aligned with the Paris Agreement goals.

> AGL's strategy is backed by our refreshed purpose, "Powering Australian Life", and three new values: Bring on tomorrow; Can do. Will do; and Be Safe. Be Supportive.

Our purpose reflects the critical role we play in enabling the everyday lives of our customers and millions of Australians. Our values, which our people helped create, will guide the decisions we need to make as we transition our business to a lower carbon future.

We've achieved several important milestones this year, most significantly the safe and respectful closure of the Liddell Power Station after almost 52 years of operation. This is expected to result in a reduction of eight million tonnes of greenhouse gas emissions annually from FY24, compared to when the power station was operating. Importantly, we maintained our commitment to no forced redundancies and transferred around one hundred Liddell employees to our Bayswater Power Station.

We're focused on achieving our near term ~5 GW target of new renewables and firming capacity by 2030 and we've increased our pipeline by 60 percent from 3.2 GW to 5.3 GW. Our pipeline includes renewables such as solar and wind, as well as firming assets including batteries and pumped hydro.

Commissioning has commenced on the 250 MW Torrens Island Battery and later this year, the 50 MW Broken Hill Battery is also expected to start operating. We've also signed a 15-year agreement with Tilt Renewables for the offtake of 45 percent of the energy from the Rye Park Wind Farm in New South Wales, the equivalent of 178 MW.

Letter from the Chair and MD & CEO

Central to the delivery of our strategy is connecting our customers to a sustainable future through products and services that make it easy for them to decarbonise the way they live, move and work. Our new partnership with *bp pulse* will let customers charge their electric vehicle at an affordable rate when they are at home or on the road. We've also launched a new pilot program, Electrify Now, where customers can access the information and tools they need to make informed decisions about electrifying their homes.

In the Commercial and Industrial space, we're a leader in helping our customers achieve their sustainability goals and lower their energy costs through innovative solutions, such as solar systems, batteries and microgrids.

Business performance

After a challenging first half due to a combination of volatile energy market conditions and outages, including the prolonged outage of Loy Yang Unit 2, we saw a strong improvement in the availability of our generation assets in the second half which lifted overall performance and earnings. The investment to improve flexibility at Bayswater Power Station and AGL Loy Yang has also led to improvements in the efficiency of the operation of these assets.

On the customer side, we've seen continued organic growth in customer services across both energy and telecommunications during a period of heightened market competition. We finished the year with an increase of 56,000 customer services from FY22, with a total of 4.3 million customer services. We've also maintained strong customer advocacy throughout the year with a positive strategic Net Promoter Score of +5.

The significant improvement in the performance of our generation assets in the second half, combined with the strong performance of our gas portfolio and customer business, has contributed to an increase in earnings compared with FY22.

This is reflected in our improved FY23 result with Underlying EBITDA of $1,361 million, up on FY22 by 12% and an Underlying Profit after tax of $281 million, up on FY22 by 25%. This result was in accordance with our FY23 earnings guidance, which was updated in June 2023.

The final FY23 dividend is 23 cents per share (unfranked) and the total dividend for FY23 is 31 cents per share (unfranked).

We've updated our dividend policy, which will target a payout ratio of 50 to 75 percent of Underlying Profit after tax (previous ratio was 75 percent of Underlying Profit after tax). This will be effective from the FY24 interim dividend.

Our revised dividend policy enables us to strengthen the core business and execute our strategy, while providing strong returns to shareholders.

In June, we announced an expected positive financial outlook for the year ahead with an increase in FY24 earnings guidance reflecting sustained periods of higher wholesale electricity pricing and improved performance of the generation portfolio. Importantly, this strong business performance will support us to invest in the transformation of our generation portfolio.

Safety and People

As always, the safety of our people and the safe and reliable operation of our assets is our number one priority. This year, there were no serious injuries to employees or contractors, however our Total Injury Frequency Rate (TIFR) increased to 2.8 per million hours worked for employees and contractors, up 0.7 from 2.1 in FY22. This was driven by an increase in low-impact injuries. In response, we're increasing the focus on preventing common injuries before they occur and continuing to encourage employees and contractors to report all events that have the potential to cause an injury or fatality.

> An engaged workforce with high levels of employee satisfaction and a strong sense of belonging is critical to the company's overall success and delivery of our strategy.

Pleasingly, after a period of uncertainty, we had a 10-percentage point improvement in our employee engagement score from 57% in FY22 to 67% in FY23. There is still more work to be done but the momentum is positive.

Board and Management renewal

The significant renewal of the Board and Management team in FY23 has brought a diverse range of skills and experience to the business.

In September 2022, we welcomed Miles George as a Non-Executive Director. Following the AGM in November 2022, we also welcomed Christine Holman, John Pollaers, Dr Kerry Schott and Mark Twidell as Non-Executive Directors.

It was an enormous honour and privilege for us to be appointed into our respective roles as Chair and Managing Director & CEO, and to have the opportunity to lead AGL at this pivotal time, supported by an expanded Board and renewed Management team.

Together, AGL's Board and Management team have navigated volatile and challenging energy market conditions as well as a complex energy transition to set AGL's future direction, which is aimed at enhancing long-term shareholder value while meeting community expectations.

Looking ahead

AGL will be a very different company over the next decade and will continue to transform as it has always done during its 185-year history.

With our strategy, purpose, values and highly experienced Board and Management teams in place, we're well positioned to play a leading role in Australia's energy transition. The challenge is significant, but the opportunities are enormous, and the positive momentum we have now means that it's an exciting time for the Board, the leadership, and our people.

Thank you for your continued support.

Five Year Summary

Key financial metrics

		FY23	FY22	FY21	FY20	FY19
Income						
Revenue	$m	14,157	13,221	10,942	12,160	13,246
Underlying EBITDA	$m	1,361	1,218	1,666	2,026	2,285
Underlying EBIT	$m	633	501	959	1,306	1,660
Statutory Profit/(Loss) after tax	$m	(1,264)	860	(2,058)	1,007	905
Underlying Profit after tax	$m	281	225	537	808	1,040
Financial position						
Total assets	$m	15,238	19,270	15,450	14,607	14,821
Net debt	$m	2,711	2,662	2,997	2,723	2,600
Gearing (net debt/net debt + equity)	%	34.9	29.2	35.1	25.3	23.5
Cash flow						
Sustaining capital expenditure	$m	508	460	534	507	551
Growth and transformation capital expenditure	$m	121	186	173	178	388
Operating cash flow before significant items, interest and tax	$m	1,013	1,498	1,606	2,476	2,013
Cash conversion	%	74	123	96	122	88
Cash conversion excluding margin calls and rehabilitation	%	86	112	100	100	97
Shareholder value						
Statutory earnings per share	cents	(187.9)	131.6	(330.3)	157.2	138.0
Underlying earnings per share	cents	41.8	34.4	86.2	126.1	158.6
Dividends declared	cents	31.0	26.0	75.0	98.0	119.0
Payout ratio	%	75.0	75.0	87.0	75.0	75.0
Return on capital invested	%	5.7	4.8	7.6	8.6	10.7
Return on equity	%	4.9	3.7	8.1	10.0	12.5

Key operating metrics

		FY23	FY22	FY21	FY20	FY19
Total services to customers	million	4.271	4.215	4.208	3.954	3.708
Customer churn	%	14.2	15.6	14.3	14.3	17.6
Pool generation volume	TWh	36.9	40.8	41.1	43.8	43.7
Customer demand: Electricity	TWh	38.2	39.0	40.6	40.3	39.2
Customer demand: Gas	PJ	131.4	153.1	158.4	155.5	167.1
Wholesale electricity prices (realised spot generation)	$/MWh	134.0[1]	115.0	58.0	75.2	103.1
Fuel costs	$/MWh	(23.3)	(20.2)[2]	(20.8)	(23.1)	(24.3)
Operating costs and capital expenditure	$m	(2,233)	(2,142)	(2,326)	(2,336)	(2,487)

1. Refer to Operating & Financial Review - Section 6.2 Electricity Portfolio - Net Portfolio Management for further information.
2. FY22 comparative has been restated to reclass directional services from generation running costs to fuel costs.

Business Value Driver key performance indicators

For more information about each key performance indicator, refer to the scorecards in Section 3.2. The key performance indicators should also be read in conjunction with the Glossary to the Business Value Drivers on page 186.

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Five Year Summary

		FY23	FY22	FY21	FY20	FY19
Customers						
Strategic Net Promoter Score (NPS)		+5	+6	+5	+2	-11
Ombudsman complaints		5,012	4,873	5,973	7,731	11,138
Number of customers on Staying Connected		18,889	15,964	26,263	28,051	30,083
Average level of debt of customers on Staying Connected	$	2,578	2,973	2,768	2,293	2,301
Total average debt across mass market customer portfolio	$	386	241	292	319	331
Green revenue as a % of total revenue	%	17.5	15.3	13.4	11.5	10.8
Increase in green revenue from FY19	%	73	41	NR	NR	NR
Decentralised assets under orchestration	MW	316[1] 1,139[2]	215[1]	130[1]	72[1]	NR
Assets						
New renewable and firming capacity	MW	478	NA	NA	NA	NA
Controlled renewable and battery capacity	%	29.7	24.2	23.0	22.5	19.6
Grid-scale batteries installed and managed	MW	130	30	30	30	NR
Total grid-scale batteries operated, contracted or in delivery	MW	430	NR	NR	NR	NR
Equivalent Availability Factor - all fleet	%	76.8	74.5	73.7	76.9	78.4
Equivalent Availability Factor - thermal and gas generation fleet	%	74.6	NR	NR	NR	NR
People						
TIFR employees		2.4	1.5	1.7	2.6	2.1
TIFR (employees + contractors)		2.8	2.1	2.3	3.3	3.6
Fatalities (employees + contractors)		0	0	0	0	0
Employee engagement	%	67	57	62	73	68
Attrition (total workforce)[3]	%	13	20	10	9	12
Key talent retention	%	83	76	95	98	80
Gender mix in senior leadership pipeline	% female	33	35	36	38	38
Material breaches of Code of Conduct		0	0	0	0	0
Relationships						
Community contribution	$m	4.8	3.8	5.2	4.3	4.5
RepTrak score		65.6	65.8	66.7	68.3	61.4
Underlying effective tax rate	%	26.7	23.2	27.0	28.3	29.1
Environment						
Operated Scope 1 & 2 emissions	$MtCO_2e$	35.2[4]	40.1	40.8	42.7	43.2
Reduction in operated Scope 1 & 2 emissions compared to FY19 baseline	%	18.5[4]	NR	NR	NR	NA
Controlled generation intensity	tCO_2e/MWh	0.917[4]	0.938	0.949	0.934	0.946
Emissions intensity of total revenue	$ktCO_2e/\$m$	2.5[4]	3.0	3.7	3.5	3.3
Environmental Regulatory Reportable incidents		30	13	11	9	12
Business Intelligence						
Digitally active services to customers	%	57.8	53.8	50.4	43.7	NR
Digital only customers	%	52.7	NR	NR	NR	NR
Major IT incidents		34	50	52	33	47
Reportable privacy incidents		3	1	0	1	0

1. Excludes smelters
2. Includes smelters
3. Historical data has been restated to reflect a change in methodology for calculating attrition based on headcount rather than FTE.
4. Data is based on material emission sources and estimates for non-material sources; this will be updated later in the year and may change.

NR: Not reported

Operating & Financial Review

For the year ended 30 June 2023

1. About AGL

Proudly Australian for over 185 years, AGL supplies energy and other essential services to residential, small and large businesses and wholesale customers. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, move and work.

AGL operates the largest electricity generation portfolio within the National Electricity Market (NEM) of any ASX-listed company. Our portfolio comprises 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 one of Australia's leading private investors in renewable energy to now be a leader in the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

Our purpose and values

In April 2023, AGL adopted new company values (**Bring on tomorrow**; **Can do. Will do**; and **Be safe. Be supportive**) and a new purpose: **Powering Australian life**. Our purpose reflects our commitment to provide reliable, sustainable and affordable energy solutions for millions of homes and businesses as we play our role in Australia's energy transition. At an enterprise level, AGL's purpose provides our company, our Directors and our employees and contractors with the foundations for actions and, together with our values, guides our thinking and decision-making so that we continue to perform and deliver for our customers, communities and other stakeholders.

Principal activities

The principal activities of AGL as of the reporting date comprised the operation of energy businesses and investments, including electricity generation, gas storage, the sale of electricity and gas to residential, business and wholesale customers, and the retailing of broadband and mobile services.

Operating segments

AGL manages its business in three key operating segments:

- **Customer Markets** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at transfer prices that reflect wholesale energy costs in each state, along with other energy costs such as those arising from environmental schemes. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.
- **Integrated Energy** operates AGL's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects. Integrated Energy runs a large trading operation to manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, gas offtake agreements and associated portfolio of energy hedging products.
- **Investments** comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe, Ovo Energy Australia Pty Ltd and other investments.

Refer to Section 5 for further details and financial performance information for each operating segment, and for centrally managed expenses.

Our Purpose is centred on

Powering Australian Life

At AGL, we believe energy makes life better. That's why we're passionate about powering the way Australians live, move and work.

Bring on tomorrow.

Seize the opportunity. The work we do today impacts the Australia we leave for future generations. We don't have all the answers. But through continuous improvement and working together, we'll uncover opportunities that make history. For all of us. Bring it on.

Can do. Will do.

Make things happen. We show up with a positive attitude. We're resilient, confident, and flexible in the way we work. Combine this with our expertise and insight, we always deliver. For ourselves, each other, and our customers.

Be safe. Be supportive.

Be a good human. Upholding a safe environment at work is on all of us. So we back ourselves and we back each other. Creating a culture where everyone feels included, heard and safe, every day.

1.1 Our operations

The map below shows the energy assets which we operate or invest in as of 30 June 2023. The Traditional Owners of the lands on which we work are identified on the map in our Reconciliation Action Plan, available on our **website**. We acknowledge those communities' continuing connections to their lands, waters and cultures and pay our respects to their Elders past and present.

4.3m Total services to customers (excluding ActewAGL)	**3,881** Number of employees (headcount)	**3,735** Number of employees (FTE)	**8,735 MW** Operated generation capacity

∆ Assets owned by Tilt Renewables.
* Projects funded / owned by other parties. Moranbah Gas Project JV is 50% owned by AGL.
Map reflects assets as at 30 June 2023. Generation assets operated or controlled by AGL which have an installed capacity of less than 50 MW are not shown on this map.
Torrens Island A Station is currently in the process of being decommissioned.
Torren Island B Station remains operational.

2. Strategy

During FY23, AGL announced significant updates to our strategic direction and targets in September 2022 and June 2023.

AGL will play our role in Australia's decarbonisation journey by connecting our customers to a sustainable future and transitioning our energy portfolio.

AGL is taking action to accelerate Australia's transition to a lower carbon future. We are targeting an exit from coal-fired generation by the end of FY35, and have an ambition to supply ~12 GW of new renewable and firming capacity before 2036, with an interim target of ~5 GW by 2030. Our commitment to responsibly reshape our future energy portfolio represents one of the most significant decarbonisation initiatives in Australia.

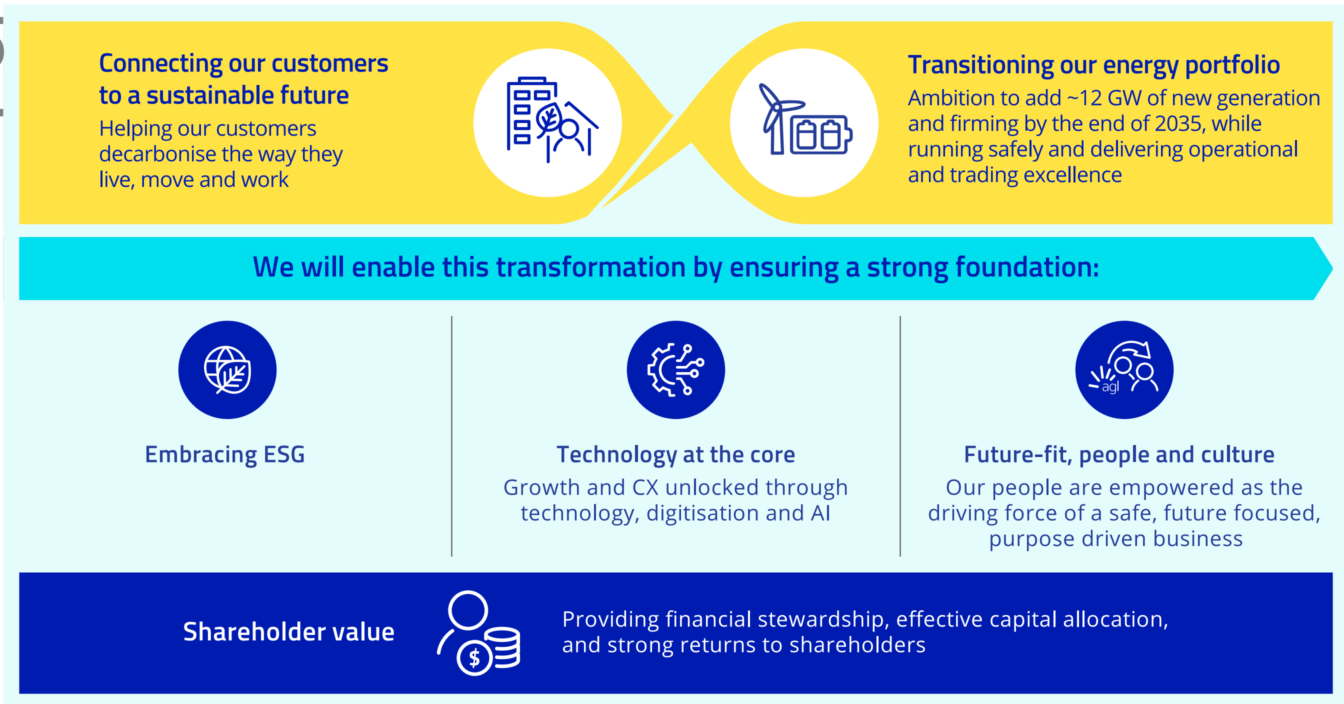
We are progressing our plans to curate a demand-driven generation and firming portfolio to meet projected growth in electricity demand in the most cost effective and low risk manner. We also have an unwavering focus on continuing to ensure the availability, reliability and flexibility of our thermal asset fleet for the remainder of their operational lives. We are advancing our plans to repurpose our thermal generation sites into low-carbon energy hubs in the Hunter, Latrobe Valley and Torrens Island, connecting industrial partners into a circular economy at the sites. Further information on our asset transition plans, development pipeline, and energy hub progress, is available in the Assets scorecard.

We are also committed to helping our customers decarbonise the way they live, move and work. Our Customer Markets strategy focuses on three areas: strengthening our core business while supporting our customers; capturing growth in new value pools particularly those arising from decarbonisation and electrification; and leveraging technology and digital to unlock efficiency and growth through retail transformation. Through execution of this strategy we intend to be well positioned to capture the projected increase in electricity demand through electrification, as well as future population growth in major capital cities as we shift the focus of our business model from being a commodity supplier to scaling "Energy as a Service," which includes asset orchestration, hardware provision, e-mobility solutions such as leasing and charging, decentralised energy, and asset monitoring and management. Further information is available in the Customer scorecard.

Our people are critical to our success, and we are committed to building the capabilities and culture required to deliver our strategy. We also recognise the important role of technology in unlocking growth, enhancing customer experience and strengthening our trading operations and risk management capabilities.

We are also focused on ensuring that ESG considerations are part of our decision making. During FY23, AGL's climate strategy was released through our inaugural **Climate Transition Action Plan** (CTAP). As well as key decarbonisation targets across a 12-year roadmap, the CTAP includes our commitment to continue to advocate for a responsible transition that balances energy reliability and affordability with the need to decarbonise, and our commitment to work with and support our people and communities through a responsible and orderly transition. The CTAP was endorsed by shareholders at the 2022 Annual General Meeting. A summary of the progress made against our CTAP commitments over FY23 is set out in our FY23 TCFD Report, available on our **website**.

We are also committed to embracing other aspects of AGL's ESG framework, and our ESG performance over FY23 is available in our Business Value Driver scorecards from page 19 and in our **ESG Data Centre**.



Capital allocation framework

Our refreshed capital allocation framework has been developed to drive disciplined allocation of capital to transition our customer and generation portfolios, while maintaining financial strength and flexibility to maximise future returns for our shareholders. Our principles comprise:

1. **Maintain strong credit profile:** Baa2 investment grade credit rating.
2. **Ongoing investment:** Continue to invest to strengthen and drive value from our core business to realise opportunities through the energy transition.
3. **Sustainable dividends:** Dividend payout ratio of 50-75% of Underlying Profit after tax, franked to extent possible.
4. **Capital Management:** Consider when appropriate, with all investments tested against additional returns to shareholders.

Investment proposition

AGL is well-positioned to be a leader in the energy transition and generate strong returns for our shareholders. Our investment proposition summarises our core business strengths as an integrated company and how we intend to leverage these to deliver future value:

Strong positive momentum in earnings and cashflow outlook underscored by our low-cost baseload generation position, flexible portfolio and development pipeline.

Leading energy retailer, large quality customer base to underpin investment in transition and capture new value from electrification

Disciplined capital allocation framework to deliver on the transition while maximising value and shareholder returns.

Opportunity to invest in the Australian energy transition with a clear strategic plan strongly supported by financial markets.

2.1 Strategic targets

At our Investor Day in June 2023, AGL announced ten strategic targets for FY27 which align with our transition plans. These targets replace the former suite of strategic targets for FY24 that were set in FY20 (FY24 targets). Performance against the key performance indicators that were previously the subject of FY24 targets is reported in the scorecards in Section 3.2 , however the targets themselves are no longer considered active.

Focus area	FY27 target	FY23 performance
Strategic Net Promoter Score (NPS)	+20	+5
Digital only customers	60%	52.7%
Improvement in Speed to market[1]	+80%	NA
Increase in green revenue from FY19[2]	85%	73%
Cumulative customer assets installed (behind the meter)[3]	300 MW	NA
Equivalent availability factor - thermal and gas generation fleet[4]	88%	74.6.%
New renewable and firming capacity[5]	2.1 GW[6]	478 MW[7]
Total grid scale batteries operated, contracted or in delivery	1.5 GW	430 MW[8]
Major industrial clients located on or connected to a hub[9]	6 - 8	NA
Decentralised assets under orchestration[10]	1.6 GW	1.1 GW

1. Improvement compared to May 2023 baseline.
2. Increase in AGL's revenue from green energy and carbon neutral products and services compared to FY19 baseline.
3. Installations completed from FY24 – FY27 inclusive.
4. Comprises Liddell, Bayswater and Loy Yang A coal-fired power stations, and Torrens Island B, Somerton, Barker Inlet and Kwinana Swift gas-fired power stations.
5. Measured as new firming and renewable capacity in construction, delivery or contracted from FY23 onwards.
6. Includes projects contracted or in delivery from FY23. Excludes projects that were already operational during FY23.
7. Comprises Torrens Island Battery (250 MW) and Broken Hill Battery (50 MW), both under construction during the period, and Rye Park Wind Farm PPA (178 MW). Does not include the 14 MW upgrade currently underway at Clover Power Station (hydro).
8. Comprises 130 MW of operational batteries as well as Torrens Island Battery (250 MW) and Broken Hill Battery (50 MW), both under construction during the period.
9. From FY24.
10. Includes smelters.

2.2 Management of strategic risks

AGL is committed to ensuring that risk management practices are embedded into all business processes and operations in order to drive consistent, effective and accountable action, decision-making and management practices. The Board has adopted a Risk Management Policy that sets out AGL's objectives for risk management and clearly articulates the responsibilities of all AGL's people in relation to the management of risks.

AGL's 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 our 2023 Corporate Governance Statement at **agl.com.au/corporategovernance**. Through this program, we identify factors that are critical to the successful delivery of our strategy and our ability to continue creating value into the future.

AGL's Statement of Risk Appetite, which was last approved by the Board in June 2023, supports our commitment to optimising risk management practices in pursuit of AGL's strategic priorities.

AGL undertakes a comprehensive process throughout the year to identify, monitor, assess and report on the key risks to achieving our strategic priorities over the medium term to long term. We define these as Tier 1 Strategic Risks. Risk mitigation strategies are in place for each of these risks, and the risks have been overseen throughout FY23 by AGL's Audit & Risk Management Committee.

2.2.1 FY23 Tier 1 Strategic Risks

AGL is subject to a broad range of risks reflecting our ownership and operation of critical infrastructure, as well as being one of Australia's largest providers of essential services. Various aspects of the Australian energy system, and subsequently of AGL's business operations, have material strategic and operational risks, with the energy industry continuing to face significant challenges on numerous fronts over the past 12 months.

Delivery of our accelerated decarbonisation and transition strategy (as outlined above) creates new risks for AGL, and for AGL to be successful, will require new capabilities, access to sufficient capital, strong social licence, and support from various stakeholders. AGL's ability to achieve our strategic objectives may also be affected by factors outside of our direct control, including timely access to required licences, permits, and transmission network connections, constraints on key capabilities across the labour market and market demand for limited global skillsets, as well as supply chain constraints associated with required equipment and materials.

While progressing our strategy, we continue to operate within a complex operating environment. The global and Australian economies continue to be impacted by inflationary pressures which are increasing the costs of doing business and creating affordability challenges for our customers. While wholesale energy prices have moderated from the very high prices experienced in late 2022, they remain higher than historical averages, and across FY23 have been highly volatile. Our ability to effectively manage changing and volatile energy pricing is key to delivering on our strategic objectives and earnings outlook.

In addition to contributing to the current inflationary outlook, geopolitical events are also exacerbating an already heightened threat landscape relating to cyber security. While AGL has systems in place to protect, detect, contain and respond to cyber-attacks and information security threats, the nature and sophistication of cyber threats continue to evolve.

Technology is also evolving at a rapid rate, creating both opportunities and threats for AGL. To deliver on our strategy to lead the energy transition, we need to continue to invest in enhancing and protecting our core business, while harnessing new and emerging generation technologies and electrification-related value pools.

As a key contributor to AGL's earnings, the safe and reliable operation of our key generation plants will continue to be critical, both for AGL's ongoing financial performance and to fund our decarbonisation strategy; and for the NEM more broadly in supporting reliable and affordable energy during Australia's energy transition. AGL continues to focus on thermal asset safety, reliability and flexibility.

As a result of the complex environment AGL is currently operating within, the majority of AGL's strategic risks remain elevated. The key changes identified in AGL's strategic risk profile over FY23 are as follows:

- The **Organisational Culture and Capability** risk has reduced, reflecting the increased clarity of AGL's strategic direction, new purpose and values, and finalisation of key Board and management appointments.
- The **Investment Planning and Execution** risk has increased recognising that delivering on our strategy to be a leader in the energy transition and execute our decarbonisation pathway is a significant and complex task.

The Tier 1 Strategic Risks for FY23 are summarised in the following table.

Tier 1 Strategic Risk	Mitigation approach	Relevant Business Value Driver
Climate change response:		
AGL is unable to meet expectations and/or deliver on its strategy and commitments to be a leader in the energy transition to a low carbon future within targeted timeframes.	• Through our strategy, AGL is focused on the accelerated closure of our coal plants and the development of a significant investment pipeline of options for new renewable and firming generation. Mid-term targets for this new renewable and firming generation have been announced, and detailed plans to meet these targets have been developed. • AGL proactively engages with government, communities, employees and our broader stakeholder groups on matters relevant to this portfolio transition, including in relation to asset closures, rehabilitation and our proposed energy hubs which will help to create the energy industry of the future. • AGL is also committed to helping our customers to connect with a sustainable future through the provision of a wide range of decarbonisation and electrification products and services. • AGL has published a Climate Transition Action Plan (CTAP), which includes further information on our approach to decarbonisation. The CTAP was supported by shareholders at the 2022 Annual General Meeting. We report annually on our progress against the commitments included in the CTAP (refer to our **FY23 TCFD Report**).	$
Unfavourable government intervention:		
AGL is not able to effectively anticipate, plan or respond to changing government policy.	• AGL actively contributes to the ongoing development of government policy in areas relevant to our business, including through participation in public forums and the submission of formal responses to government policy enquiries. Through this involvement, AGL seeks to influence policy change to deliver balanced outcomes that consider the interests of all of AGL's stakeholders (including our customers and shareholders), guided by our Values and Purpose. • AGL also directly engages with a range of stakeholders that may be involved in the development of government policy to understand and provide input into likely future government policy direction.	$
Wholesale market pricing and earnings volatility		
AGL is unable to effectively manage the impact of wholesale electricity price change and earnings or cashflow volatility.	• AGL has in place rigorous governance processes to manage financial risk exposures within the limits set by the Board, and in accordance with a Trading Risk policy that is approved by the Board. • AGL proactively manages earnings volatility through our hedge position, which takes into account our current and future generation portfolio mix, as well as other factors such as plant outages and anticipated market shifts. • AGL has a robust program of market monitoring and analysis, including stress testing against adverse scenarios.	$
Regulatory intervention:		
AGL is not able to effectively anticipate or plan for regulatory intervention, or added restrictions and diversion of resources put wider business objectives at risk.	• AGL actively contributes to regulatory discussions and developments by regularly engaging with regulators, jurisdictional and governmental bodies. AGL seeks to influence regulatory change to deliver balanced outcomes that consider the interests of all of AGL's stakeholders (including our customers and shareholders), guided by our Values and Purpose. • AGL participates in industry consultations to contribute to the direction of future regulatory reforms.	$

Tier 1 Strategic Risk	Mitigation approach	Relevant Business Value Driver
Stakeholder trust:		
AGL's strategy to deliver on its social licence to all stakeholders is unclear, inconsistent, and/or poorly executed.	• AGL proactively engages with various stakeholder groups, including customers, shareholders, investors, governments and regulatory bodies, and communities in which we operate to understand the key social licence risks and opportunities, and also where focus is required to meet and exceed rising community expectations. • A dedicated Board Committee oversees safety and sustainability. The Committee receives regular reporting on issues impacting AGL's social licence. • AGL engages with key stakeholders prior to seeking relevant approvals for our development and operational activities, and this engagement continues through the life of the project and during operations.	
Cyber Security and Resilience:		
AGL's critical systems, platforms, technology infrastructure and core business and operational processes are compromised or unacceptably disrupted by a cyber, vendor or internal event.	• AGL manages our information and technology assets and systems in alignment with the Australian Energy Sector Cyber Security Framework, along with other relevant international frameworks. • AGL operates key cyber security capabilities including monitoring and defence, network security, identity and access management. AGL people are regularly trained on relevant cyber risks. • AGL continues to invest in security capabilities, processes and measures to protect critical infrastructure, assets and data. AGL proactively manages cyber risk to limit the likelihood of inappropriate access to systems and data, and to limit the impact of cyber security incidents through preparation and rapid response capabilities. • AGL's information and technology environments are regularly reviewed and subjected to a program of testing, business continuity exercises, crisis management simulations and disaster recovery tests, which are supported by external experts. • AGL's Audit & Risk Management Committee receives regular updates on cyber risk management and business resilience.	$
Organisational Culture and Capability:		
AGL is unable to foster a resilient, responsive, future-focused and purpose- driven organisation that is built on strong and ethical behaviours, talented people, a focus on health and safety, and a customer-centric mindset.	• During FY23, AGL announced the appointment of a permanent CEO and CFO, AGL's new strategy and a refreshed purpose and values, which have provided greater clarity of direction for AGL. • AGL has frameworks in place to attract, retain and develop our people to support our strategy. For example, targeted leadership development programs and operational workforce transition initiatives are in place. • AGL continues to prioritise the safety of our people, with ongoing focus on our Serious Injury and Fatality (SIF) prevention program, critical control verification and psychological safety risk assessment and management. • Recognising that AGL's new strategy will require both new capabilities and additional resourcing in key areas, AGL has proactively assessed our future capability needs and has identified and prioritised capabilities required in the short, medium and longer term to deliver on our strategy.	

Tier 1 Strategic Risk	Mitigation approach	Relevant Business Value Driver
Resilience of Generation and Critical Infrastructure:		
AGL is unable to generate and maintain a resilient and flexible energy supply from generation assets and related critical infrastructure.	• Throughout AGL's transition of our generation fleet from thermal assets to renewable and firming assets, the reliability and flexibility of our coal plants will remain a significant focus. AGL continues to invest in the ongoing reliability and flexibility of our coal assets, including operating the Loy Yang A and Bayswater power stations with reliable and flexible loads, investing capital appropriately to meet asset objectives through to end of life, and supporting plant capability and efficiency. • As part of AGL's portfolio rebuild, we are pursuing a detailed pipeline of firming and renewables development options, and we continue to seek contracting, partnership and acquisition opportunities.	
Investment Planning and Execution:		
AGL's major investments do not deliver on their intended benefits, announced timeframes or outcomes for shareholders, customers and the community.	• AGL has in place a disciplined capital management process including a recently updated dividend policy, and a robust investment governance framework for capital allocation and investments, with expected returns to shareholders considered for all potential investments assessed. • AGL engages with the community and other key stakeholders on relevant development opportunities to understand expectations and the key risks and opportunities involved with those opportunities.	
Retail Market Disruption:		
AGL does not adequately or appropriately identify and respond to changing customer or operating environment needs and expectations; or does not effectively harness new technologies, products or services that support these changing needs and expectations.	• AGL actively monitors new and emerging technologies, products and business models with a view to meeting future customer demand and increasing customer expectations. For example, AGL is pursuing opportunities in electrification services including EVs and EV charging, hot water, heating and cooling, distributed energy resources (DER), asset monitoring and management. • AGL continues to support our customers, particularly in the current affordability and cost of living environment, and has recently committed to a minimum of $70 million towards national customer support programs over the next two years.	
Compliance and Privacy:		
AGL fails to comply with laws, regulations or other commitments made, including its privacy and environmental obligations.	• AGL is committed to complying with all applicable laws and regulations, and has in place a robust enterprise-wide compliance framework to manage our compliance requirements, including those related to privacy.	
Access to Gas:		
AGL is unable to source sufficient quantities of gas to meet its future demand.	• AGL proactively contracts competitive gas supplies to firm up our short, medium and longer term gas position to meet gas supply demands.	

Further information in relation to AGL's climate-related risks is available in our **FY23 TCFD Report**, including transition risks (arising from the changes to systems and business functions which are necessary to address climate change) and physical risk.

3. Key Operating Metrics and Business Value Drivers

The following sections summarise the performance of AGL's business during FY23. Performance is considered through two dimensions:

- **Key Operating Metrics** – These performance measures have a direct influence on AGL's FY23 financial performance. The six key operating metrics comprise:
  - Customer numbers and churn;
  - Customer energy demand;
  - Wholesale electricity prices;
  - Generation volumes;
  - Fuel costs; and
  - Operating costs and capital expenditure.
- **Business Value Drivers** – These performance measures are critical to long-term value creation, however may have a less direct relationship to annual performance, and/or may influence financial performance over the longer term. The performance measures are divided into scorecards for each of AGL's identified Business Value Drivers.

3.1 Key Operating Metrics performance

3.1.1 Customer numbers and churn

Total services to customers increased 1.3% to 4.271 million, from 4.215 million as at 30 June 2022. This increase of 56,000 was driven by strong growth in telecommunication and gas services, with a slight decrease in electricity services due to increased competition and churn in the second half of the year.

Consumer Electricity services decreased by 4,000 in a challenging market with New South Wales, South Australia and Queensland decreasing by 25,000, partly offset by growth of 21,000 services in Victoria. Consumer Gas services increased by 14,000 services, with growth of 10,000 services in Victoria and 13,000 services in Western Australia, whilst New South Wales decreased by 12,000 services and the remaining states were relatively flat to FY22.

Total Telecommunication services increased 18.7% to 292,000 due to continued growth in mobile and internet plans.

Services to customers	FY23 ('000)	FY22 ('000)
Consumer Electricity	**2,439**	2,443
New South Wales	**890**	908
Victoria	**758**	737
South Australia	**356**	361
Queensland	**435**	437
Consumer Gas	**1,524**	1,510
New South Wales	**606**	618
Victoria	**592**	582
South Australia	**139**	136
Queensland	**88**	88
Western Australia	**99**	86
Total Consumer energy services	**3,963**	3,953
Dual fuel services	**2,314**	2,304
Average consumer energy services	**3,979**	3,963
Total Large Business energy services	**16**	16
Total energy services	**3,979**	3,969
Total Telecommunication services	**292**	246
Total services to customers[1]	**4,271**	4,215

1. Excluding approximately 310,000 services to ActewAGL customers.

Market churn rose sharply in the first quarter due to the impact of higher wholesale prices, price changes and Retailer of Last Resort (RoLR) events with churn stabilising across the remainder of the year. AGL churn remains lower than Rest of Market due to strong customer retention in the second half of the year and improved customer experience. AGL churn was 14.2% (an improvement of 1.4 ppts from 15.6% at 30 June 2022), and Rest of Market churn was 18.7% (an improvement of 0.9 ppts from 19.6% at 30 June 2022). The gap between AGL and Rest of Market was 4.5 ppts, an improvement from 4.0 ppts at 30 June 2022.

3.1.2 Customer energy demand

Total electricity customer sales volumes were 38,150 GWh, down 806 GWh or 2.1%.

- Consumer customer electricity sales volumes were 14,537 GWh, up 166 GWh or 1.2%, due to increased average demand as a result of favourable change in customer mix.
- Large Business customer electricity sales volumes were 10,306 GWh, down 237 GWh or 2.2%, primarily driven by market competition in South Australia.
- Wholesale customer electricity sales volumes were 13,307 GWh, down 735 GWh or 5.2%, driven by lower consumption from AGL's existing customer base in Victoria as well as the re-contracting of Alcoa at lower volumes.

Customer energy demand	FY23 GWh	FY22 GWh
Consumer customers electricity sales	**14,537**	14,371
Large Business customers electricity sales	**10,306**	10,543
Wholesale customers electricity sales	**13,307**	14,042
Total customer electricity sales volume	**38,150**	38,956

Total gas customer sales volumes were 131.4 PJ, down 21.7 PJ or 14.2%.

- Consumer customer gas sales volumes were 54.5 PJ, up 0.4 PJ or 0.7%, with an increase in average customer base compared to prior year, in addition to higher average demand due to colder weather.
- Large Business customer gas sales volumes were 16.4 PJ, down 1.5 PJ or 8.4%, primarily in Victoria and Queensland as a result of limited supply of gas, partly offset by growth in Western Australia.
- Wholesale customer gas sales and internal gas volumes for power generation were 60.5 PJ, down 20.6 PJ or 25.4%, primarily driven by the roll-off of wholesale customer volumes from AGL's existing customer base and lower internal consumption of gas volumes used for power generation in South Australia.

	FY23 PJ	FY22 PJ
Consumer customers gas sales	**54.5**	54.1
Large Business customers gas sales	**16.4**	17.9
Wholesale customers gas sales and generation	**60.5**	81.1
Total customer gas sales volume	**131.4**	153.1

3.1.3 Wholesale electricity prices

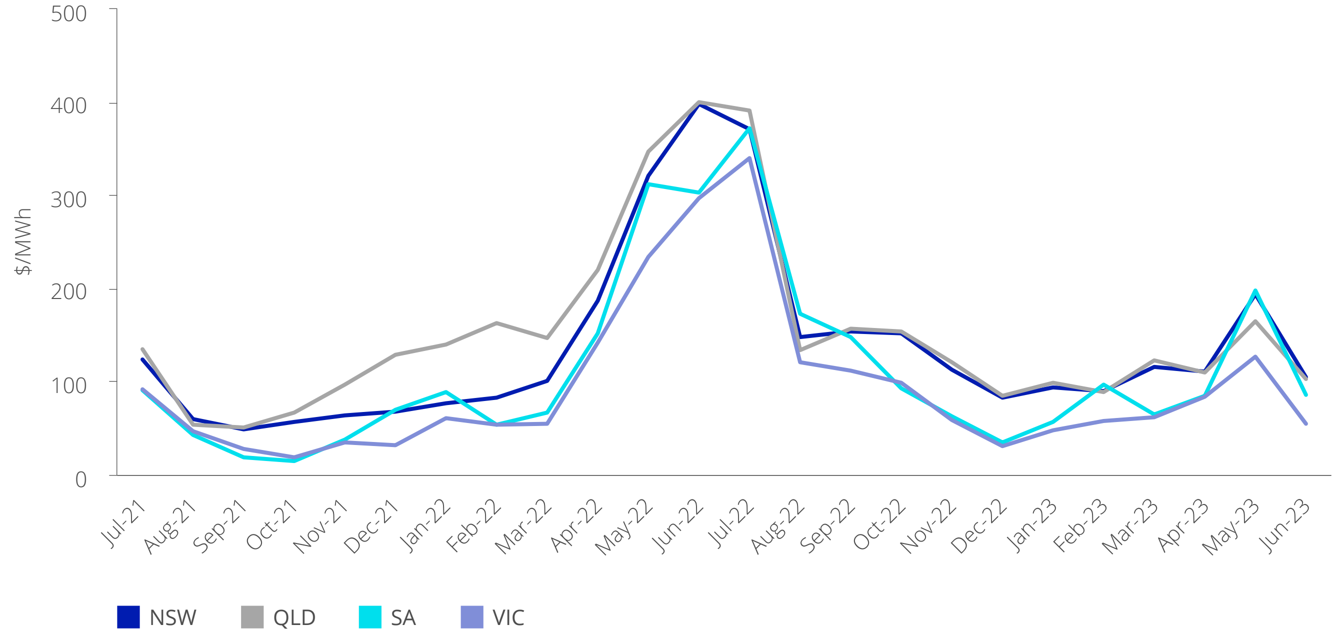
Wholesale electricity spot prices were higher in New South Wales and Victoria across the current year compared with the previous year whilst Queensland and South Australia electricity spot prices were higher in the first half of the year and lower in the second half of the year.

The increase was more pronounced towards the beginning of FY23, particularly in July 2022, due to various factors including the impact of higher international coal and gas prices, overall supply chain delays due to ongoing COVID-19 impacts and flooding affecting coal supply in the Hunter Valley. Wholesale electricity prices were also impacted by the market suspension declared in June 2022, when AEMO intervened in the NEM spot market in response to sustained high prices, initially triggering administered pricing followed by market suspension in response to challenges in market operation.

Towards the end of calendar year 2022 spot prices decreased driven by increased renewable generation, with rooftop and commercial solar increasing generation capacity, as well as the Federal Government price cap intervention in domestic coal and gas markets, setting a price of $12/GJ on gas and $125/tonne on coal announced in December 2022. Electricity forward curves have reduced since the introduction of these caps, especially in New South Wales and Queensland.

AGL's generation assets are exposed to the changes in electricity spot prices. This exposure is hedged with customer load and financial derivatives. Customer contracted prices in FY23 were higher than FY22 in all states except Victoria. AGL's practice of resetting prices to consumer customers annually on a rolling forward curve and re-contracting Large Business customer contracts and derivatives on a two to three year forward time frame, means the current higher prices will translate into higher contracted prices in the future.

Wholesale electricity prices (AEMO spot prices)



3.1.4 Generation volumes

Generation sold to the pool decreased by 9.4%, driven by the staggered closure of the Liddell Power Station with the first generating unit closing in April 2022 and the remaining three units in April 2023. The reduction in generation was also impacted by the Unit 2 and other outages at AGL Loy Yang. Bayswater Power Station was operated more flexibly during periods of lower demand and to support more stable Liddell Power Station running as the units approached closure. Lower Gas generation was mainly due to market conditions in South Australia whilst higher Renewable generation at the Victorian hydroelectric power stations was driven by significant rainfall in the region, partly offset by lower wind generation due to outages at Macarthur Wind Farm located in Victoria.

Pool generation volumes	FY23 GWh	FY22 GWh
AGL Macquarie (Bayswater Power Station)	**12,916**	13,574
AGL Loy Yang Power Station	**12,418**	13,417
AGL Macquarie (Liddell Power Station)	**5,020**	7,336
Gas generation	**1,217**	1,457
Renewable generation	**5,366**	4,971
Total pool generation volumes	**36,937**	40,755

3.1.5 Fuel costs

Total fuel costs for the electricity generation portfolio were $(861) million, up 4.6%.

- Coal costs were $(693) million, up 7.1%. On a per MWh basis, costs increased by $4.0 per MWh or 21.3%, due to increased purchase of coal at higher spot market prices, and contracted supplier and Enterprise Agreement wage escalation at the Loy Yang Mine. This was partly offset by higher coal volumes procured from lower cost legacy supply contracts compared to the prior year.
- Gas fuel costs were $(168) million, down 4.5%. On a per MWh basis, costs increased by $17.2 per MWh or 14.2%, due to higher gas costs particularly in Victoria, as gas generation increased in response to higher pool prices in the first quarter of the year and managing AGL's position as part of the major outage of Unit 2 at AGL Loy Yang resulting in higher market prices.

Generation fuel costs	FY23 $m	Restated FY22 $m	FY23 $/MWh	Restated FY22 $/MWh
Coal	**(693)**	(647)	**(22.8)**	(18.8)
Gas[1]	**(168)**	(176)	**(138.0)**	(120.8)
Total generation fuel costs	**(861)**	(823)	**(23.3)**	(20.2)

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.

Total wholesale gas costs were $(1,377) million, down 4.8% mainly driven by lower demand and lower haulage costs. On a per GJ basis, costs increased by $1.1 per GJ or 11.7% driven by international events impacting gas prices.

Wholesale gas costs	FY23 $m	FY22 $m	FY23 $/GJ	FY22 $/GJ
Gas purchases	**(1,051)**	(1,104)	**(8.0)**	(7.2)
Haulage, storage & other	**(326)**	(342)	**(2.5)**	(2.2)
Total wholesale gas costs	**(1,377)**	(1,446)	**(10.5)**	(9.4)

3.1.6 Operating costs and capital expenditure

Total operating costs (excluding depreciation and amortisation) were $(1,604) million, up 7.2%, driven by inflationary pressures, increased net bad debt expense due to higher revenues, increased costs to maintain plant availability across coal generation assets, integration costs and an uplift in cyber security spend. This was partly offset by ongoing cost management including labour efficiencies.

Operating costs	FY23 $m	FY22 $m
Customer Markets	**(536)**	(491)
Integrated Energy	**(762)**	(725)
Investments[1]	**(20)**	(21)
Centrally Managed Expenses	**(286)**	(259)
Total operating costs (excluding depreciation and amortisation)	**(1,604)**	(1,496)

1. Includes $(8) million (FY22: $(10) million) attributable to the 49% non-controlling interest in Ovo Energy Pty Limited.

Total capital expenditure was $629 million, a decrease of $17 million:

- Sustaining capital expenditure was $508 million, an increase of $48 million. This comprised of $328 million of expenditure on AGL's coal-fired plants, down $14 million, due to the absence of a major outage at Bayswater Power Station and partly offset by the AGL Loy Yang Unit 2 rotor overhaul and decoupling project at AGL Macquarie. Other sustaining capital expenditure has increased through the Retail Transformation program in Customer Markets, roll-out of the Consumer Data Rights regulatory program and digital enhancements.
- Growth and transformation capital expenditure was $121 million, a decrease of $65 million, due to lower milestone payments on the construction of the Torrens Island Battery project and the completion of the Multi Product Retailer program.

Capital expenditure	FY23 $m	FY22 $m
Customer Markets	**105**	77
Integrated Energy	**498**	538
Centrally Managed Expenses	**26**	31
Total capital expenditure	**629**	646
Sustaining	**508**	460
Growth and transformation	**121**	186
Total capital expenditure	**629**	646

3.2 Business Value Driver performance

A summary of our performance in relation to each of AGL's Business Value Drivers is provided in the following sections. Time series data for the Business Value Driver key performance indicators as well as performance data for an extended range of non-financial metrics is available in the **ESG Data Centre.** The key performance indicators included in each scorecard should be read in conjunction with the Glossary to the Business Value Drivers on page 186.

Key performance indicators that are linked to the FY23 remuneration outcomes for the CEO and key management personnel are also identified as outlined in the legend below.

Legend KPI linked to FY23 remuneration outcomes for CEO and key management personnel

Customers

We are focused on strengthening our customer relationships through a range of innovative initiatives which deliver value for our business and improvements for our customers. AGL supports around 4.3 million customer services across energy and telecommunications translating to approximately 30% of households in the national electricity market. The fundamental strengths of our business continue to be our large quality customer base, leading brand, strong operating discipline and deep energy expertise.

As we navigate the multi-decade journey of the energy transition, we are actively balancing the need to support our customers facing cost of living pressures, including rising energy price rises, and the investment required to support our customers to transition to a net zero future.

Solutions to meet customer needs

A critical way to enhance our relationship with our customers and grow trust is through the development of products and services that meet and respond to their changing needs. AGL has maintained a positive level of customer advocacy for the fifth consecutive year, with our Net Promoter Score at +5 for FY23, despite rising energy prices and a highly competitive market. Our strong and loyal customer relationships are further demonstrated by our energy consumer churn which is 4.5 percentage points lower than the rest of market.

In FY23 we increased our investment in retail transformation to simplify and streamline our business processes and the way we engage with our customers. AGL has the highest rated mobile application among our peers in Australia on the App store and this year added self service capabilities, including digital disconnection and direct debit, to simplify service access and improve the time taken to resolve customer queries. We also offer a wide range of products and solutions to help customers lower costs and decarbonise their lifestyle, as set out in the following section.

We have placed a strong emphasis on ensuring that customer issues are addressed promptly and effectively. AGL has the least consumer electricity customer complaints of any Tier 1 retailer[1]. In FY23, Ombudsman complaints increased by 3% against FY22, which is the first time we have seen an annual increase since FY15. However, AGL continues to have lower overall Ombudsman complaints compared to our Tier 1 peers. The volume of Ombudsman complaints remained flat throughout the majority of the year, supported by continued focus on overall service improvement. We have begun to see the impacts of cost of living pressures through increased Ombudsman volume which we expect to continue into FY24.

	Target		FY23	FY22
Strategic Net Promoter Score (NPS)	FY27: +20	KPI linked to remuneration	+5	+6
Ombudsman complaints	-		5,012	4,873

Energy affordability and support for customers experiencing vulnerability

Energy affordability continues to be a major concern for Australians, particularly in the context of broader cost of living pressures. Increases in wholesale prices have been driven by major global energy challenges, including significant market volatility, increases in global fuel prices, geopolitical factors and supply disruptions. In response to this, AGL, along with other energy retailers, increased prices for customers on standing offers and variable market offers. We are acutely aware that these price increases are challenging for many customers. Our decision to increase prices for our market contract customers is based on a detailed consideration of a range of factors including wholesale prices, network charges, retail operating costs, customer affordability and the value we offer to our customers.

1. Per FY23 Q3 reporting cycle (AER and ESC).

To mitigate the impact of energy prices and to support customers experiencing vulnerability, AGL increased customer support funding over the next two years to at least $70 million. This will form part of a package of measures providing direct and indirect support to assist customers. The funding includes the provision of direct financial support to our Staying Connected customers through debt relief and bill credits of up to $400. Additionally, this funding will also help AGL improve energy literacy and accessibility, using advanced analytics to proactively identify and contact customers showing early signs of hardship, and building situational awareness for AGL's front line staff.

More broadly, AGL continues to provide a wide range of mechanisms to support customers who may be experiencing financial hardship or other vulnerability. These programs include:

- Payment support options such as payment plans, payment deferrals, monthly billing, and bill smoothing arrangements;
- Access to AGL's dedicated hardship programs which offer tailored assistance to customers experiencing financial distress and vulnerable circumstances, including protection from disconnection for non-payment;
- Dedicated family and domestic violence support to provide safe access to energy;
- Facilitating access to government support such as state energy concessions schemes, utility grants and rebate information;
- Energy efficiency advice and tools including AGL's Energy Coach, which provides helpful advice on reducing energy consumption to lower energy bills; and
- Additional protections for customers registered as requiring life support equipment at their premises.

The number of customers on the Staying Connected program increased by 18% in FY23. Customers are entering the hardship program earlier when compared to previous years. In FY23, AGL has continued to support Staying Connected customers with the delivery of $18 million of debt relief for customers participating in the program. This support allows customers to focus on paying towards their ongoing energy costs rather than the arrears, which has resulted in the average debt per Staying Connected customer reducing by 13% in FY23 to $2,578. The increase in total average debt across the mass market customer portfolio can be attributed to energy price increases and broader cost of living expenses.

	FY23	FY22
Number of customers on Staying Connected	18,889	15,964
Average level of debt of customers on Staying Connected	$2,578	$2,973
Total average debt across mass market customer portfolio	$386	$241

Decarbonised energy supply

We are committed to helping our customers decarbonise the way they live, move and work. During FY23, we have established and are scaling a range of initiatives to extend decarbonisation efforts for our residential customers:

- **Electrify Now:** During FY23 we launched Electrify Now, a first of its kind pilot for Australian energy retailers that provides personalised recommendations for customers on ways to electrify their home and meet their decarbonisation goals. Electrify Now is underpinned by advanced analytics utilising customers' own smart meter data to tailor recommendations based on their individual household energy needs and usage patterns. Since the pilot was launched in March 2023, we have presented over 6,500 customers with tailored decarbonisation recommendations for their homes.
- **Electric vehicles:** AGL's electric vehicle subscription program is now the largest of its kind in the country, growing in revenue by 38% since FY22. During FY23 we completed an ARENA-funded smart charging trial to test customer engagement, orchestration of residential electric vehicle charging and the impact on the grid. In June 2023 we also announced a new eMobility partnership with bp pulse. This partnership will launch in New South Wales where customers on AGL's EV home energy plan will be able to access a discounted rate for charging at bp pulse's public charging sites. Further propositions are planned to be rolled out across the future period.
- **Carbon Neutral:** AGL now provides 444,969 carbon neutral services across a suite of certified Climate Active products (up from 391,558 in FY22), including more than 150,000 carbon neutral gas and electricity services.
- **Demand response and orchestration:** We are currently operating 316 MW of Decentralised Assets Under Orchestration, excluding smelters, and 1,139 MW including smelters. This includes our Peak Energy Rewards program, which is one of the largest flexible demand response programs in the country and has been expanded to over 120,000 customers. During FY23 we also commenced hot water orchestration trials that are generating interest from our customers and have the potential to provide significant flexible capacity.

AGL continues to be an industry leader in relation to providing products and services to our commercial and industrial customers and are progressing on scaling our Energy as a Service (EaaS) solutions, providing integrated offerings across energy solutions, asset management, orchestration and asset financing. We continue to be the largest solar provider in the country, delivering three times more commercial solar capacity than the nearest competitor over FY23.

	Target	FY23	FY22
Green revenue as a % of total revenue[1]		17.5%	15.3%
Increase in green revenue from FY19[2]	FY27: +85%	73%	41%
Decentralised assets under orchestration (including smelters)	FY27: 1.6 GW	1,139 MW	1,038 MW
Cumulative customer assets installed (behind the meter)	FY27: 300 MW[3]	Not applicable	Not applicable

1. The percentage of AGL's total revenue derived from green energy and carbon neutral products and services.
2. Increase in revenue from green energy and carbon neutral products and services compared to FY19 baseline.
3. Installations completed from FY24 – FY27 inclusive.

Assets

AGL operates the largest electricity generation portfolio within the National Electricity Market of any ASX-listed company, with 8,735 MW installed generation capacity[1] as at 30 June 2023. Our operated assets exported 38.2 GWh to the grid[2], equivalent to around 20% of electricity generated in the NEM. We have a defined strategy which aims to deliver a responsible and accelerated exit from coal-fired generation and transition to a lower carbon future.

Our first key milestone was achieved in late April 2023 with the safe and respectful closure of Liddell Power Station after more than 50 years of operation. Bayswater Power Station will close between 2030-2033 (no later than 2033), and Loy Yang A Power Station is targeted to close by the end of FY35.

We are committed to transitioning our portfolio to support a lower carbon world, and will seek to supply our customers' energy demand by building and accessing ~12 GWof new renewable generation and firming capacity before 2036, with an interim target to have ~5 GW in place by 2030. We also recognise that the flexibility, availability and reliability of our current generation fleet will be crucial as we look to leverage strong operating cash flows from our low-cost generation position, to help fund the transition of our business.

Transitioning our energy portfolio

As we transition our energy portfolio, AGL plans to seek the most efficient way of sourcing the required energy and firming to supply our customer energy demand. As outlined to the market in June 2023, we will aim to meet this through a combination of self-development and external project options via partnerships and third-party offtakes.

During FY23 we continued our strong track record of developing renewable generation and energy storage projects:

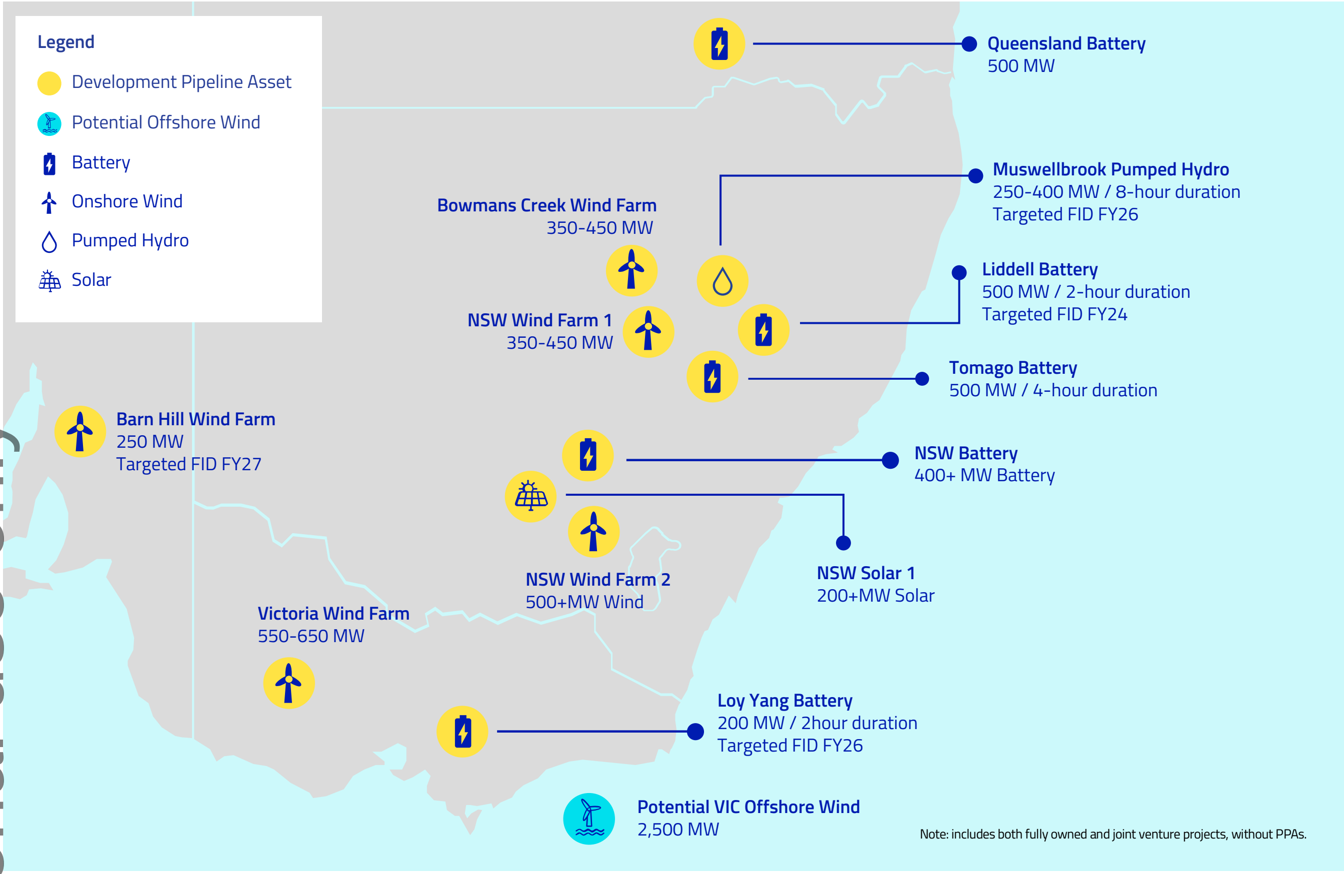
- **Projects under construction:** The Torrens Island Battery (250 MW) and the Broken Hill Battery (50 MW) are in the final stages of construction and commissioning, with both projects expected to be complete in H1FY24. In July 2022, we commenced a $40 million investment in modernising and upgrading the Clover hydro power station to increase the output capacity of the Kiewa Hydro Scheme by 14 MW. This is expected to be completed in FY26.
- **Onshore development pipeline:** We have advanced our onshore development pipeline to 5.3 GW. Since February 2023 we have added 500 MW of wind, 100 MW of solar and 400 MW of battery storage in New South Wales, as well as 500 MW of battery storage in Queensland to our development pipeline, complementing existing development projects including the Liddell and Loy Yang batteries. We plan to continue to build up this development pipeline to enable options to be exercised as needed depending on the policy environment, economic environment, and portfolio and customer needs.
- **Offshore wind:** In May 2023, AGL announced that a consortium of Australian and global companies (comprising Mainstream Renewable Power, Reventus Power, AGL and DIRECT Infrastructure) had submitted a feasibility licence application for a 2.5 GW offshore wind development in Bass Strait, off the coast of Gippsland, Victoria.

The following map summarises our development pipeline, including both fully owned and joint venture projects.

1. FY23 installed capacity is the AEMO registered capacity, also taking into account the three 25 MW upgrades to Bayswater Power Station Units 4, 2 and 3 in FY20, FY22 and FY23 respectively.
2. Gross sent-out generation, does not take account of losses or electricity imported from the grid at generation facilities.

Operating & Financial Review

For the year ended 30 June 2023



Further information in relation to FY23 and expected future capital expenditure on renewable and firming capacity is available in our **FY23 TCFD Report**.

AGL is also focused on procuring renewable energy for our customers via third-party offtakes. In June 2023 AGL entered into a Power Purchase Agreement (PPA) with Tilt Renewables (in which AGL has 20% ownership) to offtake 45% of the output from the Rye Park Wind Farm in New South Wales (with that share equivalent to 513 GWh per annum derived from 178 MW).

We continue to progress initiatives to rationalise our upstream gas portfolio, with divestment processes underway for the Surat and Moranbah gas projects in Queensland. Sale agreements for both projects are expected to be entered prior to the end of calendar year 2023.

	Target	FY23	FY22
Controlled renewable and battery capacity	FY24: 34%	29.7%	24.2%
New renewable and firming capacity[1]	FY27: + 2.1 GW 2030: + ~5 GW	478 MW[2]	Not applicable
Grid-scale batteries installed and managed		130 MW[3]	30 MW
Total grid scale batteries operated, contracted or in delivery	FY27: 1.5 GW contracted and in delivery	430 MW[4]	Not reported

1. Measured as new firming and renewable capacity in construction, delivery or contracted from FY23 onwards. Excludes projects that were already operational during FY23.
2. Comprises Torrens Island Battery (250 MW) and Broken Hill Battery (50 MW), both under construction during the period, and Rye Park Wind Farm PPA (178 MW).
3. Includes Dalrymple Battery (30 MW) and Wandoan Battery (100 MW).
4. Comprises 130 MW of operational batteries as well as Torrens Island Battery (250 MW) and Broken Hill Battery (50 MW), both under construction during the period.

Reliable and efficient plant operations

In FY23, AGL's overall fleet availability or Equivalent Availability Factor (EAF), was 76.8%. This is an improvement on FY22's performance of 74.5%, but lower than planned, primarily driven by lower performance in the first quarter of FY23 resulting from the continuation of the Loy Yang A Unit 2 generator failure (which began in the last quarter of FY22). Despite the Unit 2 outage, the other Loy Yang A units achieved above planned performance with very strong performance in the first quarter of FY23. Bayswater Power Station's FY23 performance was an improvement on FY22 performance due to fewer plant forced outages than occurred in FY22. Until its retirement in April 2023, the Liddell Power Station achieved an availability performance that was higher than in FY22.

The future ready program has been developed and plans are now in place for Bayswater and Loy Yang A power stations to ensure that these assets are optimally positioned for anticipated changes to their market roles, with flexibility upgrades allowing these assets to operate at up to 70% and 45% below nameplate capacity, respectively. Thermal digital twins are being integrated with the energy efficiency plans for these sites to support further carbon intensity reduction objectives. These plans seek to address, among other goals, optimum performance of these plants when operating at lower loads due to fluctuating market conditions and optimisation of fuel consumption.

	Target	FY23	FY22
Equivalent Availability Factor (EAF) - all fleet		76.8%	74.5%
Equivalent Availability Factor (EAF) - thermal and gas generation fleet	FY27: 88%	74.6%	Not reported

Repurposed infrastructure (energy hubs)

AGL is committed to repurposing its thermal generation sites into energy hubs. The Hunter Valley, Torrens Island and Latrobe Valley hubs seek to bring together energy production and energy-intensive industries around a shared infrastructure backbone, with a focus on circular economy principles, including innovative re-use of valuable infrastructure, recycling and co-location of complementary industries. The transition of these generation sites is underway through which we aim to support the economic diversification of these regions, providing new job and skills development opportunities for the communities where we operate.

In April 2023, the final operating unit of the Liddell Power Station was safely shut down and the neighbouring Bayswater Power Station is targeted to be closed by 2033. Development activities are underway across the Hunter Hub, and include the following:

- Planning approval for a 500 MW battery and ARENA funding secured (final investment decision expected to be made in FY24);
- Feasibility assessment with Fortescue Future Industries for a large scale renewable hydrogen facility;
- Pre-feasibility assessments for solar thermal energy and emerging battery technologies;
- Pre-feasibility assessment with NuRock Building Products for a building products manufacturing facility utilising recycled waste ash;
- Feasibility assessment with joint venture partner Idemitsu for a 250-400 MW pumped hydro project, supported by funding from the New South Wales Government; and
- Approval of a First Nations agriculture project for the development of a Manuka Tree Plantation, which will provide the opportunity for medicinal Manuka honey production. AGL is working closely with the First Nations group to support engineering and construction activities, with seedlings expected to be planted in FY24.

Decommissioning and rehabilitation activities following the closure of the Liddell Power Station are progressing alongside our Hub planning activities (refer to the Environment scorecard for further information).

As announced in November 2022, the final operating unit of Torrens Island Power Station is planned to close on 30 June 2026. Transition of the Torrens Island Hub is well progressed, with construction and commissioning of the 250 MW Torrens Island Battery underway during FY23 which is expected to be completed in August 2023. Pre-feasibility assessments for a renewable hydrogen facility and a range of other energy projects are underway, including:

- A study into opportunities for hydrogen blending at the Barker Inlet Power Station, where AGL also has planning approval for a new 210 MW gas peaking plant; and
- A thermal energy storage project, supported by ARENA, involving the assessment of technologies which aim to capture and convert excess low-cost energy to heat for steam generation, with the potential to provide co-firming or replacement of gas fuel usage at the Torrens Island B Power Station.

With Loy Yang A Power Station's targeted closure by the end of FY35, redevelopment activities for the Latrobe Valley Hub are ramping up. In addition to progressing plans for a 200 MW battery, a hydrogen supply chain project led by a consortium of Japanese partners has progressed to a second stage. In June 2023, AGL announced a Memorandum of Understanding with Solar Recovery Corporation to investigate the feasibility of a solar panel materials recovery facility that could support a re-manufacturing supply chain.

AGL is working with Federal and State governments to support the redevelopment of these sites . Further information in relation to workforce transition is available in the People scorecard.

	Targets	FY23	FY22
Major industrial clients located on or connected to a hub[1]	FY27: 6 - 8	NR	NR

1. From FY23.

People

The energy transition is an industry-wide transformation that will involve significant changes to the way in which AGL operates, and labour and skills required to operate our generation assets will change over time. At AGL, we recognise the importance of attracting, developing and retaining the right people to enable us to deliver value to our customers and stakeholders. We will seek to achieve this by building a safe, performance driven and values led culture that is reflective of the communities in which we operate. As we progress through the energy transition, our approach is to treat people fairly and with respect, and to work constructively and openly with our people to keep them informed and engaged.

Safe and healthy workforce

Consistent with the value of Be Safe. Be Supportive, AGL aims to identify and control risks in the workplace so our employees and contractors go home unharmed, both physically and mentally. The energy transition is raising many new safety challenges, including working with ageing plants, undertaking major demolition and rehabilitation projects, and incorporating new types of assets and operations into our portfolio.

AGL has a comprehensive HSE Management System. The health and safety management systems used within the Customer Markets business successfully retained accreditation to ISO 45001 (2018), demonstrating the thoroughness of these systems.

AGL invests significantly in understanding and minimising risk. In FY23, a periodic program of updating risk-assessments at all sites commenced. Additionally, a project to review and update all regulatory compliance requirements is underway.

We continue to prioritise the protection of our people's mental health. Awareness and training programs to employees were held during FY23, and additional specific reporting and measurement of mental health incidents was put in place to drive learning and improvement. Work-group risk-assessments on psycho-social hazards and controls commenced in March 2023, consistent with guidelines from Worksafe NSW.

AGL seeks to engage, share and learn from other stakeholders in the sectors where we operate. Targeted health and safety forums with our major contractors have been strengthened. A major initiative in which AGL collaborated with our peers resulted in SafeWork Australia commencing the development of a national guide for safer solar installations.

No health and safety Significant Incident and Fatality (SIF) events occurred in FY23; the last Significant Incident event occurred in December 2020. During FY23 the SIF prevention program concentrated on working at heights, falling and dropped objects, and contact with electricity.

Total Injury Frequency Rate performance (TIFR) continued the long-term improvement trend in the first eight months. However, the last quarter of the year saw an increase in low-impact injuries. There was no discernible consistent cause for this, and a broad program and communication to maintain risk-awareness in all activities has been made.

	FY23	FY22
TIFR employees	2.4	1.5
TIFR (employees + contractors)	2.8	2.1
Fatalities (employees + contractors)	0	0

Performance culture

Building a performance culture where AGL's employees are empowered as the driving force of a future-focused and purpose driven business is a critical enabler of AGL's strategy. Our focus includes improving employee engagement, building a gender-balanced and diverse workforce and ensuring employees feel connected to AGL's purpose and values and enabled to deliver their role in the strategy.

The FY23 employee engagement score increased 10 percentage points from FY22 to 67%. The increase in engagement is reflective of the Board and management renewal, AGL's future-focused strategy, and the coordinated actions put in place in FY23 to improve communication and increase investment in employee growth and development. During FY23 over 300 employees participated in formal face-to-face leadership development programs which focused on building the future-ready skills and mindsets that are required to lead through the energy transition.

We continue to strengthen our focus on diversity and inclusion, and are committed to ensuring that our workforce represents the communities in which we operate. In FY23 we were recognised as one of Australia's top 10 companies in the Australian Network on Disabilities Access and Inclusion Index, awarded Family Inclusive Workplace status for the third consecutive year, and achieved Platinum status from Pride in Diversity, the highest obtainable recognition within the Australian Workplace Equality Index. Since we launched our inaugural Reconciliation Action Plan in FY21 we have also been focused on building our cultural competency to ensure that our workplace is culturally safe for Aboriginal and Torres Strait Islander employees. We are also striving to lift our current representation from 1.3%[1] to 3%, reflecting the same proportion of Aboriginal

1. 1.3% of participants in AGL's March 2022 Flexibility, Diversity and Inclusion survey identified as Aboriginal and/or Torres Strait Islander.

and Torres Strait Island peoples in Australia's population. During FY23 we introduced 'Sorry Business Leave' for our employees who identify as Aboriginal and/or Torres Strait Islander peoples to participate in cultural practices, and delivered additional cultural learning opportunities for all employees.

Traction on gender equality has not met AGL's expectations and the proportion of females in the senior leadership pipeline declined from 35% to 33%. Improving gender diversity in the senior leadership pipeline is a priority in FY24 to ensure the decline is not further exacerbated from current levels. In FY23 AGL joined the Champions of Change Coalition as a founding member of a newly established Energy Group to support stronger action on gender equality. AGL continues to review gender pay equity twice-yearly and maintains a 0% gender pay gap in like-for-like roles. The roll out of 'Respect@AGL' training across the workforce remains a focus to provide employees with the skills and knowledge to build an inclusive and respectful culture.

The design and launch of new values in FY23 (refer to the About AGL section) has created alignment and focus internally on behaviours and actions that will determine AGL's success and are reinforced through recruitment, performance, reward, and recognition frameworks.

The results of AGL's focus on a performance culture are evident in reduced attrition (down from 22% in FY22 to 13% in FY23) and improved retention of key talent (up from 76% in F22 to 83% in FY23).

	Targets	FY23	FY22
Employee engagement		67%	57%
Attrition (total workforce)[1]		13%	20%
Key talent retention		83%	76%
Gender mix in SLP (% female)	FY24: 35% FY25: 40% FY26: ≥40%	33%	35%
Material breaches of Code of Conduct		0	0

1. Historical data has been restated to reflect a change in methodology for calculating attrition based on headcount rather than FTE.

Workforce transition

The energy transition will significantly change AGL's workforce over the coming decade, and we have made a commitment to a respectful and responsible workforce transition. In FY23 a comprehensive capability program commenced, and a roadmap is in place to build capabilities required to deliver AGL's assets development pipeline and low-carbon energy hubs (refer to the Assets scorecard). The capability program will continue in FY24 to ensure AGL is positioned to build, attract, and retain critical capability, as well as to identify opportunities to upskill and reskill employees to develop capabilities required for new and existing energy industries.

In April 2023, we closed the last three units of the Liddell Power Station after nearly 52 years of operation. Supporting our Liddell workforce and the local community was a central part of our closure plans, and we delivered on our commitment to have no forced redundancies. Around 100 people (comprising over half of our Liddell employees) transferred to AGL's Bayswater Power Station in continued employment, and all other employees were supported with individual transition plans, as they elected to retire or seek other opportunities. Also key to our closure strategy was the establishment of the Future U Hub in FY21, an on-site centre dedicated to supporting our people at Liddell to plan for their futures. This prioritised mental health support, with a focus on training that gave our people skills and tools to help manage their wellbeing and mental health during the closure process. Financial counselling, superannuation talks and information on retirement support was also provided, and as Liddell people transferred to Bayswater, leaders undertook training on how to successfully form new teams and integrate the two workforces. AGL was acknowledged by community and government stakeholders for the careful and respectful management of the closure and the expertise AGL gained has created a platform on which to build for future coal-fired generation asset closures.

Relationships

As a key player in Australia's interconnected energy industry, especially as the industry goes through the current period of significant transformation, it is vital that AGL fosters and perpetuates open and respectful relationships with our stakeholders. A wide variety of people and groups are interested in, or affected by, the decisions that AGL makes, or have a role in influencing the frameworks through which AGL makes decisions, including local communities and Traditional Owners, government, regulators, the energy industry and industry associations, non-government organisations and advocacy groups, suppliers, project partners, and lenders and investors.

AGL strives to make a net positive social, economic and environmental contribution to the communities in which we operate. We proactively engage with our stakeholders on relevant issues in ways that are most appropriate to each group, prioritising the establishment of positive, respectful and transparent relationships. It is important to AGL that we build trust in our stakeholders by engaging openly with them, and by having them recognise that we consider their views in our decision-making.

Engaged and supported communities

We invest in the communities in which we operate through a structured program of community investment. In FY23, we invested approximately $4.8 million. There was a 26% increase in the overall amount of our investment compared to the previous financial year which was the result of growing our existing corporate community partnerships and establishing new community partnerships at our energy hubs to support AGL's energy transition.

In FY23, we reviewed our community investment programs and partnerships to better align with our refreshed strategy, purpose and values and input from our stakeholders. Our community investment will focus on supporting programs and partnerships that contribute to building resilience in communities where we operate, support climate action and address energy affordability. We have consolidated some of our smaller contributions into more significant long-term partnerships to improve the impact of our investment and provide our community partners funding security over a longer timeframe rather than one-off donations. We will continue to review our community investment to ensure alignment with our strategic objectives.

We continue to engage proactively with the communities where we currently operate through well-established Community Consultative Committees and Community Dialogue Groups. As we embark on new projects to deliver the commitments of our Climate Transition Action Plan, we will develop comprehensive community engagement strategies for each project to meaningfully engage and consult with key stakeholders, local communities and Traditional Owners in the proposed project locations.

FY23 saw the conclusion of AGL's inaugural Innovate Reconciliation Action Plan (RAP). During FY22 and FY23 we implemented several foundational priorities including building cultural competency, enhancing our workplace cultural safety, developing our First Nations Procurement Strategy, strengthening our long-standing relationships with Traditional Owners, and building new partnerships with Clontarf Foundation, Stars Foundations and Redfern Youth Connect. We also lent our support to the constitutional recognition of First Nations people by signing the Uluru Statement from the Heart. We believe establishing a First Nations Voice to Parliament is an important step in Australia's reconciliation journey enabling First Nations people to have a say on policies that impact their lives and communities. While we have made progress through our inaugural RAP, we acknowledge the need for continued efforts to ensure better outcomes for Indigenous Australians. We received endorsement from Reconciliation Australia for our second Innovate RAP in June 2023, which will be implemented over FY24 and FY25. The commitments in our new RAP focus on creating pathways to sustainable futures for Aboriginal and Torres Strait Islander peoples by supporting direct and indirect employment and through our investment in AGL's energy transition.

AGL conducts periodic community sentiment surveys to understand how the community and other stakeholders view AGL. We also undertake quarterly monitoring of our reputation via RepTrak. In FY23, AGL's RepTrak score was 65.6, remaining consistent with earlier performance, the slight decrease reflecting broader trends in the energy sector.

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. Our effective tax rate on Underlying Profit is broadly in line with the Australian corporate tax rate of 30% before prior year adjustments and the research and development concessions.

	FY23	FY22
Community contribution	$4.8 m	$3.8 m
RepTrak score	65.6	65.8
Underlying effective tax rate	26.7%	23.2%

Collaboration for Australia's energy future

As we navigate the decades-long energy transition in Australia, we recognise the value of positive and transparent relationships with governments, productive consultation with regulators, and respectful, collaborative relationships with industry and advocacy groups.

AGL proactively engages with governments on a regular basis, providing policy and technical input for government regulatory settings and pathways to net zero. Ensuring trusted relations with governments and the public service is an important form of risk mitigation and provides a two-way flow of information relating to policy settings. In line with our long-standing Political Donations Policy, we have not made any political donations (monetary or in-kind) over FY23.

During FY23, AGL invested significant time consulting with governments and a wide range of stakeholders following the release of our Climate Transition Action Plan (CTAP) and our plans to accelerate our exit from coal-fired generation. It is important for governments and AGL to have a common understanding of how our commitments impact governments' renewable energy and net-zero goals, and the implications of policy settings on the energy transition.

We also held briefing sessions for civil society stakeholders including Greenpeace Australia Pacific, Beyond Zero Emission, Gippsland Climate Change Network, The Sunrise Project, Healthy Futures, Environment Victoria among several others to seek feedback following the release of our CTAP and better understand their views as we embark on the implementation of our CTAP. We will continue to proactively engage with key civil society stakeholders as we progress our energy transition plans.

We are also partnering with governments and industry as we transition our thermal generation sites to industrial energy hubs, recognising that collaboration is critical for their successful delivery. Further information is available in the Assets scorecard.

As the Australian economy faces rising cost of living challenges, AGL is acutely aware of how these challenges, together with the rising cost of energy, impact our customers. During FY23 we have engaged with governments to provide advice on how best to implement energy bill relief programs, as well as in relation to the customer support and advice programs that AGL has in place for customers. AGL has further developed the range of support programs to provide complementary assistance to vulnerable customers to minimise the impact of current cost of living pressures.

AGL also engages on a regular basis with customer representatives through the AGL Customer Council, which has been operating since 1998. The Council meets on a quarterly basis to discuss a wide range of matters that affect our customers and the communities in which we operate. The continuing aim of the Council is to enable two-way communication between AGL and representatives of our residential and business customers, including older Australians and people from culturally and linguistically diverse communities.

AGL regularly engages with state and federal energy regulators, the Australian Energy Market Commission (AEMC) and the Australian Energy Market Operator (AEMO) in order to advocate for market designs that we believe best meet the needs of the power system and our customers, as well as meet the National Energy Objectives . We actively participate in consultation processes regarding proposed changes to energy market policies and procedures, providing data, analysis and technical industry expertise. Our submissions to these processes are publicly available on AGL's **website.**

AGL is a member of several industry associations which provide a range of benefits including access to industry information and analysis, relationship building, and an additional avenue to prosecute unified industry views on energy, climate change and related policies. We contribute to the development of policy advocacy strategies for many of these organisations through participation in a number of industry working groups. Other associations, particularly those associated with AGL's generation facilities, provide a valuable link to local communities and a forum within which to work together with key stakeholders. We are also a member of several associations which focus on a specific technical area not specific to the energy sector, such as tax, health and safety, and diversity and inclusion.

In accordance with our Industry Association Membership Policy, we review memberships annually to ensure that the values and policy positions of these organisations are closely aligned with those of AGL. Where there is any misalignment, we actively take steps to address any disagreements or consider the merits of ongoing membership with the association where the misalignment is significant and unable to be resolved.

Strong business relationships

A variety of other stakeholders can have significant influence on Australia's energy transition. AGL recognises the importance of building strong relationships with these stakeholders, including our suppliers, project partners, and providers of financial capital.

With over 4500 suppliers, our Supplier Code of Conduct governs our procurement practices with a key focus on engaging with suppliers that share similar values and commitments as AGL, while also supporting our suppliers to manage the ESG impact of the goods and services they supply to us. Throughout FY23 AGL has been developing improved processes with regards to our supplier selection and assessment criteria to ensure we continue to increase our rigour in relation to ESG impacts. These process improvements have focused on Modern Slavery, Cyber Security, Security of Critical Infrastructure reforms and other elements of our procurement procedures and processes.

Payment of small suppliers has continued to be a strong focus in FY23. AGL has improved our performance in meeting the Australian Government's Small Business Payment Times Reporting Scheme targets. During FY23, we reduced the time taken to pay small business invoices by approximately 4.5%, helping to support small businesses manage their cash flow.

AGL exceeded our target to increase our procurement spend with Aboriginal and Torres Strait Islander suppliers to $3 million by FY23, procuring $3.9 million of goods and services and forming many strong relationships with First Nations owned businesses. Numerous suppliers to AGL have also engaged First Nations suppliers to further improve our impact in this area. Our Reconciliation Action Plan commitments for FY24/FY25 include actions to drive further improvement, and we have increased our target by 90% to $5.7 million by FY25.

As noted within AGL's Human Rights Policy, AGL believes protecting and upholding human rights within our operations and supply chains is vital to realising human rights for our people, the people we work with, our customers and the communities in which we operate. To deliver on this belief, AGL used risk indicators to identify and validate our modern slavery risk exposure in key areas of our operations and supply chains. AGL has identified key risk areas for modern slavery to be in offshore labour, the solar supply chain, and the sourcing of batteries and solar-related products.

Throughout FY23 AGL has continued to take proactive steps to manage its modern slavery risk exposure, all of which have been aligned to our Risk Management Policy and standard risk management practices. These steps will be summarised in our fourth Modern Slavery Statement for the FY23 reporting period which will be available on our website in early 2024.

Developing and maintaining strong relationships with lending banks and debt capital markets investors is a crucial element of securing the capital needed to invest in renewable energy projects and execute on AGL's strategy and decarbonisation targets. AGL has been focused on ensuring that lenders and investors that want to deploy capital to support the energy transition understand both AGL's strategy and the nuances of the Australian electricity market, particularly given that the carbon intensity of AGL's generation portfolio will remain much higher than the industry average while the Loy Yang A Power Station is required for the stable, efficient and cost effective operation of the NEM.

During FY23, AGL established a Green Finance Framework which sets out the process by which we have issued debt on an ongoing basis to fund capital expenditure for new firming capacity and renewable energy assets. This will support the delivery of AGL's CTAP, driving more efficient access to capital for 'green' projects that meet the eligibility criteria specified in the Framework, which is guided by best practice principles and guidelines[1].

In FY23 AGL undertook a successful $1.6 billion partial refinancing of the company which included the issuance of long-term debt in the US private placement market, along with the first time creation of a $500 million green capex loan issued under the Green Finance Framework. The strong lender and investor support for AGL reflects the market's high level of confidence in and support for AGL's strategy and decarbonisation plans.

During FY23 AGL also refreshed our capital allocation framework, including our dividend policy (refer to Section 2) in order to both maximise future returns for our shareholders while enabling the transitioning of AGL's energy portfolio.

1. The Framework is consistent with the Green Loan Principles (GLP) as issued by the Asia-Pacific Loan Market Association (APLMA), the Green Bond Principles (GBP) and Climate Transition Finance Handbook (CTFH) as issued by the International Capital Market Association (ICMA) and the Climate Bonds Standard & Certification Scheme (CBS) where applicable.

Environment

AGL takes our environmental responsibilities very seriously, and recognises the high expectations of our stakeholders, both as we operate our power generation facilities and as we play our part in Australia's decarbonisation journey. We recognise that our stakeholders expect AGL to have strong and responsible transition plans that will lead AGL towards a net zero future, accompanied by measurable targets and transparent reporting. As we contribute to Australia's decarbonisation through the responsible closure of our coal-fired power stations over time, we face significant rehabilitation obligations, which we undertake through various transition activities with careful monitoring and transparency.

Future low-carbon world

As Australia's largest corporate emitter of greenhouse gases, actions taken by AGL to reduce emissions will have a material impact on Australia's emission profile. Until the closure of the Liddell Power Station in April 2023, our operated Scope 1 and 2 emissions accounted for approximately 8% of Australia's total emissions. In FY23, over 95% of our operated Scope 1 and 2 emissions and an estimated 57% of our total Scope 1, 2 and 3 emissions arose from the combustion of black and brown coal in our power stations to generate electricity both for our customers and other customers in the NEM. The transition of AGL's energy portfolio from one dominated by base-load generation to a portfolio of renewable and firming generation comprises one of the largest contributions to the decarbonisation of the Australian economy.

In September 2022, AGL published our inaugural Climate Transition Action Plan (CTAP), furthering our track record of market-leading climate disclosures and our commitment to communicating transparently with our stakeholders. The CTAP documents AGL's climate commitments, targets and ambitions, and recognises the need to balance responsible transition and rapid decarbonisation to keep Australia's electricity supply secure, reliable, and affordable.

AGL has set the following emission reduction targets through the CTAP for its operated Scope 1 and 2 emissions:

- Achieve a reduction of at least 17% in annual Scope 1 and 2 emissions against a FY19 baseline[1] by FY24[2], following the closure of the Liddell Power Station.
- Achieve a reduction of at least 52% in annual Scope 1 and 2 emissions against a FY19 baseline[1] by FY35[3], following the closure of the Bayswater Power Station.
- Achieve net zero emissions following the closure of AGL's coal-fired power stations (Liddell, Bayswater and Loy Yang A power stations[4]).

The targeted closure dates for AGL's thermal coal assets outlined in AGL's CTAP are consistent with a decarbonisation scenario where the NEM achieves a well below two degrees outcome, and with the climate ambition of the 'Step Change' scenario within AEMO's 2022 Integrated System Plan. Our plan recognises that to achieve a net zero energy system in an orderly and efficient way, individual generators and asset owners will decarbonise at different rates as the NEM efficiently decarbonises as a whole. Market settings in the NEM will result in less reliable and higher-cost assets exiting the market first, while more reliable, lower-emissions, and lower-cost assets will remain in the system to support reliability and affordability objectives as the system rapidly decarbonises in the most efficient way.

We received shareholder support for the CTAP through the 'Say on Climate' vote at our 2022 Annual General Meeting. As outlined in our CTAP, and in line with emerging best practice, we propose to put our decarbonisation plans to shareholder vote every three years.

A summary of the progress made against our CTAP commitments over FY23 is available within our FY23 TCFD Report, available on our **website**. Our FY23 TCFD Report also provides further details on how we consider governance, risk management, strategy, and metrics and targets in relation to climate change.

Further information on how we are transitioning our energy portfolio, including our development pipeline of renewable and firming projects and our energy hubs developments is available in the Assets scorecard, while information about how we are working with our customers, our people and our communities as we decarbonise is available in our Customer scorecard, People scorecard and Relationships scorecard respectively.

Our total operated Scope 1 and 2 emissions in FY23 were 35.2 $MtCO_2e$, down 12% compared to FY22, and down 18.5% against an FY19 baseline. The reduction in emissions is due to the extended Loy Yang A Unit 2 outage (which commenced in Q4 FY22), and the retirement of the Liddell Power Station at the end of April 2023.

1. Emissions comprise Scope 1 and 2 greenhouse gas emissions for all facilities operated by AGL, as reported under the National Greenhouse and Energy Reporting Act 2007. FY19 was selected as the baseline year as it provides a better reflection of representative historical output from thermal assets compared to FY20-FY22.
2. FY24 represents the first full financial year where no emissions from the Liddell Power Station occur following its closure in April 2023 (FY23).
3. FY35 represents the first full financial year where no emissions from the Bayswater Power Station occur following its closure by CY33 (FY34).
4. Loy Yang A Power Station is targeted to close by the end of FY35.

	Target	FY23	FY22
Operated Scope 1 & 2 emissions ($MtCO_2e$)		35.2[1]	40.1
Reduction in operated Scope 1 & 2 emissions compared to FY19 baseline	FY24: 17% FY35: 52%	18.5%[1]	NR
Controlled generation intensity (tCO_2e/MWh)	FY24: 0.845	0.917[1]	0.938
Emissions intensity of total revenue ($ktCO_2e/\$m$)		2.49[1]	3.0

1. Data for FY23 is estimated and based on material emission sources and estimates for non-material sources; this will be updated later in the year and may change.

Green revenue and portfolio transition targets and performance are included in the Customer scorecard and Assets scorecard respectively.

Environmental stewardship

AGL has a genuine commitment to operate in a responsible manner and a desire to reduce our environmental impact. We are committed to continuously improving our environmental management practices and performance.

In FY23 AGL demonstrated our commitment to the natural environment through improvement programs to reduce air emissions and cultural heritage practices:

- **Air emissions:** Australian coal-fired power station operators are under increasing scrutiny from regulators, environmental groups and the community in relation to air pollution. During FY23, AGL continued to implement actions to reduce NOx, SO_2 and particulate emissions from the Liddell, Bayswater and Loy Yang A power stations, to assist AGL in meeting its obligations and managing its liabilities associated with air emissions from its coal-fired power stations. Programs undertaken to improve the flexibility of our thermal assets (refer to the Assets scorecard) also help the plants optimise fuel consumption (and lower air emissions) when operating at lower loads.
- **Cultural heritage:** AGL is committed to improving our approach to the management of indigenous cultural heritage at our sites in conjunction with Traditional Owner groups to meet community expectations in addition to legislative requirements. Actions completed in FY23 included: the establishment of a Geographical Information Systems (GIS) database as a central repository of all recorded cultural heritage locations in proximity to AGL assets; updating AGL's Cultural Heritage Standard, Cultural Heritage Standard Methodology, cultural heritage risk profile and, site-based Cultural Heritage management plans; improving site inductions to include details of cultural heritage sites and mitigation practices; and implementing training programs for employees to better understand legal requirements and AGL's expectations in relation to managing cultural heritage and engaging with Traditional Owner groups.

During FY23, there were 30 Environmental Regulatory Reportable (ERR) incidents and four administrative non-compliance events as summarised below:

- **Nine events with negligible short-term local environmental impact:** These events comprised administration non compliances (4), inability to complete monitoring due to equipment availability (1), and negligible risk unauthorised discharges to air/land/water (4).
- **15 events with small scale short-term local impact (inside AGL's operational area):** These events comprised inability to complete monitoring due to equipment availability (1) and unauthorised discharges to air/land/water (14).
- **Eight events with moderate short- to medium-term impacts to environment (short-term clean-up required):** All eight of these events were unauthorised discharges to air/land/water. More information on these events is included in the **ESG Data Centre**.
- **Two events with medium-term impacts to environment that may extend beyond AGL's operational area:** Both these events comprised unauthorised clearing of native vegetation outside of the operational area at Broken Hill. More information on these events is included in the **ESG Data Centre**.

Programs are underway which seek to reduce the number of reportable events across our operational sites. For information on official cautions and Penalty Infringement Notices received during FY23 refer to the Environmental regulation section.

	FY23	FY22
Environmental Regulatory Reportable incidents[1]	30	13

1. In FY23 there was a change to the Environmental Regulatory Reportable (ERR) incidents definition. From FY23, an ERR incident is any Event that meets the notification criteria of a Regulatory Authority and may include: an Event that caused actual or potential material or serious environmental harm; a breach of an environmental licence condition that is not an administrative non-compliance; and monitoring unable to be completed due to availability of plant or specialist. An ERR incident may include events that have occurred on AGL managed site by an independent party. This definition change has resulted in an increase in ERR events reported as it comprises previous ERR and Voluntarily Regulatory Reportable (VRR) events into one figure.

Responsible rehabilitation

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. The efficient closure of our ageing generation assets and the subsequent decommissioning, demolition and rehabilitation of these sites is a critical part of AGL's plans deliver its energy hubs (refer to the Assets scorecard).

During FY23, AGL ceased operations at two of its oldest power stations: Torrens A Power Station in September 2022, and Liddell Power Station in April 2023. This was a significant milestone in AGL's transition journey for these sites, as we move from closure planning to delivery of decommissioning and demolition works. Decommissioning work at both Torrens A and Liddell has immediately commenced, to prepare the assets for demolition.

FY23 transition activities focused on:

- developing a 'Transition Centre of Excellence' to leverage capability and expertise of site closure and transition within AGL;
- execution of the demolition and ash dam rehabilitation contract for Liddell Power Station;
- conducting environmental, biodiversity and dam safety studies and progressing regulatory approvals to support closure projects;
- significantly progressing the decommissioning and demolition planning for Torrens A Power Station;
- rehabilitating 35.6 hectares of land at AGL Macquarie, including 23.5 hectares of the Liddell Ash Dam and 12.1 hectares of the Ravensworth Voids;
- expediting dust mitigation activities for the Liddell Ash Dam, including the application of dust suppressants and commencement of the first stage of post-closure capping and rehabilitation which will cover 140 hectares over two years;
- decommissioning and demolition planning for the Rosalind Park Gas Processing Facility; and
- progressive 'plug and abandon' of gas wells at the Camden Gas Project with 17 wells completed in FY23 and a total of 112 wells rehabilitated of a total of 144 wells.

During FY24, transition activities will focus on:

- completion of decommissioning and commencement of demolition works at Liddell and Torrens A power stations;
- progression of the Liddell Ash Dam capping and rehabilitation;
- closure of the Camden Gas Project, and decommissioning and demolition of the Rosalind Park Gas Processing Facility;
- ongoing 'plug and abandon' of gas wells at Camden Gas Project; and
- decommissioning of the 2 MW Cairn Curran Hydro Power Station.

AGL also undertakes progressive rehabilitation works at Loy Yang Mine, Silver Springs, Moranbah and Ravensworth facility in line with regulatory obligations and approvals. Progressive rehabilitation of ash dams and mines associated with AGL's coal generation assets, as well as decommissioning and rehabilitation of gas production wells undertaken in FY23, is outlined in the **ESG Data Centre**.

A summary of the updated provisions for environmental rehabilitation as at 30 June 2023 is provided below. The discount rate used to derive the present value of the estimated cash flows was revised to reflect current interest rates and increased from 5.14% to 6.86%, consistent with standard accounting practice. The cash flow changes offset by the increased discount rate have resulted in an increase in the provision for environmental restoration of $246 million, which is reflected in AGL's financial statements for the period ended 30 June 2023. The increase in rehabilitation costs at AGL Loy Yang FY23 also reflect the accelerated closure timetables for this asset as communicated to the market in September 2022.

Asset	Planned closure date	Provision amount ($m)	Rehabilitation costs Real FY23 ($m)
AGL Loy Yang	2035	742	1,674
AGL Macquarie (Liddell and Bayswater)	2023-2033	488	672
AGL Torrens (A and B station)	2022-2026	68	79
Upstream gas assets[1]	2023-2040	42	44
Other	Various	62	95
		1,402	2,565

1. Moranbah Gas Project, Silver Springs and Wallumbilla assets removed to assets for sale in June 2023.

Business intelligence

Leveraging business intelligence and insights is a critical means for AGL to deliver for our customers. Asset and data security measures ensure we can safeguard customer information entrusted to us, enabling us to navigate an increasingly complex digital landscape. AGL's management of wholesale trading and risk management ensures prudent decision-making and effective mitigation of potential risks and volatility affecting our customers.

Enhancing customer experience

AGL's continued focus on technology transformation over FY23 supports our overarching objective to deliver contemporary and resilient technology platforms and services that enable our business to meet the changing needs of our customers, to effectively compete in the market, and to grow and innovate. We understand that as technology advances, customers are no longer just comparing AGL to other energy retailers; they expect seamless digital experiences and instant access to personalised information.

We are seeing momentum building through our customers increasingly embracing digital interactions, and we have achieved improvements in our continual drive to be 'Digital First', with the proportion of our customers who have accessed AGL's digital channels materially increasing. During FY23 we have simplified our product portfolio by 52% against an FY20 baseline, and are continuing to leverage AI with over five million transactions now managed through this technology. Technology changes form a critical part of AGL's 'Retail Next' technology transformation program to dramatically simplify its technology architecture and deliver significant capability uplift.

We also continue to invest in further enhancing the digital experience for our business customers. We have expanded our commercial solar monitoring and management platform to support more than 210 MW of our business customers' solar assets, optimising asset performance to ensure customers are benefiting from maximum solar production, lowering costs and improving asset returns. AGL now has over 1,335 registered enterprises using our business customer portal.

	Target	FY23	FY22
Digitally active services to customers		57.8%	53.8%
Digital only customers	FY27: 60%	52.7%	Not reported
Speed to market	FY27: +80%[1]	Not applicable	Not reported

1. Improvement compared to May 2023 baseline.

Trading, operation, and risk management capabilities

During FY23, AGL continued to focus on delivering greater value through improved risk insights and enhanced market and portfolio analysis. AGL's position as an integrated energy generator and retailer means we can effectively manage price volatility in the energy markets for our customers.

We do this by implementing considered energy trading and hedging strategies, and through the safe and efficient operation of our generation assets. AGL's risk management framework includes the Trading Risk Policy, which governs our energy hedging and related activities. The policy allows for the commercial optimisation of AGL's portfolio provided that all activities adhere to an overall risk limit that reflects AGL's risk appetite.

As a responsible market participant, we take our compliance, risk and regulatory obligations seriously. Our policies and procedures are updated periodically to reflect our obligations under market rules and relevant laws, and compliance obligation registers are maintained to ensure these obligations are owned and managed by the appropriate business units. Relevant staff are required to perform periodic online and face-to-face training and are encouraged to maintain professional accreditation.

With the investment of our Energy Trading & Risk Management (ETRM) Uplift in FY22, we have been able to improve our governance processes as well as the quality of our decision-making. The ETRM Uplift replaced AGL's ageing energy trading systems, automated manual processes, and strengthened internal controls, as well as addressing market changes such as 5-minute settlements. It also provided a foundation to support business growth via the introduction of an integrated data platform which has enhanced data governance and data quality. Our technology investment has also improved the sophistication of our decision-making, such as the algorithmic optimisation and automated bidding of our growing large-scale battery fleet and our Virtual Power Plant (VPP), which incorporates distributed assets like batteries and hot water units in our customers' homes.

With the projected shift to electrification expected to result in gradual decline of customer gas demand, AGL will continue to contract gas to support AGL and customer requirements. During FY23, AGL contracted 161 PJ of gas supplies for future periods to replace contracts that are expiring over time, including new supply agreements with Cooper Energy, Senex, Exxon and others.

By investing in our generating assets, our technology and our people, AGL is well-placed to deliver on managing energy price risks for our customers.

Secure assets and data

AGL manages a significant number of assets, including systems, software and networks on which we and others rely, as well as critical infrastructure assets owned and operated by AGL. We also protect a significant amount of confidential information, including personal information and data records of our customers.

AGL undertakes a comprehensive process to identify, assess and mitigate key cybersecurity risks, which leverages the Australian Energy Sector Cyber Security Framework as well as international cybersecurity frameworks, and is in line with regulatory requirements such as the *Security of Critical Infrastructure Act 2018* and the *Privacy Act 1988*. Cybersecurity and resilience is a Tier 1 Strategic Risk overseen by the board as part of our enterprise-wide risk management program (refer to the FY23 Tier 1 Strategic Risks section). The measures we take to protect our assets and data do not eliminate risk. There is always a risk that security breaches, unauthorised access, malicious software, external attacks or internal breaches could occur that adversely impact our operations and confidential information.

Continual investment and uplift in a significant portfolio of security capabilities, processes and measures to manage the ever-changing cyber environment are in place to protect the confidentiality, integrity and availability of assets and data. We proactively manage cyber risk to limit the likelihood of inappropriate access to our systems and data, and to limit the impact of cyber security incidents through preparation and rapid response capabilities. Security vulnerabilities are managed via a dedicated threat and vulnerability management team and automated scanning platforms, as well as specialist technical assurance, including penetration testing.

We have achieved a high level of stability throughout the year with a significant reduction of major incidents from 50 incidents in FY22 to 34 incidents in FY23, continuing the downward trend from prior years. This trend is attributed to robust change management processes, heightened focus on remediation actions, improved proactive monitoring and detection, and a dedicated focus on handling lower priority incident management to prevent issues from escalating into major incidents.

In FY23 only one major IT incident was attributed to cyber security. In this incident attackers tried to test and validate credentials they had gained from other known external breaches or via the Dark Web to see if they worked in the AGL MyAccount portal. AGL implemented additional security controls to mitigate against similar incidents and further strengthen security over customer accounts.

Across FY23, AGL identified and reported three separate Notifiable Data Breaches to the Office of the Australian Information Commissioner. All three cases involved an external threat actor attempting to gain access to customer personal information through obtaining access to the customer's account details with AGL. In each case, AGL has conducted a detailed analysis of the root cause of the incident, and implemented additional targeted controls or strategies to reduce the likelihood of an incident occurring with the same or a similar attack pattern.

	FY23	FY22
Major IT incidents	34	50
Reportable privacy incidents	3	1

4. Group Financial Performance and Position

4.1 Group results summary

Statutory Loss after tax attributable to AGL shareholders was $(1,264) million, a decrease of $2,124 million compared to the Statutory Profit of $860 million in the prior year. The principal drivers of the decrease were a negative movement in the fair value of financial instruments, a higher value of asset impairments taken in FY23 compared to prior year predominantly due to the earlier targeted closure of Loy Yang A Power Station, and reduction in favourable onerous contract movements.

4.1.1 Reconciliation of Statutory (Loss)/Profit to Underlying Profit

AGL uses Underlying Profit as a key measure of financial performance. Underlying Profit is derived from Statutory Profit, as measured in accordance with Australian Accounting Standards, and excluding significant items and movements in the fair value of financial instruments. The use of Underlying Profit enhances comparability of results by excluding non-recurring events and transactions that materially affect the financial results of AGL for the reporting period.

Underlying Profit after tax was $281 million, up 24.9% from the prior year. A description of the factors driving Underlying Profit is included in Section 4.1.5.

	FY23 $m	FY22 $m
Statutory (Loss)/Profit after tax attributable to AGL shareholders	**(1,264)**	860
Adjust for:		
Significant items after tax[1]	**655**	(486)
Loss/(Profit) on fair value of financial instruments after tax[2]	**890**	(149)
Underlying Profit after tax	**281**	225
Earnings per share on Statutory (Loss)/Profit	**(187.9) cents**	131.6 cents
Earnings per share on Underlying Profit	**41.8 cents**	34.4 cents

1. Refer to section 4.1.2 for further information.
2. Refer to section 4.1.3 for further information.

Earnings per share (EPS) calculations have been based upon a weighted average number of ordinary shares of 672,747,233 (30 June 2022: 653,324,767). The weighted average number of ordinary shares was 19,422,466 higher due to the underwriting of the dividend reinvestment plan in the prior year.

4.1.2 Significant items

AGL recognised significant items of $(943) million, or $(655) million post-tax, primarily related to an impairment recognised in the first half of FY23.

	FY23 $m		FY22 $m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Impairments	**(972)**	**(680)**	(232)	(162)
Restructuring and integration costs	**(30)**	**(21)**	(61)	(42)
Separation and re-integration costs	**(14)**	**(10)**	(125)	(89)
Movement in rehabilitation provision	**47**	**33**	65	46
Wellington North Solar Farm	**17**	**15**	–	–
Sale of land	**7**	**7**	–	–
Movement in onerous contracts	**2**	**1**	1,019	713
Sale of repowering option	**–**	**–**	20	20
Total significant items	**(943)**	**(655)**	686	486

FY23

During the year AGL:

- Recognised impairments of $1,023 million ($716 million post-tax) relating to the carrying value of the AGL Generation Fleet cash-generating unit, predominantly as a result of the decision to bring forward the targeted closure date of Loy Yang A Power Station and additional Environmental, Social and Governance (ESG) costs, and the George Street lease right-of-use assets. This was partly offset by the partial reversal of the previously recognised impairment of the Moranbah Gas Project of $51 million ($36 million post-tax).
- Recognised $30 million ($21 million post-tax) in costs related to redundancy provisions for employees impacted by the planned closure of the Torrens Island Power Station and Camden operations.

- Recognised $14 million ($10 million post-tax) in separation and re-integration costs related to the proposed demerger of AGL.
- Recognised $47 million ($33 million post-tax) due to the reduction in rehabilitation provision assets that had previously been impaired. The reduction in rehabilitation provision was driven by an increase in the discount rate following market changes in base rates.
- Recognised $17 million ($15 million post-tax) revenue related to contingent milestones under the FY21 Wellington North Solar Farm sale being met in the current year.
- Recognised $7 million ($7 million post-tax) revenue related to the sale of land as part of a NSW government compulsory acquisition.
- Recognised a reduction in the onerous contract liability of $2 million ($1 million post-tax) related to various renewable asset power purchase agreements (PPAs).

FY22

During the prior year AGL:

- Recognised a pre-tax impairment of $246 million ($172 million post-tax) relating to Newcastle Gas Storage Facility, Newcastle Gas Peaker development rights and Collins Street lease right-of-use assets. This was partly offset by the reversal of a previously recognised impairment of AGL's investment in Tilt Renewables of $14 million ($10 million post tax).
- Recognised $61 million pre-tax ($42 million post-tax) in costs related to redundancies and restructuring to deliver future cost reductions, and the integration of acquired businesses including completion of the SEGH Pty Limited and Epho Holdings Pty Limited integrations and Phase 2 of the integration of Southern Phone Company.
- Recognised $125 million pre-tax ($89 million post-tax) in separation costs related to the proposed demerger of AGL.
- Recognised $65 million pre-tax ($46 million post-tax) due to the reduction in the rehabilitation provision for certain assets that had previously been impaired. The reduction in rehabilitation provision was driven by an increase in the discount rate following market changes in base rates. In addition to this the estimated closure date of Camden was revised impacting the timing of cash flows.
- Recorded a reduction in the valuation of onerous contracts of $1,019 million ($713 million post-tax) as a result of higher electricity and large-scale generation certificate forward prices along with higher discount rates.
- Recognised $20 million in other revenue related to AGL's sale of the purchase option to re-power 50% of the Macarthur Wind Farm following the completion of the existing lease in 2038.

4.1.3 Movement in fair value of financial instruments recognised in Profit or Loss

Movement in the fair value of financial instruments recognised in profit or loss (excluded from Underlying Profit) was $(1,271) million ($(890) million post-tax), down from $212 million ($149 million post-tax). The net loss reflected a negative fair value movement in net buy electricity level 1 and level 2 derivatives mainly due to significant downward movements in short to medium term forward curves across FY23 and a negative fair value movement in oil and gas derivative contracts as a result of higher forward prices. The fair value loss on treasury derivatives of $(3) million recognised in profit or loss reflected hedge ineffectiveness.

	FY23 $m		FY22 $m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Energy derivatives contracts	**(1,268)**	**(888)**	213	149
Cross currency and interest rate swap contracts	**(3)**	**(2)**	(1)	–
Fair value recognised in profit or loss	**(1,271)**	**(890)**	212	149

4.1.4 Earnings Before Interest and Tax (EBIT)

	FY23 $m	FY22 $m
Statutory EBIT	**(1,581)**	1,399
Significant items	**943**	(686)
Loss/(Gain) on fair value of financial instruments	**1,271**	(212)
Underlying EBIT	**633**	501
Customer Markets	**248**	181
Integrated Energy	**753**	643
Investments	**(8)**	11
Centrally Managed Expenses	**(360)**	(334)
Underlying EBIT	**633**	501

4.1.5 Group financial performance

Underlying Profit after tax attributable to AGL shareholders was $281 million, up 24.9%. The principal drivers of the increase were higher Trading and Origination Gas gross margin driven by higher oil prices on a net long position and haulage optimisation, and higher Consumer Gas and Electricity gross margin due to higher revenue rates and higher demand. This was partly offset by increased operating costs and lower Trading and Origination Electricity gross margin due to a reduction in generation volumes at Bayswater, Liddell and AGL Loy Yang power stations in addition to the impact of short positions exposed to high pool prices during the month of July 2022.

	FY23 $m	FY22 $m
Revenue	**14,157**	13,221
Cost of sales	**(11,206)**	(10,532)
Other income	**14**	25
Gross margin	**2,965**	2,714
Operating costs (excluding depreciation and amortisation)	**(1,604)**	(1,496)
Underlying EBITDA	**1,361**	1,218
Depreciation and amortisation	**(728)**	(717)
Underlying EBIT	**633**	501
Net finance costs	**(258)**	(217)
Underlying Profit before tax	**375**	284
Income tax expense	**(100)**	(66)
Underlying Profit after tax	**275**	218
Non-controlling interests[1]	**6**	7
Underlying Profit after tax attributable to AGL shareholders	**281**	225

1. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

Refer to Section 5 for further analysis on the movement in gross margin for each operating segment and Section 3.1.6 for commentary on Group operating costs.

Depreciation and amortisation of $(728) million was up 1.5%, driven by the impact of the targeted earlier closure dates of AGL Loy Yang and Bayswater Power Station, and a higher asset base due to an increase in environmental rehabilitation assets at AGL Loy Yang and increased investment at Bayswater Power Station.

Net finance costs were $(258) million, up 18.9% largely driven by rehabilitation provision interest costs and debt facility interest costs.

Underlying tax expense was $(100) million, primarily reflecting the increase in Underlying Profit before tax. The underlying effective tax rate was 26.7%, an increase of 3.5 ppts.

4.2 Cash flow

4.2.1 Reconciliation of Underlying EBITDA to cash movement

Operating cash flow before significant items, interest and tax was $1,013 million, down $485 million. The rate of conversion of EBITDA to cash flow was 74%, down from 123% in the prior year. Adjusting for margin calls, the cash conversion rate was 82%, down from 108% in the prior year. Adjusting for margin calls and rehabilitation, the cash conversion rate was 86%, down from 112% in the prior year.

		FY23 $m		FY22 $m
Underlying EBITDA		**1,361**		1,218
Equity accounted income (net of dividends received)		**4**		(9)
Accounting for onerous contracts		**(120)**		(158)
Other assets/liabilities and non-cash items		**(9)**		86
Payments for rehabilitation		**(55)**		(43)
Working capital movements				
Decrease/(increase) in receivables	**147**		(330)	
(Decrease)/increase in payables	**(206)**		460	
(Increase)/decrease in inventories	**(8)**		49	
Net derivative premiums paid	**(20)**		(11)	
(Increase)/decrease in financial assets/liabilities (margin calls)	**(103)**		180	
Net movement in green assets/liabilities	**43**		70	
Other working capital movements	**(21)**		(14)	
Total working capital movements		**(168)**		404
Operating cash flow before significant items, interest and tax		**1,013**		1,498
Net finance costs paid		**(105)**		(95)
Income taxes refund		**1**		–
Cash flow relating to significant items		**3**		(176)
Net cash provided by operating activities		**912**		1,227
Net cash used in investing activities		**(729)**		(885)
Net cash used in financing activities		**(159)**		(303)
Net increase in cash and cash equivalents		**24**		39

The principal reasons for lower operating cash flow and cash conversion rates were negative working capital movements, partly offset by higher EBITDA, compared with a positive cash flow impact from working capital in the prior year. Total working capital movements were $(168) million, compared with $404 million in the prior year. Components of working capital movement were:

- Receivables cash flow of $147 million reflected the reversal of an AEMO deposit which was a security requirement driven by the market volatility in June 2022 and roll-off of wholesale gas customers. This was partly offset by higher consumer revenue compared with the prior year.
- Payables cash flow of $(206) million reflected the payments made for energy as a result of AGL being a net purchaser of electricity during the unprecedented market intervention in June 2022, lower pool purchases, lower realised derivative positions, and lower generation volume at an overall lower electricity spot price. This was partly offset by higher unbilled network costs resulting from higher customer consumption compared with prior year.
- Inventory cash flow of $(8) million reflected higher gas storage volumes due to lower net gas withdrawals and increase in spot purchases of coal at higher prices. This was partly offset by lower coal volume purchases and a reduction in Sustainable Business Energy Solutions (SBES) solar inventory.
- Net derivative premiums paid of $(20) million reflected the timing differences of derivative premiums amortised and derivative premiums paid.
- Financial assets/liabilities (margin calls) cash flow of $(103) million reflected lower electricity market prices on a buy position, partly offset by a bank guarantee replacement for initial margin and changes in margin requirements. The prior year cash flow of $180 million reflected a reduction in variation margin with a favourable buy position at a lower strike price against a lifting market price between June 2021 to June 2022, partly offset by an increase in initial margin due to an increase in net volume traded.
- Green assets/liabilities cash flow of $43 million reflected higher Large-Scale Renewable Energy Certificate (LREC) prices for forward purchases factored into compliance liability in FY23, partly offset by a short term cash flow management strategy to lower inventory holdings of green certificates.

The onerous contracts cash flow of $(120) million reflected the onerous portion of payments made to suppliers under legacy wind farm off take agreements and Yabulu PPA and Gas Transport Agreements (GTAs) previously recognised as onerous.

The movement in other assets/liabilities of $(9) million included the reversal of restructure related payables, employee provisions, and the amortisation of unearned revenue.

Payments for rehabilitation of $(55) million includes payments for the ongoing decommissioning of the Liddell Power Station and related infrastructure, and the decommissioning and rehabilitation of gas wells.

Cash tax refund of $1 million related to the receipt of tax instalments previously paid.

Investing cash flows of $(729) million primarily reflected capital expenditure, the majority being sustaining expenditure and capital injections to Tilt Renewables. The prior year included capital expenditure, the acquisition of Tilt Renewables, and the sale of investments in Energy Impact Partners' Fund, Activate Capital Partners, and Ecobee Inc. For further details on capital expenditure, see Section 3.1.6.

Financing activities cash flows of $(159) million primarily reflected $(121) million dividend payments and $(39) million net repayment of borrowings. The prior year included $(302) million net repayment of borrowings.

4.3 Financial position

Summary Statement of Financial Position

At 30 June 2023 AGL's total assets were $15,238 million, a decrease from $19,270 million at 30 June 2022, primarily due to a $1,290 million decrease in current trade receivables reflecting significant energy price decreases reducing the value of closing balances, a $2,605 million decrease in energy derivatives and a $595 million decrease in property, plant and equipment primarily due to an impairment loss recognised in the current year, partly offset by an increase in rehabilitation assets reflecting the increases in estimated environmental rehabilitation costs. Other current assets includes $185 million of upstream gas assets classified as held for sale related to the Moranbah and North Queensland Energy joint operations (Moranbah Gas Project) and Surat Gas Project.

Total liabilities at 30 June 2023 were $10,119 million, a decrease from $12,753 million at 30 June 2022, primarily reflecting a $1,480 million movement in energy derivatives, $1,337 million decrease in trade and other payables reflecting significant energy price decreases reducing the value of closing balances and a decrease in onerous contracts provisions. This was partly offset by an increase in environmental rehabilitation provisions driven by the earlier targeted closure date of AGL thermal generation assets, additional ESG costs, and borrowings. Other liabilities includes $220 million of upstream gas liabilities classified as held for sale related to Moranbah Gas Project and Surat Gas Project.

Total equity at 30 June 2023 was $5,119 million, down from $6,517 million, reflecting the Statutory Loss for the year and dividends paid. AGL's return on equity of 4.9%, calculated on a rolling 12-month basis was 1.2pp up from 30 June 2022.

	FY23 $m	FY22 $m
Assets		
Cash and cash equivalents	**148**	127
Other current assets	**4,427**	8,504
Property, plant and equipment	**5,418**	6,013
Intangible assets	**3,182**	3,252
Other non-current assets	**2,063**	1,374
Total assets	**15,238**	19,270
Liabilities		
Borrowings	**2,883**	2,878
Other liabilities	**7,236**	9,875
Total liabilities	**10,119**	12,753
Net assets/total equity[1]	**5,119**	6,517

1. Total equity includes $(2) million attributable to non-controlling interests (FY22: $1 million).

4.3.1 Net Debt Reconciliation

Net debt at 30 June 2023 was $2,711 million, up from $2,662 million at 30 June 2022. This was predominantly driven by the margin call obligations as a result of the significant downward movements in short to medium term electricity forward curves across FY23.

AGL maintained its credit rating of Baa2 throughout the period as provided by Moody's Investors Service. Key metrics consistent with this credit rating at 30 June 2023:

- Interest cover: 7.0 times
- Funds from operations to net debt: 31.0%

	FY23 $m	FY22 $m
Net debt reconciliation		
Borrowings	**2,883**	2,878
Less: Adjustment for cross currency swap hedges	**(24)**	(89)
Cash and cash equivalents	**(148)**	(127)
Net debt	**2,711**	2,662

4.3.2 Movement in fair value of financial instruments

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 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 reflect its risk appetite.

Energy price risk

AGL's energy-related derivatives recognised in profit or loss include sell and buy positions, where AGL receives or pays a fixed price from or to a counterparty in exchange for a floating price paid or received.

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.

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 rates and foreign currency exchange 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.

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 period 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 FY23 is presented in the following table.

Net assets/(liabilities)	FY23 $m	FY22 $m	Change $m
Energy derivative contracts	**(189)**	937	(1,126)
Cross currency and interest rate swap derivative contracts	**141**	219	(78)
Total net assets/(liabilities) for financial instruments	**(48)**	1,156	(1,204)
Change in net assets/liabilities	**(1,204)**		
Premiums paid	**(107)**		
Premium roll off	**90**		
Equity accounted fair value	**(92)**		
Total change in fair value	**(1,313)**		
Recognised in equity hedge and other reserve	**(26)**		
Recognised in borrowings	**(71)**		
Recognised in profit or loss – pre-tax	**(1,216)**		
Total change in fair value	**(1,313)**		

The movement in net derivative assets/(liabilities) in the period of $(1,204) million is expanded on in the table below.

		Unrealised fair value recognised in:					
	FY22 $m	Profit or loss	Hedge reserve	Borrowings	Currency basis	Premiums and roll offs paid	FY23 $m
Energy derivative contracts	**937**	(1,143)	-	-	-	17	**(189)**
Cross currency and interest rate swap contracts	**219**	(3)	(2)	(71)	(2)	-	**141**
Net asset/(liability)	**1,156**	**(1,146)**	**(2)**	**(71)**	**(2)**	**17**	**(48)**
Fair value recognised within equity accounted investments		(70)	(22)				**(92)**
Profit or loss		**(1,216)**					
Realised fair value to be recognised in cost of sales		(55)					
Fair value recognised in profit or loss		**(1,271)**					

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

- A decrease in the fair value of energy-related derivatives of $1,126 million was recognised in profit or loss (excluded from Underlying Profit). The net loss reflected a negative fair value movement in net buy electricity level 1 and level 2 derivatives mainly due to the significant short to medium term forward curve drop in June 2023 and a negative fair value movement in oil and gas derivative contracts as a result of higher forward prices.
- A decrease in fair value of $78 million of cross currency and interest rate swaps was recognised due to the maturity of $54 million cross currency swaps with the repayment of USD senior notes, and a $24 million fair value reduction mainly driven by the decrease in interest rate curves.

5. Segmental Analysis

AGL manages its business in three key operating segments: Customer Markets, Integrated Energy and Investments. Further detail on the activities of each operating segment is provided below.

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

A reconciliation of segment results and Underlying Profit after tax is provided in the Consolidated Financial Statements Note 1 Segment information.

5.1 Customer Markets

Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at transfer prices that reflect wholesale energy costs in each state, along with other energy costs such as those arising from environmental schemes. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

Following the integration of Telecommunications, certain costs associated with Telecommunications Technology and Corporate functions were transferred from Customer Markets to Centrally Managed Expenses.

5.1.1 Underlying EBIT

Customer Markets Underlying EBIT was $248 million, up 37.0% due to higher margin across Consumer, Telecommunications, Perth Energy and Sustainable Business Energy Solutions (SBES) portfolios, partly offset by higher operating costs due to an increase in net bad debt expense.

	FY23 $m	FY22 $m
Consumer Electricity gross margin	**493**	471
Consumer Gas gross margin	**312**	259
Large Business Electricity gross margin	**31**	33
Large Business Gas gross margin	**13**	8
Fees, charges and other gross margin	**9**	12
Telecommunications gross margin	**20**	11
Perth Energy gross margin	**10**	2
Sustainable Business Energy Solutions gross margin	**19**	15
Gross margin	**907**	811
Operating costs (excluding depreciation and amortisation)	**(536)**	(491)
Underlying EBITDA	**371**	320
Depreciation and amortisation	**(123)**	(139)
Underlying EBIT	**248**	181

- Consumer Electricity gross margin was $493 million, up 4.7%, driven by higher revenue rates as a result of focused customer value management.
- Consumer Gas gross margin was $312 million, up 20.5%, driven by higher revenue rates, and higher average demand due to colder weather and customer growth.
- Large Business Electricity gross margin was $31 million, down 6.1%, driven by increased competition impacting volume and margin rate.
- Large Business Gas gross margin was $13 million, up 62.5%, driven by improved margin rates due to an increase in customer contracted pricing and improved consumption mix.
- Fees, charges and other gross margin was $9 million, down 25.0%, due to lower Distributed Energy Services margin rates and a reduction in third party call volumes.
- Telecommunication gross margin was $20 million, up 81.8%, driven by growth in telecommunications services and improved margin rates aligned with service revenue growth across a fixed network cost.
- Perth Energy gross margin was $10 million, up $8 million, driven by higher Kwinana Swift Power Station generation volumes due to higher availability compared to the prior year, as well as higher volumes and margins in the gas portfolio. This was partly offset by margin compression in the electricity portfolio due to market conditions driving up wholesale electricity costs.
- Sustainable Business Energy Solutions (SBES) gross margin was $19 million, up 26.7%, due to customer growth and improved project delivery performance.
- Depreciation and amortisation was $(123) million, down 11.5% driven by assets reaching their end of depreciated life, largely related to the Customer Experience Transformation (CXT) program.

5.1.2 Operating costs

Customer Markets operating costs (excluding depreciation and amortisation) were $(536) million, up 9.2%, due to an increase in net bad debt expense as a result of higher revenue, and incremental growth of SBES business and Retail Transformation Program.

	FY23 $m	FY22 $m
Labour and contractor services	**(222)**	(215)
Net bad debt expense	**(98)**	(80)
Campaigns and advertising	**(89)**	(88)
Other expenditure	**(127)**	(108)
Operating costs (excluding depreciation and amortisation)	**(536)**	(491)
Depreciation and amortisation	**(123)**	(139)
Operating costs (including depreciation and amortisation)	**(659)**	(630)

- Labour and contractor services costs were $(222) million, up 3.3%, driven by incremental growth in SBES business and Retail Transformation Program, and the realignment of Decentralised Energy Resources from Integrated Energy, partly offset by labour efficiencies.
- Net bad debt expense was $(98) million, up 22.5% due to customer and revenue growth, increased intake into the customer hardship program in the second half of the year and non-recurring COVID-19 provision released in prior year.
- Campaigns and advertising costs were $(89) million, up 1.1% due to an increase in brand spend, as a result of the launch of 'Join the change' advertising campaign.
- Other expenditure was $(127) million, up 17.6% due to an increase in investment in the Retail Transformation Program, an increase in property costs due to higher SBES inventory holdings, and integration costs.

5.1.3 Consumer profitability and operating efficiency

Net operating costs per consumer service was $(102), up 3.0% compared to the prior year predominantly due to higher net operating costs driven by an increase net bad debt due to higher revenue.

	FY23	FY22
Gross margin ($m)	**825**	741
Net operating costs ($m)[1]	**(432)**	(415)
EBITDA ($m)	**393**	326
Average consumer services ('000)	**4,251**	4,184
Gross margin per consumer service ($)	**194**	177
Net operating costs per consumer service ($)	**(102)**	(99)
EBITDA per consumer service ($)	**92**	78
Net operating costs as a percentage of gross margin	**52.4%**	56.0%

1. Includes fees, charges, and recoveries. Excludes depreciation and amortisation, and the impact of digital uplift expenses (Software as a Service).

Average consumer services increased compared with the prior year largely due to growth in Telecommunications services and growth in gas services, largely within Victoria and Western Australia, partly offset by a small decline in electricity services, particularly in New South Wales.

Gross Margin per consumer service increased compared to the prior year due to higher revenue as a result of focused value management, higher usage driven by increased solar volumes and gas customer services growth, and increased margins in Telecommunications as a result of growth in Telecommunications services.

5.2 Integrated Energy

The Trading and Origination components of Integrated Energy are responsible for managing the price risk associated with trading electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. They also control the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.

- Trading and Origination - Electricity reflects the trading of key fuel inputs and hedging of AGL's wholesale electricity requirements, and also includes Eco Markets, which reflects the management of AGL's liabilities relating to both voluntary and mandatory renewable and energy efficiency.
- Trading and Origination - Gas reflects the sourcing and management of AGL's gas supply and transportation portfolio. Trading and Origination - Gas is also responsible for the management of the price exposures related to AGL's oil-linked wholesale gas contracts.
- Trading and Origination – Other reflects the Trading and Origination resourcing and support, in addition the Decentralised Energy Resources business is responsible for the management of other growth initiatives in AGL's orchestration pathway alongside Customer Markets.

The Operations and Other components of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas Generation, Renewables, Natural Gas, and Other business units.

- Coal primarily comprises AGL Macquarie (Bayswater and Liddell power stations) and AGL Loy Yang. Liddell Power Station ceased generation on 28 April 2023 and the site will be rehabilitated and transitioned to an industrial renewable energy hub.
- Gas Generation primarily comprises AGL Torrens, Barker Inlet Power Station, Kwinana Swift Power Station and Somerton Power Station. As announced in November 2022, AGL Torrens will close its three remaining units in operation on 30 June 2026 and will be transitioned into an industrial renewable energy hub.
- Renewables primarily comprises hydroelectric power stations, the operation of solar power as well as wind power generation. Operational costs to maintain the wind farms are reported within Trading and Origination – Electricity to align with the gross margin of the related power purchase agreements.
- Natural Gas includes the Surat Gas Project, the natural gas production assets at Camden in New South Wales, the Newcastle Gas Storage Facility and the Moranbah Gas Project. As of 30 June 2023, the Moranbah Gas Project and Surat Gas Project are held for sale. The Moranbah Gas Project divestment is expected to be completed by early 2024.
- Other primarily consists of the Energy Hubs business focused on the development and construction of greenfield growth opportunities related to renewable and firming capacity, and technical and business support functions.

5.2.1 Underlying EBIT

Integrated Energy Underlying EBIT was $753 million, up $110 million or 17.1%, largely due to higher gross margin from Trading and Origination – Gas. This was partly offset by lower gross margin from Trading and Origination – Electricity, an increase in Coal operating costs and an increase in depreciation and amortisation.

	FY23 $m	FY22 $m
Gross margin	**2,046**	1,871
Operating costs (excluding depreciation and amortisation)	**(762)**	(725)
Underlying EBITDA	**1,284**	1,146
Depreciation and amortisation	**(531)**	(503)
Underlying EBIT	**753**	643

Gross margin was $2,046 million, up $175 million due to higher margin in the gas portfolio, as a result of high oil prices on a net long position, haulage optimisation, and the recovery of wholesale and consumer customer margin reflecting rising gas costs in recent years that were previously absorbed by AGL. In addition, the electricity portfolio benefited from higher contracted prices outside of Victoria, higher hydroelectric generation revenue, and lower volatility in May and June 2023. This was partly offset by exposure to high pool prices, mainly during the month of July 2022 when AGL was short electricity in the market, the major outage of Unit 2 at AGL Loy Yang and the retirement of three Units at Liddell Power Station in April 2023 resulting in lower generation, and higher coal generation costs.

Operating costs (excluding depreciation and amortisation) were $(762) million, an increase of $37 million compared with the prior year due to higher labour costs driven by Enterprise Agreement wage escalations and increased costs to maintain plant availability across the thermal fleet. This was partly offset by labour efficiencies and the closure of Liddell Power Station in April 2023. For further details see Section 5.2.2.

The following table provides a breakdown of the contributors to Underlying EBITDA and Underlying EBIT:

	FY23 $m	FY22 $m
Trading and Origination - Electricity	**1,429**	1,455
Trading and Origination - Gas	**437**	239
Trading and Origination - Other	**(31)**	(40)
Coal	**(440)**	(406)
Gas Generation	**(38)**	(43)
Renewables	**(26)**	(18)
Natural Gas	**9**	-
Other	**(56)**	(41)
Underlying EBITDA	**1,284**	1,146
Depreciation and amortisation	**(531)**	(503)
Underlying EBIT	**753**	643

- Trading and Origination – Electricity gross margin was $1,429 million, down 1.8%, largely due to a reduction in generation volumes at Bayswater, Liddell and Loy Yang A power stations and exposure to high pool prices during July 2022 when AGL was short electricity in the market. In addition, in Eco Markets there was an increase in costs due to a lagged recovery of increasing LREC prices coupled with the timing of SREC compliance cost recovery from customers. Gross margin was also down due to higher input costs, primarily coal, gas and diesel costs as a result of recent international market events. This was partly offset by an increase in consumer and business customers contracted pricing, lower exposure to high pool prices during May and June 2023 compared to market events in 2022, and higher hydroelectric generation.
- Trading and Origination – Gas gross margin was $437 million, up 82.8%, driven by high oil prices on a net long position and haulage optimisation, the recovery of wholesale and consumer customer margin reflecting rising gas costs in recent years that were previously absorbed by AGL, and higher internal generation rates. This was partly offset by higher gas costs due to higher spot market purchases as a result of ROLR events in the first quarter of the year and higher oil-linked contract prices.
- Trading and Origination – Other Underlying EBITDA was $(31) million, up 22.5% mainly due to the realignment of the Decentralised Energy Resources business, higher orchestration revenue and labour efficiencies.
- Coal Underlying EBITDA was $(440) million, down 8.4%, driven by higher costs to maintain plant availability, and increased labour costs due to Enterprise Agreement wage escalations. This was partly offset by the reduction in costs from the closure of Liddell Power Station, and labour efficiencies.
- Gas Generation Underlying EBITDA was $(38) million, up 11.6%, predominantly driven by labour efficiencies.
- Renewables Underlying EBITDA was $(26) million, down 44.4%, predominantly driven by increased labour costs due to Enterprise Agreement wage escalations, and higher maintenance costs, including an unplanned maintenance event at Clover Power Station.
- Natural Gas Underlying EBITDA was $9 million, up $9 million, driven by higher gas sales at Camden and the Moranbah Gas Project, and lower field development costs for the Moranbah Gas Project. This was partly offset by increased costs of well workover activities in the Surat Basin.
- Other Underlying EBITDA was $(56) million, down 36.6%, driven by the transfer of Health, Safety and Environment (HSE) function costs from Centrally Managed Expenses to Integrated Energy, and increased feasibility studies for the energy hub sites. This was partly offset by lower insurance premiums.

5.2.2 Operating costs

Integrated Energy operating costs (excluding depreciation and amortisation) of $(762) million increased by 5.1% compared with the prior year.

	FY23 $m	FY22 $m
Labour	**(368)**	(374)
Contracts and materials	**(264)**	(247)
Other	**(130)**	(104)
Operating costs (excluding depreciation and amortisation)	**(762)**	(725)

- Labour costs were $(368) million, down 1.6%, driven by labour efficiencies. This was partly offset by increased labour costs due to Enterprise Agreement wage escalations primarily at AGL's Coal operations, and the transfer of the HSE function from Centrally Managed Expenses.
- Contracts and materials costs were $(264) million, up 6.9%, driven by an increase in costs to maintain plant availability across the thermal fleet and higher costs associated with minor outages at AGL Loy Yang. This was partly offset by the impact of the closure of Liddell Power Station in April 2023.
- Other operating costs were $(130) million, up 25.0%, due to increased feasibility studies for the energy hub sites, and an increase in compliance costs. This was partly offset by a decrease in field development costs relating to the Moranbah Gas Project.

5.2.3 Depreciation and amortisation

Integrated Energy depreciation and amortisation of $(531) million increased by 5.6% compared with the prior year.

	FY23 $m	FY22 $m
Coal	**(421)**	(392)
Gas Generation	**(35)**	(44)
Renewables	**(35)**	(35)
Natural Gas	**(6)**	(7)
Other Integrated Energy	**(34)**	(25)
Depreciation and amortisation	**(531)**	(503)

- Coal depreciation and amortisation was $(421) million, up 7.4%, driven by the impact of the earlier targeted closure dates of AGL Loy Yang and Bayswater power stations, a higher asset base due to an increase in environmental rehabilitation assets at AGL Loy Yang and increased investment at Bayswater Power Station. This was partly offset by the impact of the impairments resulting from AGL's Review of Strategic Direction (RoSD) outcomes announced in September 2022.
- Gas Generation depreciation and amortisation was $(35) million, down 20.5% driven by the impact of the impairment of AGL Torrens resulting from AGL's RoSD outcomes announced in September 2022.
- Renewables depreciation and amortisation was $(35) million, flat with the prior year.
- Natural Gas depreciation and amortisation was $(6) million, broadly flat with the prior year.
- Other Integrated Energy depreciation and amortisation was $(34) million, up 36.0%, driven by a higher asset base due to the completion of the leased Wandoan battery in June 2022.

5.3 Centrally Managed Expenses

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

Following a structural review, certain costs associated with Telecommunications Technology and Corporate functions were transferred from Customer Markets to Centrally Managed Expenses, and the tranfer of the HSE function to Integrated Energy in the year.

Centralised Managed Expenses Underlying EBIT was $(360) million, down 7.8%. This included the transfer of $(9) million of costs associated with the Telecommunication functions and $10 million of costs associated with the HSE function. Excluding the impact of transferred functions Underlying EBIT was down 8.0%, primarily due to the non-recurrence of benefits in the prior year, which included the movement in employee short term incentive provisions. Additionally, there was an uplift in cyber security spend to further enhance the protection of AGL's operations and customers, increased travel and consultancy activities post COVID-19 and higher Board of Directors' fees due to an increase in the number of AGL Board members.

	FY23 $m	FY22 $m
Gross margin	**–**	–
Operating costs (excluding depreciation and amortisation)	**(286)**	(259)
Underlying EBITDA	**(286)**	(259)
Depreciation and amortisation	**(74)**	(75)
Underlying EBIT	**(360)**	(334)
Breakdown of operating costs (excluding depreciation and amortisation)		
Labour	**(131)**	(115)
IT hardware and software costs	**(108)**	(98)
Consultants and contractor services	**(15)**	(14)
Insurance premiums	**(9)**	(9)
Other	**(23)**	(23)
Operating costs (excluding depreciation and amortisation)	**(286)**	(259)

5.4 Investments

Investments comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe, Ovo Energy Australia Pty Ltd and other investments.

	FY23 $m	FY22 $m
ActewAGL	**16**	16
Ovo[1]	**(20)**	(20)
Tilt Renewables	**(4)**	9
Other	**–**	6
Underlying EBIT	**(8)**	11

1. Includes $(8) million (FY22: $(10) million) attributable to the 49% non-controlling interest in Ovo.

- ActewAGL Retail Partnership contributed an equity share of profits of $16 million, flat to prior year.
- Ovo recorded a loss of $(20) million, flat to prior year, driven by higher customer acquisition costs offset by lower localisation costs for the Kaluza platform.
- The Tilt Renewables' $(4) million loss reflected higher depreciation driven by Coopers Gap Wind Farm and Dundonnell Wind Farm commencing depreciation during the year.
- Other was down $6 million, due to the disposal of an investment in Activate Capital Partners in the prior year.

5.5 Consolidated financial performance by operating segment

FY23 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	8,471	9,521	32	–	(3,867)	14,157
Cost of sales	(7,564)	(7,475)	(34)	–	3,867	(11,206)
Other income	–	–	14	–	–	14
Gross margin	907	2,046	12	–	–	2,965
Operating costs (excluding depreciation and amortisation)	(536)	(762)	(20)	(286)	–	(1,604)
Underlying EBITDA	371	1,284	(8)	(286)	–	1,361
Depreciation and amortisation	(123)	(531)	–	(74)	–	(728)
Underlying EBIT	248	753	(8)	(360)	–	633
Net finance costs						(258)
Underlying Profit before tax						375
Income tax expense						(100)
Underlying Profit after tax						275
Non-controlling interests[1]						6
Underlying Profit after tax attributable to AGL shareholders						281

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

FY22 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	7,666	9,074	17	–	(3,536)	13,221
Cost of sales	(6,855)	(7,203)	(10)	–	3,536	(10,532)
Other income	–	–	25	–	–	25
Gross margin	811	1,871	32	–	–	2,714
Operating costs (excluding depreciation and amortisation)	(491)	(725)	(21)	(259)	–	(1,496)
Underlying EBITDA	320	1,146	11	(259)	–	1,218
Depreciation and amortisation	(139)	(503)	–	(75)	–	(717)
Underlying EBIT	181	643	11	(334)	–	501
Net finance costs						(217)
Underlying Profit before tax						284
Income tax expense						(66)
Underlying Profit after tax						218
Non-controlling interests[1]						7
Underlying Profit after tax attributable to AGL shareholders						225

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

6. Portfolio Review Summary

The portfolio review for the Electricity (Section 6.2) and Gas (Section 6.3) businesses outlines the margin achieved for each of AGL's portfolios across operating segments, and demonstrates how value is generated within each business. The portfolio reviews in Section 6.2 and 6.3 start with volume information before summarising external customer revenue, customer network and other costs, fuel and gas costs net of hedging, and costs of managing and maintaining owned and contracted generation assets, to arrive at a portfolio's 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 Sections 6.2 and 6.3 should be read in conjunction with Section 6.4 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

6.1 Portfolio Review Summary to Underlying Profit after Tax

	FY23 $m	Restated FY22 $m
Electricity Portfolio		
Total revenue	**7,119**	6,614
Customer network, green compliance, and other cost of sales	**(3,634)**	(3,447)
Fuel costs[1]	**(861)**	(823)
Generation running costs[1]	**(804)**	(707)
Depreciation and amortisation	**(491)**	(471)
Net portfolio management	**(372)**	(146)
Electricity Portfolio Margin (a)	**957**	1,020
Gas Portfolio		
Total revenue	**2,737**	2,511
Customer network and other cost of sales	**(587)**	(556)
Gas purchases	**(1,051)**	(1,104)
Haulage, storage and other	**(326)**	(342)
Gas Portfolio Margin	**773**	509
Natural Gas	**3**	(7)
Gas Portfolio Margin (including Natural Gas) (b)	**776**	502
Other AGL		
Other margin[2]	**62**	64
Customer Markets operating costs	**(536)**	(491)
Integrated Energy other operating costs	**(89)**	(76)
Investments operating costs	**(20)**	(21)
Centrally Managed Expenses operating costs	**(286)**	(259)
Other depreciation and amortisation	**(231)**	(238)
Net finance costs	**(258)**	(217)
Income tax expense	**(100)**	(66)
Total Other AGL (c)	**(1,458)**	(1,304)
Underlying Profit after Tax (a + b + c)	**275**	218
Non-controlling interests[3]	**6**	7
Underlying Profit after tax attributable to AGL shareholders	**281**	225

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.
2. Other margin includes other income from investments, and gross margin from Customer Markets.
3. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

6.2 Electricity portfolio

The Electricity portfolio review combines Integrated Energy's Trading and Origination (Electricity), Operations (Coal, Gas Generation and Renewables), with Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

All electricity volumes generated by AGL are sold into either the National Electricity Market (NEM) or Western Australian Wholesale Electricity Market (collectively the "pool") for which AGL receives pool generation revenue. Pool generation revenue is a function of volume and pool prices, which are set by the real-time market in each 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 volumes and costs. Where AGL's customer demand volumes exceed pool generation volumes, the generation volume deficit needs to be purchased from the pool by AGL.

	FY23 GWh	FY22 GWh	Movement %
Pool purchase volume to satisfy Consumer customers	**15,362**	15,145	1.4%
Pool purchase volume to satisfy Large Business customers and Wholesale customers	**23,969**	24,953	(3.9)%
Pool purchase volume[1]	**39,331**	40,098	(1.9)%
Net generation volume (deficit)/surplus	**(2,394)**	657	(464.4)%
Pool generation volume	**36,937**	40,755	(9.4)%
Consumer customers sales	**14,537**	14,371	1.2%
Large Business customers sales	**10,306**	10,543	(2.2)%
Wholesale customers sales	**13,307**	14,042	(5.2)%
Total customer sales volume	**38,150**	38,956	(2.1)%
Energy losses	**1,181**	1,142	3.4%
Pool purchase volume[1]	**39,331**	40,098	(1.9)%

1. Includes 2.7 TWh residential solar volumes purchased from consumers (FY22: 2.5 TWh).

Refer to Section 3.1.4 for commentary on generation volumes.

Refer to Section 3.1.2 for commentary on customer energy demand.

	Portfolio Margin		Per Unit		Volume Denomination	
Revenue	FY23 $m	FY22 $m	FY23 $/MWh	FY22 $/MWh	FY23 GWh	FY22 GWh
Consumer customers	**4,248**	3,975	***292.2***	*276.6*	**14,537**	14,371
Large Business customers	**1,688**	1,539	***163.8***	*146.0*	**10,306**	10,543
Wholesale customers[1]	**1,078**	985	***81.0***	*70.1*	**13,307**	14,042
Operations (ancillary revenue)	**105**	115	**–**	–	**–**	–
Total revenue	**7,119**	6,614	***186.6***	*169.8*	**38,150**	38,956

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 $7,119 million, up 7.6%.

- Revenue from Consumer customers was $4,248 million, up 6.9%, due to higher revenue rates and higher volumes.
- Large Business customer revenue was $1,688 million, up 9.7%, primarily driven by an increase in average revenue rates due to an increase in wholesale electricity prices.
- Wholesale customer revenue was $1,078 million, up 9.4%, primarily driven by an increase in green certificates sold compared to the prior year resulting in improved cash flow management through lower inventory being held.
- Operations revenue was $105 million, down 8.7%, driven by lower external revenue from the sale of coal from AGL's mine at AGL Loy Yang to the Loy Yang B Power Station.

Network and other cost of sales	Portfolio Margin FY23 $m	FY22 $m	Per Unit FY23 $/MWh	FY22 $/MWh	Volume Denomination FY23 GWh	FY22 GWh
Network costs	**(2,375)**	(2,366)	***(95.6)***	*(95.0)*	**24,843**	24,914
Consumer	**(1,802)**	(1,784)	***(124.0)***	*(124.1)*	**14,537**	14,371
Large Business	**(573)**	(582)	***(55.6)***	*(55.2)*	**10,306**	10,543
Green compliance costs	**(752)**	(611)	***(30.3)***	*(24.5)*	**24,843**	24,914
Consumer solar costs	**(242)**	(252)	***(89.6)***	*(102.6)*	**2,702**	2,456
Other cost of sales	**(265)**	(218)	***(10.7)***	*(8.8)*	**24,843**	24,914
Total customer network and other cost of sales	**(3,634)**	(3,447)	***(146.3)***	*(138.4)*	**24,843**	24,914

Total customer network and other costs of sales were $(3,634) million, up 5.4%.

- Total network costs were $(2,375) million, up 0.4%, driven by higher volumes, partly offset by tariff decreases.
- Green compliance costs were $(752) million, up 23.1%, predominantly driven by higher LREC prices, coupled with higher volume of certificates traded and higher cost of internally generated LRECs as a result of lower wind generation volumes.
- Consumer solar costs were $(242) million, down 4.0%, due to a reduction in average feed-in-tariffs compared to prior year, partly offset by an increase in solar volumes.
- Other cost of sales were $(265) million, up 21.6%, due to higher metering costs associated with increased volume of digital meters.

Fuel costs	Portfolio Margin FY23 $m	Restated FY22 $m	Per Unit FY23 $/MWh	Restated FY22 $/MWh	Volume Denomination FY23 GWh	Restated FY22 GWh
Coal	**(693)**	(647)	***(22.8)***	*(18.8)*	**30,354**	34,327
Gas[1]	**(168)**	(176)	***(138.0)***	*(120.8)*	**1,217**	1,457
Renewables	**–**	–	**–**	–	**5,366**	4,971
Total fuel costs (a)	**(861)**	(823)	***(23.3)***	*(20.2)*	**36,937**	40,755

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.

Refer to Section 3.1.5 for commentary on fuel costs.

Generation running costs						
Coal Power plants	**(377)**	(368)	***(12.4)***	*(10.7)*	**30,354**	34,327
Gas Power plants	**(48)**	(53)	***(39.4)***	*(36.4)*	**1,217**	1,457
Renewables[1]	**(220)**	(178)	***(41.0)***	*(35.8)*	**5,366**	4,971
Other[2]	**(159)**	(108)	***(4.3)***	*(2.6)*	**36,937**	40,755
Total generation running costs (b)	**(804)**	(707)	***(21.8)***	*(17.3)*	**36,937**	40,755

1. Renewables includes Power Purchase Agreements (PPA) costs.
2. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.

Total generation running costs were $(804) million, up 13.7%.

- Coal operating costs were $(377) million, up 2.4%, driven by additional costs to maintain plant availability, and increased labour costs due to Enterprise Agreement wage escalations. This was partly offset by the impact of the closure of Liddell Power Station and labour efficiencies.
- Gas operating costs were $(48) million, down 9.4%, predominantly driven by savings related to labour efficiencies.
- Renewables costs were $(220) million, up 23.6%, driven by higher generation cost due to a lower onerous contract release during the period.
- Other costs were $(159) million, up 47.2%, driven by higher metering costs due to the increase in the number of digital meters and market fees.

	Portfolio Margin FY23 $m	Portfolio Margin FY22 $m	Per Unit FY23 $/MWh	Per Unit FY22 $/MWh	Volume Denomination FY23 GWh	Volume Denomination FY22 GWh
Depreciation and amortisation (c)	**(491)**	(471)	***(13.3)***	*(11.6)*	**36,937**	40,755

Depreciation and amortisation was $(491) million, up 4.2%, driven by the impact of the earlier targeted closure dates of AGL Loy Yang and Bayswater power stations, and a higher asset base due to an increase in environmental rehabilitation assets at AGL Loy Yang and increased capital investment at Bayswater Power Station. This was partly offset by the impact of the impairments resulting from AGL's RoSD outcomes announced in September 2022.

Net Portfolio Management						
Pool generation revenue[1]	**4,949**	4,695	***134.0***	*115.2*	**36,937**	40,755
Pool purchase costs[1]	**(5,514)**	(5,189)	***(140.2)***	*(129.4)*	**39,331**	40,098
Net derivative revenue	**193**	348	***5.2***	*8.5*	**36,937**	40,755
Net Portfolio Management (d)	**(372)**	(146)	***(9.8)***	*(3.7)*	**38,150**	38,956

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 $(565) million, down $71 million, reflecting lower generation volumes mainly driven by the staggered closure of Liddell Power Station in April 2023, in addition to the Unit 2 major outage at AGL Loy Yang occurring during extended periods of price volatility in the NEM. Higher prices in the first quarter of FY23, particularly in July 2022, coupled with a number of thermal outages resulted in significantly higher pool generation and pool purchase prices. The net derivative revenue of $193 million decreased by $155 million, driven largely by the performance of the wholesale electricity derivatives.

Total wholesale costs (a + b + c + d)	**(2,528)**	(2,147)	***(64.3)***	*(53.5)*	**39,331**	40,098
Total costs	**(6,162)**	(5,594)	***(161.5)***	*(143.6)*	**38,150**	38,956
Electricity Portfolio Margin	**957**	1,020	***25.1***	*26.2*	**38,150**	38,956
Consumer customers	**493**	471				
Large Business customers	**31**	33				
Trading and Origination	**1,429**	1,455				
Perth Energy margin	**(1)**	(1)				
Operations (Coal, Gas Generation and Renewables)	**(995)**	(938)				

In addition to the commentary above, Electricity portfolio margin is discussed in Section 5.1 and 5.2.

6.3 Gas portfolio

The gas portfolio review combines the Integrated Energy Trading and Origination (Gas) and Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

	FY23 PJ	FY22 PJ	Movement %
Consumer customers sales	**54.5**	54.1	0.7%
Large Business customers sales	**16.4**	17.9	(8.4)%
Wholesale customer sales and internal generation usage volumes	**60.5**	81.1	(25.4)%
Total customer sales volume	**131.4**	153.1	(14.2)%
Energy losses	**3.5**	3.6	(2.8)%
Gas purchase volume	**134.9**	156.7	(13.9)%

Refer to Section 3.1.2 for commentary on customer energy demand.

Operating & Financial Review

For the year ended 30 June 2023

Revenue	Portfolio Margin FY23 $m	Portfolio Margin FY22 $m	Per Unit FY23 $/GJ	Per Unit FY22 $/GJ	Volume Denomination FY23 PJ	Volume Denomination FY22 PJ
Consumer customers	1,706	1,489	31.3	27.5	54.5	54.1
Large Business customers	190	162	11.6	9.1	16.4	17.9
Wholesale customers & internal generation	841	860	13.9	10.6	60.5	81.1
Total revenue	2,737	2,511	20.8	16.4	131.4	153.1

- Consumer customers revenue was $1,706 million, up 14.6%, driven by higher revenue rates and higher volumes.
- Large Business customers revenue was $190 million, up 17.3%, due to higher revenue rates driven by an increase in wholesale costs and consumption mix.
- Wholesale customer revenue was $841 million, down 2.2%, largely driven by the roll-off of wholesale customers, along with lower demand from existing customers.

Network and other cost of sales	Portfolio Margin FY23 $m	Portfolio Margin FY22 $m	Per Unit FY23 $/GJ	Per Unit FY22 $/GJ	Volume Denomination FY23 PJ	Volume Denomination FY22 PJ
Consumer network costs	(491)	(480)	(9.0)	(8.9)	54.5	54.1
Consumer other cost of sales	(72)	(53)	(1.3)	(1.0)	54.5	54.1
Large Business customers network costs	(23)	(21)	(1.4)	(1.2)	16.4	17.9
Large Business customers other cost of sales	(1)	(2)	(0.1)	(0.1)	16.4	17.9
Total network and other cost of sales	(587)	(556)	(8.3)	(7.7)	70.9	72.0

Total network costs and other cost of sales were $(587) million, up 5.6%, driven by network tariff increases and increase in consumer volumes.

Wholesale costs	Portfolio Margin FY23 $m	Portfolio Margin FY22 $m	Per Unit FY23 $/GJ	Per Unit FY22 $/GJ	Volume Denomination FY23 PJ	Volume Denomination FY22 PJ
Gas purchases	(1,051)	(1,104)	(8.0)	(7.2)	131.4	153.1
Haulage, storage and other	(326)	(342)	(2.5)	(2.2)	131.4	153.1
Total wholesale costs	(1,377)	(1,446)	(10.5)	(9.4)	131.4	153.1

See Section 3.1.5 for commentary on wholesale gas costs.

	Portfolio Margin FY23 $m	Portfolio Margin FY22 $m	Per Unit FY23 $/GJ	Per Unit FY22 $/GJ	Volume Denomination FY23 PJ	Volume Denomination FY22 PJ
Total costs	(1,964)	(2,002)	(14.9)	(13.1)	131.4	153.1
Gas Portfolio Margin	773	509	5.9	3.3	131.4	153.1
Natural Gas	3	(7)				
Gas Portfolio Margin (including Natural Gas)	776	502				
Consumer customers	312	259				
Large Business customers	13	8				
Trading and Origination	437	239				
Perth Energy margin	11	3				
Natural Gas	3	(7)				

Natural Gas was $3 million, up $10 million, driven by higher gas sales at Camden and Moranbah Gas Project, and lower field development costs for the Moranbah Gas Project. This was partly offset by increased costs of well workover activities in the Surat Basin.

In addition to the commentary above, Gas portfolio margin is discussed in Sections 5.1 and 5.2.

6.4 Portfolio Review Reconciliation

FY23 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	5,936	1,896	376	44	8,252
Integrated Energy	1,183	841	101	3,748	5,873
Other	–	–	32	–	32
Revenue	**7,119**	**2,737**	**509**	**3,792**	**14,157**
Customer Markets	(3,634)	(587)	(327)	580	(3,968)
Integrated Energy	(1,428)	(1,377)	(27)	(4,372)	(7,204)
Other	–	–	(34)	–	(34)
Cost of sales	**(5,062)**	**(1,964)**	**(388)**	**(3,792)**	**(11,206)**
Other income	–	–	14	–	14
Gross margin	**2,057**	**773**	**135**	**–**	**2,965**
Operating costs (excluding depreciation and amortisation)	(609)	–	(995)	–	(1,604)
Depreciation and amortisation	(491)	–	(237)	–	(728)
Portfolio Margin/Underlying EBIT	**957**	**773**	**(1,097)**	**–**	**633**

FY23 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	7,119	2,737	4,949	–	14,805
Revenue reclass	(673)	(51)	(343)	–	(1,067)
Intragroup	–	(197)	–	–	(197)
Other	(330)	13	25	908	616
Note 2 - Revenue	**6,116**	**2,502**	**4,631**	**908**	**14,157**

FY22 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	5,514	1,651	274	24	7,463
Integrated Energy	1,100	860	97	3,684	5,741
Other	–	–	17	–	17
Revenue	6,614	2,511	388	3,708	13,221
Customer Markets	(3,447)	(556)	(241)	453	(3,791)
Integrated Energy	(1,092)	(1,446)	(31)	(4,161)	(6,730)
Other	–	–	(11)	–	(11)
Cost of sales	(4,539)	(2,002)	(283)	(3,708)	(10,532)
Other income	–	–	25	–	25
Gross margin	2,075	509	130	–	2,714
Operating costs (excluding depreciation and amortisation)	(584)	–	(912)	–	(1,496)
Depreciation and amortisation	(471)	–	(246)	–	(717)
Portfolio Margin/Underlying EBIT	1,020	509	(1,028)	–	501

FY22 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	6,614	2,511	4,686	–	13,811
Revenue reclass	(636)	–	(301)	–	(937)
Intragroup	–	(109)	–	–	(109)
Other	(271)	15	16	696	456
Note 2 - Revenue	5,707	2,417	4,401	696	13,221

Notes

a. Other AGL includes Natural Gas Underlying EBIT.

b. Key adjustments include:

- Integrated Energy 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.
- Integrated Energy 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 Integrated Energy, 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 Trading and Origination - Gas to Trading and Origination - Electricity; gas sales from Natural Gas to Trading and Origination - Gas. Elimination adjustment also includes the reallocation of green costs from Trading and Origination - Electricity to Consumer and Business customer other cost of sales.

7. 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 summary of key governance focus areas during FY23.

Throughout FY23, AGL's corporate governance arrangements were consistent with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. AGL's 2023 Corporate Governance Statement is available at **agl.com.au/CorporateGovernance**.

AGL's 2023 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.

7.1 Board skills

AGL seeks to maintain a Board of Directors with a broad range of skills, knowledge and experience necessary to provide effective oversight over management and guide the strategic direction of the Company. The Board uses a skills matrix to identify the key skills and experience the AGL Board is seeking to achieve in its membership. The skills matrix is updated regularly by each Director rating their skills, expertise and experience from 1 to 3 for each identified skill. The self-assessment ratings are subsequently considered and approved by the Board. The skills matrix as at 10 August 2023 is set out in Table 7.2.2.

In conducting the assessment, Directors were assessed using the following skills rating levels:

Significant Experience – regarded to have expert or highly qualified proficiency, knowledge and experience in the subject matter or domain and has been seen to contribute these skills in Board and Committee conversations and critical thinking.

Developed Understanding – developed a sound working knowledge and understanding of the subject matter through either past executive or management roles, extensive on-the-job application of skills in Board and Committee activities and/or through training and professional development activities.

General Familiarity – possesses an awareness and base literacy around the subject/topic and its relevance to the organisation and the Board.

Individual Director assessments were aggregated to inform an assessment of the overall level of capability represented across the Board in each of the identified priority areas.

In the eleven identified areas, the Board as a whole was rated either as having Significant Experience or Developed Understanding.

Further details about AGL's Board Skills Matrix are set out in AGL's 2023 Corporate Governance Statement available at **agl.com.au/CorporateGovernance**.

7.2 Key areas of focus during FY23

Table 7.2.1: Board Focus Areas during FY23

	Key Focus Areas	Business Value Drivers
Board	• During the first quarter of FY23, overseeing the Review of Strategic Direction which resulted in AGL committing to a strategy to deliver a responsible and accelerated low carbon future with an aim to reshape AGL's energy portfolio into a cleaner and more flexible portfolio, transitioning away from coal and focusing on new renewable and firming capacity. • The release of AGL's inaugural Climate Transition Action Plan (**CTAP**), endorsed by AGL's shareholders at the 2022 Annual General Meeting (**AGM**), which demonstrates AGL's commitment to transparent communication with its stakeholders about its approach to decarbonisation. AGL's CTAP will be subject to a non-binding shareholder vote every three years at AGL's AGM, unless there are material changes to the plan, in which case a revised plan will be put to shareholder vote at the following AGM. • Implementation of AGL's new strategy, including approving a targeted early closure of Loy Yang A Power Station by FY35, the early closure of Torrens Island "B" Power Station in 2026, investments in renewable energy initiatives, AGL's debt refinancing program, various customer experience improvement initiatives and the release of AGL's refreshed strategy at the Investor Day in June 2023. • Board renewal and succession planning. This included the appointment of Miles George as a Non-Executive Director and Patricia McKenzie as Chair of the Board, following the resignation of Peter Botten as Chair. Christine Holman, John Pollaers, Kerry Schott and Mark Twidell were elected by shareholders as Non-Executive Directors of the Board at the 2022 AGM. The Board appointed Damien Nicks as permanent Managing Director & CEO and Gary Brown as Chief Financial Officer on 19 January 2023. • Consideration and approval of changes to AGL's remuneration framework, effective from FY24. • Monitoring AGL's customer strategy, including the continued implementation of various transformation programs which are aimed at unlocking value, enabling growth and improving customer experience. The Board had oversight of AGL's pricing strategy and implementation of customer affordability measures, particularly in light of cost of living pressures. • Group performance (including financial performance, asset performance, customer metrics and HSE performance). During FY23 the Board approved AGL's capital management plan, monitored and had close oversight of financial performance against FY23 guidance, particularly during a time of unprecedented energy market volatility and energy market intervention, provided earnings guidance for FY24 and updated AGL's dividend policy. • Oversight of AGL's cyber and business resilience capabilities. • Approved AGL's new purpose and values and reviewed the effectiveness of a number of AGL Group policies and approved various amendments to those policies, including AGL's Privacy Policy, Anti-Bribery, Corruption and Fraud Policy, Code of Conduct, Whistleblower Protection Policy and AGL's third Modern Slavery Statement. • Oversaw the safe closure of the Liddell Power Station, transition of Liddell employees to the Bayswater Power Station and the planning for the rehabilitation of the site and re-use as an integrated energy hub. • AGL's governance and risk management framework, risk appetite statement and systems and identifying ways to further strengthen governance, accountability and culture within AGL.	

Governance Summary

For the year ended 30 June 2023

Table 7.2.2: Board Skills Matrix

Skills, experience & knowledge	Key Competencies	Competency Level
Operations and Project Governance	• Industrial and large asset operations management • Project governance and management • Operational efficiency and optimisation • Wholesale customer strategies • Project governance and management	General Developed Significant
Customer Markets	• Experience with large customer base • Retail customer experience • Product innovation and multi-product packaging • Customer-led transformation initiatives • Responsive to new market entrants and disruption • B2B marketing • Electrification opportunities	General Developed Significant
Stakeholder Management and Communications	• Effective Government relationships • Championing NEM transition • Advocate to stakeholders of role in transition • Investor Relations	General Developed Significant
Entrepreneurship, Commercial Leadership and Growth	• Commercial development and planning of sites • Responsive to changing market conditions • Entrepreneurship to develop new opportunities • Capitalise on growth opportunities, including M&A • Transition and transformation	General Developed Significant
Industrial Relations	• Large workforce management • Transitioning workforce • Highly unionised workforce	General Developed Significant
Energy Markets	• Renewables and development • Fuel sourcing • Trading • Effective risk management • Effective gas strategy in a supply constrained market • Decentralised energy and orchestration	General Developed Significant
Technology	• Technology and digital enablement • New and emerging technologies • Development of customer solutions • Cyber risk management	General Developed Significant
Financial/ Capital Markets	• Funding and credit sourcing in ESG constrained environment • Financial governance (audit and controls) • Accounting, financial reporting and capital management	General Developed Significant

Skills, experience & knowledge	Key Competencies	Competency Level
ESG and Climate Change risks and opportunities	• ESG experience • Rehabilitation and transition experience, including the impact on stakeholders • Climate change risk management and opportunities • Social risks management and opportunities	General Developed Significant
Governance	• Effective risk management • Compliance management • ASX listed experience • Experience in highly regulated business	General Developed Significant
HSE	• Safety • Health and wellbeing • Effective environmental risk management	General Developed Significant

Board and Board Committee focus areas during FY23

The key areas of focus for the Board during FY23, in addition to standing agenda items, are set out in Table 7.2.1 above.

The Board has established four standing Committees as follows:

- Audit & Risk Management Committee;
- Nominations Committee;
- People & Performance Committee; and
- Safety & Sustainability Committee.

Each standing Committee's roles and responsibilities are set out in its Charter. A summary of the key focus areas for the standing Committees during FY23 is set out in Table 7.2.3 below.

Table 7.2.3: Committee focus areas during FY23

Audit & Risk Management Committee	Safety & Sustainability Committee
• 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 Task-force on Climate-related Financial Disclosures and monitoring the independence and quality of AGL's external audit engagement. • Overseeing AGL's funding and debt strategy. • Overseeing the management of AGL's trading and portfolio risks. • Reviewing AGL's insurance renewal options and strategy. • 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. • Post-implementation reviews of major projects, including processes to improve the delivery of major projects generally. • Reviewing reports from management on emerging sources of risk and mitigation measures in place to deal with those risks, including in relation to cyber security and climate change.	• Site visits to the Liddell, Loy Yang and Torrens power stations. • Overseeing planning activities for the safe closure of the Liddell Power Station, the proposed future use of the Liddell site and the impact of the closure on the community and employees. • Meeting with groups of employees to discuss safety (physical and mental health and wellbeing) issues affecting AGL personnel at the Liddell, Loy Yang A and Torrens power stations. • Oversight of AGL's safety, culture, systems, capability and risk, including overseeing initiatives to improve health, wellbeing, safety and environmental performance and participation in site critical control checks. • Oversight of AGL's social licence, sustainability and climate policies and monitoring AGL's relationships with external stakeholders. • Meeting with community representatives to discuss key issues and areas of focus for the communities in which AGL operates, including at the Liddell and Loy Yang power stations. • Oversight of AGL's engagement with First Nations peoples and the implementation of AGL's Reconciliation Action Plan. • Overseeing the HSE Audit program. • Education sessions with third party experts on sustainability considerations associated with the energy transition.
Nominations Committee	**People & Performance Committee**
• Board renewal and succession planning, including the appointment of Miles George as a Non-Executive Director during FY23 (noting that Christine Holman, John Pollaers, Mark Twidell and Kerry Schott were elected as Non-Executive Directors at the 2022 AGM). • CEO succession planning, including appointing Damien Nicks as permanent CEO in January 2023.	• Overseeing the preparation of AGL's FY23 Remuneration Report. • Executive talent and succession planning. • Consideration of AGL's Diversity Targets. • Consideration of changes to the FY24 remuneration framework having regard to AGL's revised strategy. • Monitoring organisational culture, engagement and conduct.

Board of Directors

For the year ended 30 June 2023

The Directors present their report together with the financial statements of AGL and its controlled entities for the year ended 30 June 2023. The section of our Annual Report titled 'Operating & Financial Review' comprises our operating and financial review (OFR) and forms part of this Directors' Report. The Governance Summary, Remuneration Report and Other Required Disclosures also form part of this Directors' Report.

The names of the persons who have been Directors, or appointed as Directors during the period since 1 July 2022 and up to the date of this Report are Patricia McKenzie (Chair), Damien Nicks (Managing Director & CEO), Mark Bloom, Graham Cockroft, Miles George, Christine Holman, John Pollaers, Kerry Schott, Vanessa Sullivan, Mark Twidell, Peter Botten (resigned on 19 September 2022), Diane Smith-Gander (resigned on 19 September 2022) and Graeme Hunt (resigned on 30 September 2022).

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

Patricia McKenzie

Non-Executive Director since 1 May 2019 and Chair since 19 September 2022

Age 67. LLB FAICD

Current Directorships: Chair of NSW Ports and the Sydney Desalination Plant group companies.

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

Experience: Patricia has more than 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 APA Group, 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 AEMO, of which she was a Director (2009 to 2011).

Damien Nicks

Managing Director & Chief Executive Officer since 19 January 2023

Age 50. BCom (Honors), FCA, GAICD

Current Directorships: Chair of ActewAGL, a joint venture that governs the electricity and gas retailer and distribution businesses in ACT.

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

Experience: Damien was appointed interim Chief Executive Officer on 19 September 2022 and confirmed as Managing Director & Chief Executive Officer on 19 January 2023. Since joining AGL in March 2013, Damien held several senior executive finance roles before joining the Executive Team as Chief Financial Officer in August 2018.

Damien has more than 28 years' experience across large multinational businesses including Linfox Logistics, Smorgon Steel and Deloitte.

Mark Bloom

Non-Executive Director since 1 July 2020

Age 65. BCom, BAcc, CA

Current Directorships: Director of Pacific Smiles Group Limited (commenced 18 October 2019), Abacus Storage King (commenced 1 July 2021) and EBOS Group Limited (commenced 16 September 2022).

Former Directorships of listed companies over the past 3 years: Mark Bloom was a director of Abacus Property Group from 1 July 2021 to 3 August 2023.

Experience: Mark has over 35 years' experience as a Finance Executive. Mark was CFO at ASX listed Scentre Group from its formation in July 2014 until his retirement in April 2019. Prior to the formation of Scentre Group, 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 2023

Graham Cockroft

Non-Executive Director since 1 January 2022

Age 60. MCom, Masters in Finance, CMInstD

Current Directorships: Director of Meridian Energy Limited and Tuatahi First Fibre Limited (and three related companies).

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

Experience: Graham has over 30 years' experience in the international energy industry, with executive roles in the UK, South America, New Zealand and Asia. His experiences have been across the energy chain and under different political, economic and regulatory regimes. He has a strong financial background and extensive experience in strategy and business development.

During his executive career Graham has served as Group CFO at Sembcorp Industries, Singapore, CFO and COO at Contact Energy, New Zealand, and in various senior executive roles for close to two decades at BG Group, primarily in the UK and South America.

Miles George

Non-Executive Director since 19 September 2022

Age 68. BE, MBA

Current Directorships: Nil

Former Directorships of listed companies over the past 3 years: Miles was a director of Spark Infrastructure RE Limited from 11 October 2019 to 22 December 2021.

Experience: Miles has more than 30 years' experience in the energy and infrastructure sectors, with a focus on development, investment and financing in the renewable energy industry in Australia and internationally. He has served as an adviser to the AEMC and AEMO on the energy transition, as Chairman of the Clean Energy Council, CEO of CleanCo Queensland and Managing Director of Infigen Energy.

Christine Holman

Non-Executive Director since 15 November 2022

Age 53. MBA, PG Dip Mgt, GAICD

Current Directorships: Director of Metcash Limited, Collins Foods Limited, National Intermodal Corporation, Indara Pty Limited, the Bradman Foundation, the McGrath Foundation and the State Library of New South Wales Foundation.

Former Directorships of listed companies over the past 3 years: Christine was a director of CSR Limited from 25 October 2016 to 16 November 2022 and Blackmores Limited from 18 March 2019 to 28 July 2021.

Experience: Christine is a professional non-executive director with more than 30 years' experience across media, property, industrial, infrastructure, and technology sectors. She was formerly Chief Financial Officer and Commercial Director at Telstra Broadcast Services. Christine was previously at Capital Investment Group. More recently, Christine has served as a Non-Executive Director of CSR Limited, Blackmores Limited, Wisetech Global Limited, HT&E Limited (previously APN News & Media) and Vocus Group Limited.

Professor John Pollaers OAM

Non-Executive Director since 15 November 2022

Age 61. BElecEng, BCompSc, MBA

Current Directorships: Chair of the Australian Financial Complaints Authority and Brown Family Wine Group. Director of GUD Holdings Limited and Chancellor of Swinburne University of Technology.

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

Experience: John has 30 years of commercial and operational leadership experience that includes serving as the CEO of Pacific Brands, the CEO of Fosters Group, the Managing Director of Carlton United Brewers and President Asia Pacific at Diageo. His Diageo career spanned 20 years in various General Management, Finance, M&A, and Operations roles across the UK, Asia-Pacific, and Group Executive Committee.

John has extensive experience across a range of sectors including consumer goods, aged care, advanced manufacturing and higher education. He previously served as a Non-Executive Director of pladis Global Advisory Board, Chair of the Australian Industry & Skills Committee, Chair of the Aged Care Workforce Strategy Taskforce and Chair of the Australian Advanced Manufacturing Council.

Doctor Kerry Schott AO

Non-Executive Director since 15 November 2022

Age 78. BA (Hons), MA (UBC), DPhil (Oxon)

Current Directorships: Chair of the Carbon Market Institute, Member of Aware Super Direct Asset Committee.

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

Experience: Kerry has recently been Chair of the Energy Security Board advising on the redesign of the energy market to enable increased renewable generation. She has been an investment banker for 14 years in senior roles at Deutsche Bank and Bankers Trust specialising in privatisations and infrastructure. She was CEO of Sydney Water, a member of Infrastructure Australia, Chair of Moorebank Intermodal, Director of NBN, and more recently Chair of the NSW Net Zero Emissions Board. She has honorary doctorates from the University of Sydney, University of Western Sydney and University of New England.

Vanessa (Fernandes) Sullivan

Non-Executive Director since 1 March 2022

Age 54. BEc (Hons), GradDip (AppFin), GAICD

Current Directorships: Director of Eco Markets Australia, Niche Environment and Heritage and Port of Townsville, and an Advisory Board member for Centacare (a Not For Profit disability and family services provider). Vanessa is also an independent member of Queensland's Hydrogen Taskforce.

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

Experience: Vanessa has strong commercial, financial, project development and strategy experience gained over 20 years, working across the energy, water and sustainability sectors and more recently in hydrogen industry development. This includes as a Climate Change Leader and Utilities Leader at EY and undertaking significant energy market reforms across the supply chain whilst at Queensland Treasury Corporation. Vanessa has previously held non-executive director roles with Energex, the Smart Energy Council, Essential Energy and Sunwater.

Mark Twidell

Non-Executive Director since 15 November 2022

Age 55. BSc Hons (Elec and Electronic Engineering), MBA, GAICD

Current Directorships: Nil

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

Experience: Mark is a former energy executive with over 30 years' experience in building new markets, programs, and teams globally in the solar and storage sectors. Mark is a member of the TAGEnergy Advisory Committee and Australian Renewable Energy Agency (ARENA) Advisory Panel. Mark has served as Director – Energy Programs at Tesla, responsible for leading Tesla's Energy business in Asia-Pacific, and during 2019-21 the Americas and Europe, Middle East and Africa. He also has experience helping companies and governments with energy transition, having previously served on the boards of the Australian Renewable Energy Agency and Commonwealth Government Solar Flagships Council, and as Deputy Chair of the Clean Energy Council.

Board of Directors

For the year ended 30 June 2023

Composition of Board Committees
as at 30 June 2023

Director	Status	Audit & Risk Management Committee	People & Performance Committee	Safety & Sustainability Committee	Nominations Committee
Patricia McKenzie	Independent				Chair
Damien Nicks	Managing Director & CEO				
Mark Bloom	Independent	Chair		✔	✔
Graham Cockroft	Independent	✔	Chair		✔
Miles George	Independent	✔		✔	✔
Christine Holman	Independent	✔	✔		✔
John Pollaers	Independent	✔	✔		✔
Kerry Schott	Independent	✔		✔	✔
Vanessa Sullivan	Independent		✔	Chair	✔
Mark Twidell	Independent		✔	✔	✔

Directors' Interests

The relevant interest of each Director in the share capital of AGL Energy 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	
Patricia McKenzie	29,965
Mark Bloom	22,000
Damien Nicks	80,820
Graham Cockroft	35,000
Miles George	40,000
Christine Holman	28,000
John Pollaers	17,250
Kerry Schott	26,500
Vanessa Sullivan	20,221
Mark Twidell	15,212

Damien Nicks also holds performance rights allocated as LTI awards under AGL's Long-Term Incentive Plan, which are detailed on page 66 of the Remuneration Report.

No options have been granted over any securities or interests of AGL or the consolidated entity.

Company Secretaries

During FY23, Melinda Hunter held the position of General Counsel and Company Secretary, having been appointed Company Secretary on 23 May 2017 and General Counsel on 1 July 2022. 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 20 years.

Dividends

The Directors have declared a final dividend of 23.0 cents per share, compared with 10.0 cents per share for the prior final dividend. The annual dividend for the year ended 30 June 2023 was 31.0 cents per share compared with 26.0 cents per share for the prior year. The final dividend will be 100% unfranked and will be paid on 22 September 2023. The record date to determine shareholders' entitlements to the final dividend is 24 August 2023. Shares will commence trading ex-dividend on 23 August 2023.

The following dividends have been paid or declared by the Directors since 30 June 2022:

Final dividend of 10.0 cents per share (100% unfranked) paid on 27 September 2022	$67 million
Interim dividend of 8.0 cents per share (100% unfranked) paid on 24 March 2023	$54 million
Final dividend of 23.0 cents per share (100% unfranked) payable on 22 September 2023.	$155 million

AGL targets a payout ratio of approximately 75 percent of Underlying Profit after tax. 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.

Moving forward from the FY24 interim dividend, AGL will be targeting a payout ratio of 50 to 75 percent of Underlying Profit after tax, which will be franked to the extent possible.

The Dividend Reinvestment Plan (DRP) has been suspended indefinitely.

Board of Directors

For the year ended 30 June 2023

Directors' Meetings

The number of Directors' meetings (including meetings of Board Committees) and number of meetings attended by each of the Directors of AGL during the financial year ended 30 June 2023 were:

	Regular Board Meetings		Special Board Meetings		Audit & Risk Management Committee		People & Performance Committee		Safety & Sustainability Committee		Nominations Committee	
Directors' Name	A	B	A	B	A	B	A	B	A	B	A	B
Patricia McKenzie[1]	11	11	10	10	1	1	2	2			3	3
Damien Nicks[2]	4	4	2	2								
Peter Botten[3]	3	3	3	3							1	1
Mark Bloom	11	11	9	10	5	5			4	4	3	3
Graham Cockroft	11	11	8	10	5	5	4	4			3	3
Miles George[4]	8	8	7	7	4	4			3	3	2	2
Christine Holman[5]	5	5	4	4	3	3	2	2			1	1
Graeme Hunt	3	3	5	5								
John Pollaers[5]	5	5	4	4	3	3	2	2			0	1
Diane Smith-Gander[3]	3	3	3	3			1	1	0	1	1	1
Kerry Schott[5]	5	5	4	4	3	3			2	2	1	1
Vanessa Sullivan	11	11	10	10			4	4	4	4	3	3
Mark Twidell[5]	5	5	3	4			2	2	2	2	1	1

[1] Patricia McKenzie ceased to be a member of the Audit & Risk Management Committee on 21 September 2022 and the People & Performance Committee on 6 December 2022.
[2] Damien Nicks was appointed as Managing Director on 19 January 2023.
[3] Peter Botten and Diane Smith-Gander resigned as Non-Executive Directors on 19 September 2022.
[4] Miles George commenced as a Non-Executive Director on 19 September 2022.
[5] Christine Holman, John Pollaers, Kerry Schott and Mark Twidell were appointed as Non-Executive Directors on 15 November 2022.

A – number of meetings attended as a member
B – number of meetings held during the time the Director held office during the year (and was a member of the relevant Committee)

During the year, in aggregate, there were 29 occasions when Non-Executive Directors also attended meetings of Committees of which they were not members.

Directors also participated in informal meetings and video conferences. AGL makes 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 2023

Damien Nicks
Managing Director & Chief Executive Officer
See page 60 for Damien'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 27 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.

Gary Brown
Chief Financial Officer

Gary joined AGL in January 2022. He successfully led a review of the company's strategic direction before being appointed as Chief Financial Officer in October 2022.

Gary has more than 23 years' experience across multinational energy businesses including BHP, Shell and Engie, where he was Chief Financial Officer.

Gary is a Director on the Board of Tilt Renewables, a landmark financing initiative created by AGL to unlock investment in large-scale renewable energy. Gary holds a Bachelor of Commerce from Monash University, is a member of the Chartered Accountants Australia and New Zealand and is a graduate of the Australian Institute of Company Directors.

Jo Egan
Chief Customer Officer

Jo joined AGL in 2008 and held several senior executive roles across Customer Markets before being appointed as Chief Customer Officer in June 2022.

With more than 25 years of experience across a range of customer facing organisations, Jo specialises in leading change in complex environments, growth through commercial innovation and transforming the customer experience. Prior to AGL, Jo held senior leadership roles at TRUenergy and PCI.

Jo is the Chair of Ovo Energy Australia and a director of ActewAGL. Jo holds a Masters of Business Administration and Management from Deakin University, is a member of Chief Executive Women and a Graduate of the Australian Institute of Company Directors.

Suzanne Falvi
Executive General Manager, Corporate Affairs

Suzanne joined AGL in May 2023 as Executive General Manager, Corporate Affairs.

Over the past 12 years Suzanne has worked extensively on a broad range of regulatory, governance and policy issues and leading reforms across energy and climate change frameworks.

Formerly a dispute resolution lawyer, she has held numerous senior leadership roles at the Energy Security Board and the Australian Energy Market Commission and has deep experience in strategic stakeholder engagement and communications, strategy and economic analysis.

Suzanne holds a Bachelor of Economics, a Bachelor of Law (Honours) and a Master of Laws (International Law) from the Australian National University.

Melinda Hunter
General Counsel & Company Secretary

Melinda is an experienced corporate lawyer and governance professional with more than 20 years' experience.

She was appointed General Counsel and Company Secretary of AGL in July 2022.

Melinda joined AGL in 2017 and has been a Company Secretary of AGL Energy during her time at AGL.

Prior to joining AGL, Melinda worked in top tier law firms specialising in mergers and acquisitions and corporate governance and advisory.

Melinda holds a Bachelor of Commerce and a Bachelor of Laws from Macquarie University and is admitted as a solicitor of the Supreme Court of New South Wales.

Amanda Lee
Chief People Officer

Amanda joined AGL in 2016 and has more than 25 years' HR experience across a range of complex industries and business operating models.

She was appointed Chief People Officer in August 2022.

Prior to joining AGL, Amanda held senior leadership roles in ASX-50 companies, heading up executive remuneration while driving change and building high-performing teams.

Amanda holds a Bachelor of Psychology from the University of Western Australia, a Masters of Management from Macquarie University and is a member of Chief Executive Women.

Message from the Chair of the People & Performance Committee

> 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 2023 (FY23).

Dear fellow shareholders,

As this is my first Remuneration Report as Chair of the People and Performance Committee (the Committee), I would like to acknowledge the significant contribution made by Diane Smith-Gander as Chair prior to my appointment, and her stewardship of all Committee matters.

A year of review and renewal

FY23 has been a year of significant change and renewal for AGL, reflective of the pivotal period for the broader energy industry as the transition from fossil fuels to a reliable, low carbon energy future evolves. During FY23, AGL set out a revised strategy, provided clarification of longer-term objectives, and had a period of material Board and management renewal.

As Chair of the Committee, one of my first tasks was to oversee a review of the AGL executive remuneration framework to ensure it aligns with and will drive the AGL strategy and the commitments made through the Climate Transition Action Plan (CTAP). The refinements to the framework are outlined below with further detail provided in Section 8.1.1.

The 'strike' against the FY22 Remuneration Report and changes to the remuneration framework

In light of the first 'strike' that AGL received at the AGM in relation to the FY22 Remuneration Report, we have spent time engaging with and listening to our stakeholders' feedback on the remuneration framework and disclosures. Our responses are provided in Section 8.1.

During these engagements with stakeholders, we discussed the refinements to the remuneration framework to ensure that there is common understanding of the rationale for the changes.

> The refinements for FY24 have been received positively by stakeholders and are perceived to be appropriate in aligning with AGL's strategic objectives.

Details of the changes are provided in Section 8.1.1 and are designed to enhance the focus on progressing longer-term decarbonisation objectives whilst maintaining strong cashflows to support future growth and shareholder returns.

In summary:

- The strategic objectives in the STI scorecard for the Managing Director & CEO (MD & CEO) will increase in weighting from 15% to 20%, aligned with the other executive key management personnel (KMP) to deliver incremental progress against longer-term decarbonisation objectives and future growth;
- Operating free cash flow will be introduced as a second financial metric, alongside Underlying Profit after tax, to ensure the operational core generates strong cashflows to support future investment in growth;
- The carbon transition metrics in the LTI plan will increase in weighting from 25% to 30% to enhance the focus on the commitments to decarbonisation made through the CTAP; and
- The carbon transition metrics have been refined to align with the CTAP commitments.

These changes will be implemented for FY24 and will be fully detailed in the Remuneration Report next year.

We continue to engage with stakeholders and look forward to receiving further feedback on our FY23 Remuneration Report as we work to improve our remuneration framework and disclosures.

Linking FY23 remuneration outcomes to performance

The Board has determined that the overall remuneration outcomes for FY23 are reflective of and aligned to shareholder experience.

Fixed remuneration

The fixed remuneration of both Damien Nicks and Gary Brown, upon appointment as MD & CEO and Chief Financial Officer respectively, was established with reference to market benchmarks but also reflective of their relative experience. This aligns with the AGL approach of establishing an executive's fixed remuneration initially at a level reflecting their experience that allows progressive increases to apply as the executive performs and becomes more experienced in their role.

Short-term incentives (STI)

The performance outcomes in the STI scorecard for the year are as follows:

- Underlying Profit after tax was $**281m**, within the guidance range. This outcome reflects the performance of our generation assets in the second half, the strong performance of our gas portfolio, as well as improvements in customer margin due to disciplined margin management.
- An increase in recordable injuries occurred in Q4 FY23 resulting in a below target outcome in both the employee/contractor total injury frequency rate (TIFR) and for the serious impact and fatality potential metric, with no fatalities or serious injuries to employees or contractors.
- Strategic Net Promoter Score (NPS) increased to **+5**, the highest AGL has achieved in a high price environment, and there were improvements in the NPS of two events for which AGL customer advocacy is measured compared with FY22.
- Our employee engagement score increased from 57% in FY22 to **67**%, reflective of our renewed purpose and values, positive sentiment around a clearer future direction and a returned focus on our people programs following a period of uncertainty.

This resulted in STI outcomes of 73.8% of maximum for the MD & CEO and between 72.1% and 73.8% of maximum for other executives.

> The Board believes this provides a commensurate level of reward to executives for delivering the above performance outcomes and establishing the roadmap for the longer-term strategic objectives for AGL.

Long-term incentives (LTI)

The FY20 long-term incentive (LTI) grant, the first LTI offer with the four-year performance period, was tested at the end of FY23. The relative TSR and ROE hurdles were **not** met and therefore there will be **no** vesting. This is in line with the shareholder experience over the period of the grant. This is the third consecutive year with zero vesting of LTI (the FY19, FY20 Bridging and FY20 LTI Offers).

Other remuneration arrangements

In August 2022, the Board determined that, with the ongoing uncertainty following the withdrawal of the proposed demerger, and the announcement that the previous MD & CEO would be stepping down, retention awards were necessary for both Damien Nicks and Markus Brokhof, Chief Operating Officer, to ensure continuity of leadership for operations and to mitigate the risks of further destabilisation of the executive team. Details are provided in Section 8.4.4. Upon appointment to the MD & CEO role, Mr Nicks opted to forfeit his award in recognition of the opportunity and the increase in remuneration provided by the new role.

Non-Executive Director fees remained unchanged in FY23. The last fee change was in January 2020.

The year ahead

During FY23, in addition to the review of strategy, the publication of the CTAP and the review of the remuneration framework, we also launched our new purpose and values, further underlining the reset for the business and employees alike. FY24 presents an opportunity to embed these elements into AGL's foundations to support the delivery of our long-term goals.

The AGL employee value proposition remains key to attracting, retaining and rewarding those people who can deliver our long-term goals and the remuneration framework remains a key factor in driving performance while enabling the innovation necessary for the energy transition. The Board will continue to review and monitor remuneration structures and performance metrics to ensure they align with AGL's strategic objectives.

We welcome your feedback on the remuneration practices and disclosures for AGL and look forward to your support at our 2023 AGM.

Yours sincerely,

Graham Cockroft
Chair, People & Performance Committee

Remuneration Report

For the year ended 30 June 2023

The Directors present the Remuneration Report for AGL Energy Limited (AGL) and its consolidated entities for the year ended 30 June 2023 (FY23), prepared in line with the *Corporations Act 2001*. The Remuneration 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 FY23.

5.3 GW
Our development pipeline, increased from 3.2 GW

+ 7
Percentage points increase in Key talent retention from FY22

+ 5
Net Promoter Score for FY23

+ 10
Percentage points increase in employee engagement from FY22

Table of Contents

8.1 Our response to the 'strike' against the FY22 Remuneration Report

At the AGM for the financial year ended 30 June 2022 (FY22), 30.7% of the votes cast were against the FY22 Remuneration Report (a first 'strike'). The AGL Board is committed to listening to any concerns raised by shareholders and other stakeholders relating to the remuneration framework or remuneration outcomes and address these concerns where appropriate. The table below summarises the key concerns and issues raised during the engagements with investors and proxy advisors with regard to FY22, noting that proxy advisors were broadly supportive of the FY22 Remuneration Report.

Concern	Response
Short-term Incentives	
The FY22 STI outcomes did not reflect the costs associated with the withdrawn demerger	Over the course of FY22, a considerable amount of focus for management was on the preparation for, and the implementation of the proposed demerger and progressing Board-approved strategic goals. The Board's decision to withdraw the demerger proposal was one consideration in determining FY22 outcomes against the performance scorecards. The Board considered that the FY22 STI outcomes reflected overall performance of AGL and management in this context.
Long-term Incentives	
The performance metrics in the FY23 LTI offer did not reflect the outcomes of the strategic review or the Climate Transition Action Plan (CTAP)	Following the outcomes of the strategic review, announced on 29 September 2022, the Board determined to undertake a broader review of the remuneration framework to ensure it remains fit-for-purpose in delivering long-term value for shareholders and driving the energy transition. This included a review of the performance metrics in the LTI. The outcomes from this review are provided in Section 8.1.1. To provide greater certainty to participants during a highly disruptive and uncertain period, ahead of the outcomes of the remuneration framework review being known, the FY23 LTI offer included performance metrics consistent with the FY22 offer, that is a relative TSR metric (weighted 75%) and the carbon transition metrics (weighted 25%).
Disclosure of the termination details for the former Managing Director & CEO	
No details were disclosed of the treatment of the former Managing Director & CEO upon termination	The former Managing Director & CEO, Mr Graeme Hunt, ceased to be a key management personnel on 30 September 2022. As a result of the FY23 STI outcomes, Mr Hunt will receive a pro-rata FY23 STI payment of $193,178 for the three month period to 30 September 2022. Mr Hunt was not provided with an FY23 LTI offer. Mr Hunt is eligible to retain a pro-rata number of performance rights for time served of the four-year performance period of the FY22 LTI offer. All other termination provisions were as per the terms of Mr Hunt's contract of employment, summarised in the ASX announcement of 12 August 2021.

8.1.1 Refinements to the remuneration framework for FY24

Following the 2022 strategic review, publication and approval of the inaugural CTAP, the AGL Board committed to a review of the remuneration framework to ensure that it continues to be fit-for-purpose and delivers long-term value for shareholders whilst driving the transition. The review of the framework included the performance metrics in both the short-term and long-term incentives as the alignment of these with strategy is key to delivering against both annual and longer-term objectives.

The refined remuneration framework for AGL is designed to:

- Enhance the focus on strategic measures to deliver progress against longer-term decarbonisation objectives and support future growth
- Maintain the focus on the operational core to generate strong cashflows that support delivery of future growth and shareholder returns, and
- Create long-term shareholder value

The refinements being made to the remuneration framework for the financial year ending 30 June 2024 (FY24) are outlined below.

FY24 Short-term incentive refinements

- Operating free cash flow will be added to the STI scorecard as a financial performance metric, equally weighted with Underlying Profit after tax. This is to sharpen the focus on the operational core to generate cashflows to support delivery of future growth objectives.
- An increase to the weighting of the strategic objectives in the performance scorecard for the Managing Director & CEO from 15% to 20%, with the weighting of the financial metric decreasing from 60% to 55%, to enhance the focus on delivering incremental progress against longer-term decarbonisation objectives and future growth. These weightings align with the other executive KMP.

FY24 Long-term incentive refinements

- For the FY24 LTI offer, the weighting of the carbon transition metrics will increase from 25% to 30% , with relative TSR decreasing to 70%. This is to enhance alignment of the performance metrics with the delivery of the long-term decarbonisation objectives, whilst also creating shareholder value.
- The carbon transition metrics have been refined for the FY24 LTI offer to ensure they are aligned with the CTAP and the long-term focus for AGL to progressively decarbonise its asset portfolio with new renewable and firming capacity and to support electrification and customer transition to a low carbon future. In this context, determining the appropriate carbon transition metrics is a critical element in driving progress towards these clear objectives. The carbon transition metrics for the FY24 LTI offer are detailed in Section 8.3.4.

During FY23, the Board engaged with investors and proxy advisors on these refinements and generally received support from stakeholders.

8.2 Key management personnel

The AGL KMP are the Managing Director & CEO and executives with operational and/or financial responsibility (together referred to in this report as 'executives'), and the Non-Executive Directors.

For FY23, the KMP were:

Table 8.2.1: FY23 key management personnel

Name	Position	Term as KMP
Non-Executive Directors		
Current		
Patricia McKenzie[1]	Chair	Full year
Mark Bloom	Non-Executive Director	Full year
Graham Cockroft	Non-Executive Director	Full year
Miles George	Non-Executive Director	From 19 September 2022
Christine Holman	Non-Executive Director	From 15 November 2022
Professor John Pollaers OAM	Non-Executive Director	From 15 November 2022
Kerry Schott AO	Non-Executive Director	From 15 November 2022
Vanessa Sullivan	Non-Executive Director	Full year
Mark Twidell	Non-Executive Director	From 15 November 2022
Former		
Peter Botten	Chair	Until 19 September 2022
Diane Smith-Gander	Non-Executive Director	Until 19 September 2022
Executives		
Current		
Damien Nicks[2]	Managing Director & CEO	Full year
Markus Brokhof	Chief Operating Officer	Full year
Gary Brown[3]	Chief Financial Officer	From 1 October 2022
Jo Egan	Chief Customer Officer	Full year
Former		
Graeme Hunt	Managing Director & CEO	Until 30 September 2022

1. Ms McKenzie was appointed as Chair effective 19 September 2022 (previously Non-Executive Director).
2. Mr Nicks was appointed as Managing Director & CEO effective 19 January 2023 (previously Chief Financial Officer from 1 July 2022 to 30 September 2022 and Interim CEO from 1 October 2022 to 18 January 2023).
3. Mr Brown was appointed as Chief Financial Officer effective 19 January 2023 (previously Interim Chief Financial Officer from 1 October 2022 to 18 January 2023). Prior to his appointment as KMP, Mr Brown commenced at AGL from 17 January 2022 in a Financial Advisor role.

8.3 Executive remuneration strategy and framework

Our framework

Purpose & Strategy

- The objective of the remuneration strategy is to drive AGL's purpose of supporting progress for all its stakeholders.
- Our remuneration strategy is key to enabling the delivery of AGL's short and long-term objectives as defined in its overall strategy.

AGL Business Drivers

- 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 outcomes and returns to shareholders.
- The remuneration framework is underpinned by the AGL Business Value Drivers with the aim of creating long-term value for shareholders and other stakeholders.

Values

- The AGL values guide the behavioural expectations for executives within the remuneration framework.
- 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.
- AGL regularly reviews the remuneration framework to ensure that it is fit-for-purpose and drives performance outcomes that deliver on AGL's strategy.

Market

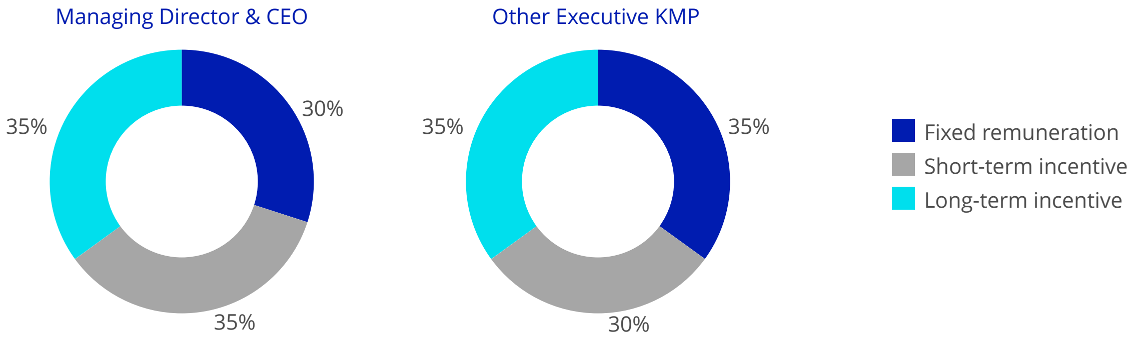
- AGL aims to attract and retain the right people for the job to lead AGL in tackling the challenges confronting the energy industry.
- We benchmark our remuneration levels in consideration of similar sized companies in the ASX, consistent with common practice across other ASX companies.

FY23 remuneration framework and alignment with strategy

	Fixed remuneration	Short-term incentive	Long-term incentive
How does it link with strategy?	Competitive remuneration to attract and retain executives with the right capability and experience to deliver against the strategic objectives.	Rewards executives for delivering financial returns and progressing AGL's strategy; annual metrics are aligned to Business Value Drivers.	Rewards executives for long-term performance, delivering against the AGL purpose; to encourage shareholding and deliver long-term value creation for shareholders and other stakeholders.
How is it determined?	• Skills and experience • Role complexity • Responsibility Benchmarked against peer companiesin the S&P/ASX200 Index, within 50-200% of AGL's market capitalisation.	*Annual performance period* • Financial metrics: 55-60% • Safety metrics: 10% • Customer metrics: 7.5% • Employee engagement: 7.5% • Individual strategic metrics: 15-20%	*Four-year performance period* • Relative total shareholder return (TSR) measured against the S&P/ASX100: 75% • Carbon transition metrics: 25%
How is it delivered?	Base salary and superannuation.	Cash and Restricted Shares (no further performance conditions apply). Restrictions lift after two years.	Performance Rights which vest after four years, subject to meeting the performance conditions.

8.3.1 Remuneration mix

The remuneration mix is structured to attract and retain executives. The FY23 remuneration mix at maximum for executives is summarised below. The variable/at-risk component of total remuneration is 70% for the Managing Director & CEO and 65% at maximum for other executives.



Note: the remuneration mix for the Managing Director & CEO is for Mr Nicks from appointment to the role on a permanent basis, from 19 January 2023.

8.3.2 Fixed remuneration

What is the purpose of fixed remuneration?

- The purpose of 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 can attract and retain those executives with experience in companies or industries undergoing similar transformation.

How is fixed remuneration established?

- Fixed remuneration is determined by considering market benchmarks against peer companies in the S&P/ASX200 Index, within 50-200% of AGL's market capitalisation.
- AGL's approach is to set an 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.
- Fixed remuneration is reviewed annually in the context of market positioning and performance. This may or may not result in an increase for executives.

Are there any other considerations in setting fixed remuneration?

- AGL is committed to gender pay equity across employees, including executives. There are no gender pay gaps in fixed remuneration for current executives in roles of equivalent size, based on relative experience.

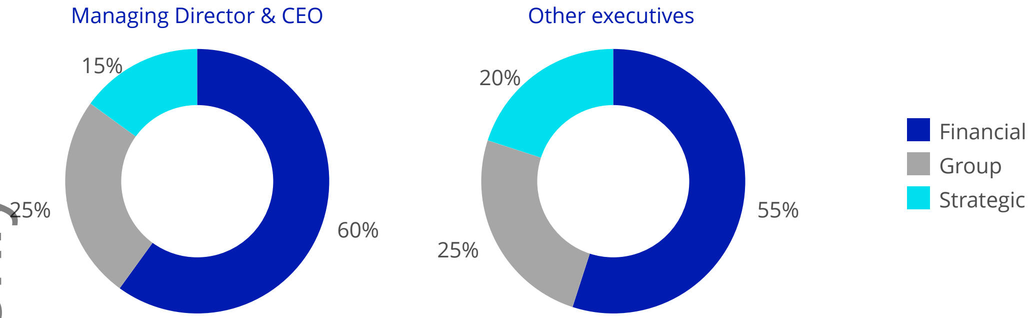
8.3.3 Short-term incentive

What is the purpose of the STI?

The objective of the STI is to reward executives for delivering financial returns and progressing AGL's strategy and purpose.

What are the performance measures?

STI scorecards set performance expectations for the following key performance metrics:



Note: the performance metrics shown for the Managing Director & CEO are for Mr Nicks from appointment to the role on a permanent basis, from 19 January 2023. The performance metrics also applied to the former Managing Director & CEO for time served in FY23.

For FY23:

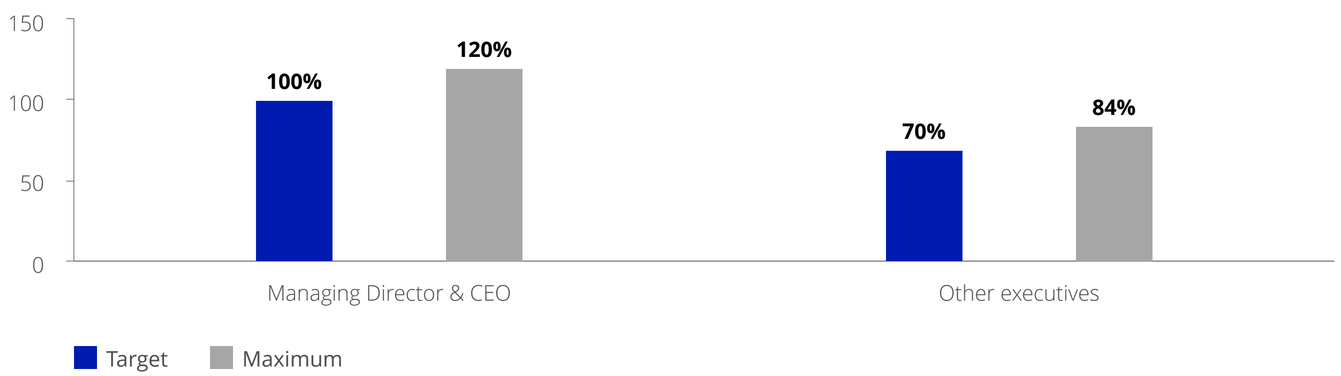
- Underlying Profit after tax is the key financial measure to drive shareholder returns and operate as efficiently as possible in the market within which AGL operates.
- The group operational measures are focused on safety, customer and employee engagement and are aligned with AGL's Business Value Drivers.
- The strategic objectives focus on key initiatives to drive the long-term value creation for shareholders.

How are performance targets established?

- Annual performance targets are determined with reference to a number of inputs: the previous year's performance outcomes, external market conditions, and longer-term business forecasts. Performance targets are set at levels which are considered to be a "stretch" in the context of these inputs, stretched beyond business as usual performance standards.
- The STI target range for net profit after tax is established early in the financial year based on AGL's budget and the perceived degree of difficulty in that budget based on internal forecasts and prevailing market conditions at that time.
- AGL's budget may not reflect the market guidance range. Guidance is generally released at the time of AGL's results in August and may change during the year. Guidance provides one input into determining the STI target and can have a broader range than incentive targets.

What is the FY23 award opportunity?

- The opportunities for STI awards, as a % of fixed remuneration, are as follows:



Note: the Managing Director & CEO opportunity shown is for Mr Nicks from appointment to the role on a permanent basis, from 19 January 2023. For the former Managing Director & CEO, the target and maximum STI opportunities were 44% and 67% of fixed remuneration respectively.

How does the Board assess performance?

- In assessing outcomes under the STI, the Board assesses 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 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.
- The Board expects an executive delivering against all performance objectives to achieve STI outcomes at their target levels given that performance targets are set at "stretch" levels.
- The Board applies discretion in the treatment of any significant items and their impact on outcomes against performance targets and subsequent STI awards. Discretion guidelines were implemented in FY21 to formalise this approach.

How are STI awards delivered?

- Awards are delivered as a mix of cash and Restricted Shares (no performance conditions apply, restrictions lift after two years):
  - **Managing Director & CEO**: 50% cash and 50% Restricted Shares
  - **Other executives**: 75% cash and 25% Restricted Shares
  - Former Managing Director & CEO: 100% cash
- Restricted Shares carry voting rights and are entitled to receive dividends.

What happens upon cessation of employment?

- When an executive leaves the organisation prior to the STI payment date by way of resignation or dismissal for cause, the executive would not be eligible to receive any STI award for the relevant year.
- Where the Board determines that an executive is a "good leaver" they may be entitled to a pro-rated award for the year. The grant and treatment of Restricted Shares is subject to Board discretion.
- Generally, Restricted Shares will be subject to forfeiture if an executive resigns prior to the restrictions lifting.

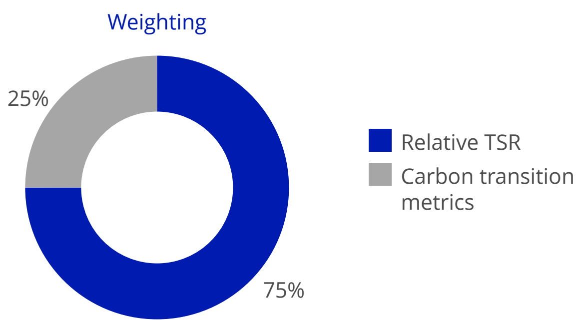
8.3.4 Long-term incentive

What is the purpose of the LTI?

- 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 performance metrics are selected to align with the AGL purpose of supporting progress for all its stakeholders.

What are the performance measures?

Two performance measures apply to the FY23 LTI offer:



1. **Relative TSR:** A comparative, external market performance benchmark against the companies in the S&P/ASX100 Index. Provides a direct link between executive reward and shareholder return.
2. **Carbon transition metrics:** Provides the focus for executives to deliver against carbon transition objectives. Comprises three sub-metrics to ensure a balanced assessment.

The vesting schedules are provided below under FY23 offer - terms.

What is the performance period?

- The performance metrics are measured either over a four-year period or at the end of the four-year period (1 July 2022 – 30 June 2026).
- All performance measures are to be tested once at the end of the performance period to determine the vesting percentage.

What is the award opportunity?

- The opportunities for FY23 LTI awards, as a % of fixed remuneration, are as follows:

Executive KMP (excluding Managing Director & CEO):
Threshold = 50%
Maximum = 100%

Note: No LTI offer was extended to the former Managing Director & CEO in FY23; at the time of the FY23 LTI offer, Mr Nicks was Interim CEO and his LTI offer was based on his substantive role of Chief Financial Officer.

- The number of Performance Rights granted is based on a 30-day volume weighted average share price (VWAP) up to the commencement of the performance period.

How does the Board assess performance?

1. **Relative TSR:** independent assessment of TSR by external advisors is undertaken, based on 30-day average VWAP, and provides the outcome for the Board to consider the final evaluation of performance.
2. **Carbon transition:** internal calculations are undertaken and are subject to limited assurance by external auditors on an annual basis. Revenue from green electricity and carbon neutral products and services is derived from the reported revenue. The Board determines the final outcome.

How are the LTI awards delivered?

Awards are delivered in Performance Rights. Participants are not entitled to receive dividends.

What happens upon cessation of employment?

- Generally, unvested Performance Rights lapse if a participant ceases employment with AGL before the end of the performance period (i.e. through resignation).
- Where the Board determines that an executive is a "good leaver" they may be entitled to retain a pro-rated number of Performance Rights which remain subject to the plan rules until performance testing at the end of the performance period.

FY23 offer – terms

Relative TSR vesting schedule

AGL's relative TSR ranking against comparator group	Vesting of award (% 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%

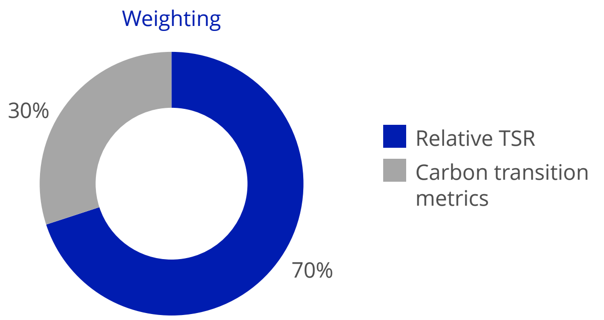
Carbon transition vesting schedules

Controlled intensity at 30 June 2026	Vesting of award (% of maximum)	% Controlled renewable & storage electricity capacity at 30 June 2026	Vesting of award (% of maximum)	Green energy & carbon neutral products & services in FY26	Vesting of award (% of maximum)
More than 0.875 (tCO_2e/MWh)	0%	Less than 30.8% (of total controlled generation)	0%	Less than 22.2% (of total revenue)	0%
0.875 to 0.800	Straight-line vesting between 50% and 100%	30.8% to 39.8%	Straight-line vesting between 50% and 100%	22.2% to 27.0%	Straight-line vesting between 50% and 100%
Less than 0.800	100%	More than 39.8%	100%	More than 27.0%	100%

FY24 offer - terms

What are the performance measures?

Following the review of the remuneration framework in FY23, the weighting of the carbon transition metrics is being increased to 30% (previously 25%) to enhance the focus on the commitments to decarbonisation made through the CTAP. The weighting of the relative TSR metrics will subsequently decrease from 75% to 70%.



The performance measures for the FY24 LTI are as follows:

1. **Relative TSR**: A comparative, external market performance benchmark against the companies in the S&P/ASX100 Index. Provides a direct link between executive reward and shareholder return.
2. **Carbon transition metrics**: Provides the focus for executives to deliver against carbon transition objectives. The sub-metrics have been refined to enhance alignment with the commitments in the CTAP, whilst continuing to ensure a balanced assessment.

The vesting schedule for relative TSR will align to the FY23 LTI plan and the vesting schedules for the carbon transition metrics are provided below.

Carbon transition vesting schedules

Emissions intensity of electricity supplied in FY27	Vesting of award (% of maximum)	New total firming and renewable capacity from 1 July 2023 at 30 June 2027	Vesting of award (% of maximum)	Revenue uplift of green energy and carbon neutral products & services in FY27 from FY19 base	Vesting of award (% of maximum)
More than 0.907 (tCO_2e/MWh)	0%	Less than 1.5 GW	0%	Less than 75%	0%
0.907 to 0.884 (tCO_2e/MWh)	Straight-line vesting between 25% and 50%	1.5 GW to 1.9 GW	Straight-line vesting between 25% and 50%	75% to 85%	Straight-line vesting between 25% and 50%
0.884 to 0.871 (tCO_2e/MWh)	Straight-line vesting between 50% and 90%	1.9 GW to 2.1 GW	Straight-line vesting between 50% and 80%	85% to 95%	Straight-line vesting between 50% and 100%
0.871 to 0.868 (tCO_2e/MWh)	Straight-line vesting between 90% and 100%	2.1 GW to 2.4 GW	Straight-line vesting between 80% and 100%	More than 95%	100%
Less than 0.868 (tCO_2e/MWh)	100%	More than 2.4 GW	100%		

What is the performance period?

- The performance metrics are measured either over the four year period (1 July 2023 – 30 June 2027) or in the final year of the four year period (1 July 2026 – 30 June 2027).
- All performance measures are to be tested once at the end of the performance period to determine the vesting percentage.

8.4 FY23 performance and executive remuneration outcomes

8.4.1 Fixed remuneration outcomes

What were the changes to fixed remuneration in FY23?

- Upon appointment to the role of Managing Director & CEO on a permanent basis, the fixed remuneration for Mr Nicks was established to reflect his relative experience and provide alignment with relevant market benchmarks. Mr Nicks' fixed remuneration was established around 10% lower than the previous incumbent in the role. In his prior role as Chief Financial Officer, Mr Nicks was provided with a 3.2% increase in fixed remuneration effective 1 July 2022, to align with market benchmarks for that role at the time.
- Similarly, the fixed remuneration for Mr Brown, upon appointment to the Chief Financial Officer on a permanent basis, was set with reference to market benchmarks in peer companies.
- No other changes were made to executives' fixed remuneration levels during FY23.

8.4.2 FY23 STI outcomes

The group STI scorecard outcomes are detailed in Table 8.4.2.1, and the individual strategic objective outcomes are shown in the subsequent tables.

Group performance objectives and FY23 outcomes

- **Financial:** Underlying Profit after tax was $281m, in line with expectations and within guidance. This outcome reflects the performance of our generation assets in the second half, the strong performance of our gas portfolio, as well as improvements in customer margin due to disciplined margin management and an increase in customer services. This is partly offset by higher operating costs due to increased maintenance costs, seasonal bad debt expense and the impact of inflation.
- **Safety:** Total injury frequency rate was 2.8 per million hours worked, up from 2.1 for FY22, impacted by a high rate of recordable injuries in Q4 FY23. The serious impact and fatality ratio was 1.9:1, a decline compared to 2.8:1 for FY22.
- **Customer:** The AGL Net Promoter Score (NPS) has continued the progress made in FY22 with an outcome of +5. AGL ranked #1 against tier 1 competitors in Queensland and Western Australia. Despite rising energy costs, event NPS, which measures the advocacy of customers that have recently completed a specific task with AGL, has improved for two of the events measured.
- **Employee engagement:** an engagement score of 67%, up from 57% in FY22, is reflective of the sentiment around the renewed purpose and employee values, a clearer strategic direction and increased stability following a prolonged period of uncertainty.

The FY23 STI scorecard results in STI outcomes of between 72.1% and 73.8% of maximum for executives. As outlined in Section 8.3.3, when considering the STI outcomes for executives, the Board takes into account the scorecard results, how those outcomes were achieved, and the experience of shareholders over the period. FY23 has been challenging for AGL with a significant 'reset' of the organisation following the strategic review. The Loy Yang A Unit 2 outage continued to impact results for the first half of FY23 but management have delivered a stronger second half with much improved availability and an increase in customer services. After detailed consideration, the Board determined that the outcomes appropriately reflect the company's performance and executive's contributions against the scorecard for the year and has elected not to exercise discretion to adjust the outcomes.

Table 8.4.2.1: STI scorecard – group performance objectives and FY23 outcomes

Performance measure	Weighting: MD & CEO	Weighting: Other execs	Target range (threshold to max)	Target	Outcome	Outcome relative to target
Financial						
AGL net profit after tax	60%	55%	$200m to $300m	$250m	Underlying Profit after tax was $281m, up 25% from FY22.	
Safety						
a. **Total injury frequency rate (TIFR);**	10%	10%	a. 2.2 to 1.8	a. 1.9	a. TIFR was 2.8 (against 2.1 in FY22).	
b. **Serious impact and fatality potential to recordable incident KPI ratio**			b. 2.7:1 to 3.1:1	b. 3.0:1	b. Serious impact and fatality potential to recordable incident ratio was 1.9:1, a decline from 2.8:1 in FY22.	
Customer						
a. **AGL's NPS ranking against tier 1 competitors;**	7.5%	7.5%	a. #3 to #1 ranking against tier 1 retailers	a. #1 ranking in 2 states amongst tier 1 retailers	a. #1 ranking against tier 1 retailers in Queensland and Western Australia with +5 outcome.	
b. **Overall event NPS**			b. 5% reduction on FY22 outcome to improvement in 4 events	b. Improvement in 3 events	b. Improvement in 2 events.	
Engagement						
AGL employee engagement	7.5%	7.5%	57% to 73%	68%	AGL's FY23 employee engagement score is 67%, up from 57% in FY22.	
Strategic						
Strategic objectives	15%	20%			See individual outcomes below.	

Key: Below threshold Between threshold and target At target Above target

Individual strategic objectives and FY23 outcomes

Achieved 73.8% of maximum STI measured on:

Damien Nicks[1]
Managing Director & CEO

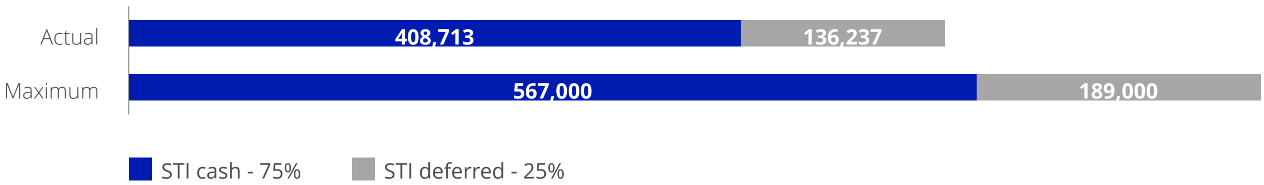
Group objectives 85%	Achieved **61.3%**. Refer Table 8.4.2.1 for details.
Individual strategic objectives 15%	Achieved **12.5%**. **Outcomes:** • Improvement in business operations, progressed strategy in development of pipeline to 5.3 GW, significant growth in C&I Energy Solutions business, and progress towards retail transformation. • New PPA signed for Rye Park wind farm. • Safe closure of Liddell Power Station. • Delivery of Climate Transition Action Plan.

1. Mr Nicks was Chief Financial Officer until 30 September 2022, and Interim CEO from 1 October 2022 to 18 January 2023. The figures below are pro-rated to include the period in these prior roles. A portion of the STI award will be deferred into Restricted Shares according to the policy approach (25% deferral for period as CFO and Interim Managing Director & CEO, and 50% deferral for period as Managing Director & CEO).

Achieved 72.1% of maximum STI measured on:

Markus Brokhof
Chief Operating Officer

Group objectives 80%	Achieved **57.1%**. Refer Table 8.4.2.1 for details.
Individual strategic objectives 20%	Achieved **15.0%**. **Outcomes:** • EAF of 76.8%, an improvement from 74.5% in FY22; CAF of 69.9%, an improvement from 67.3% in FY23. • Safe closure of Liddell Power Station. • Development pipeline increased from 3.2 GW to 5.3 GW. • New PPA signed for Rye Park wind farm.



Achieved 72.9% of maximum STI measured on:

Gary Brown[1]
Chief Financial Officer
Term as KMP in FY23:
From 1 October 2022

Group objectives
80%

Achieved **57.1%**. Refer Table 8.4.2.1 for details.

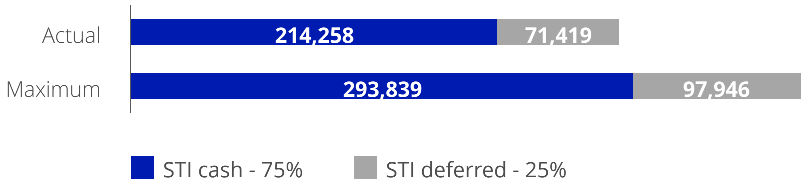
Individual strategic objective
20%

Achieved **15.8%**.

Outcomes:

- Led the delivery of the strategic review in 2022.
- Successful refinancing of existing bank facilities.
- Delivery of cash, cost and reintegration initiatives.
- Development pipeline increased from 3.2 GW to 5.3 GW.

1. Mr Brown was Interim Chief Financial Officer from 1 October 2022 to 18 January 2023. The figures below reflect time-served as KMP from 1 October 2022.



Achieved 73.8% of maximum STI measured on:

Jo Egan
Chief Customer Officer

Group objectives
80%

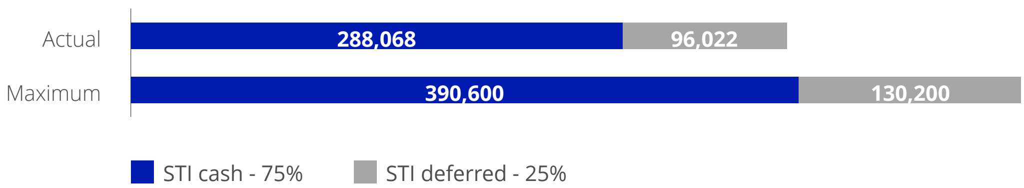
Achieved **57.1%**. Refer Table 8.4.2.1 for details.

Individual strategic objective
20%

Achieved **16.7%**.

Outcomes:

- 52.7% digital only customers; #1 rated utility app in Australia.
- 56,000 customer services added for FY23.
- 23% growth in C&I Energy Solutions revenue, maintaining #1 Market Share in Commercial Solar.
- 210 MW of C&I Customer assets under management and monitoring, with 48% growth year on year.



FY23 outcomes - former

The former Managing Director & CEO was awarded an STI outcome of $193,178 (73.8% of maximum, pro-rated for the three month period to 30 September 2022). The award was determined with reference to the STI scorecard outcomes outlined in Table 8.4.2.1.

Table 8.4.2.2: Actual FY23 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					
D Nicks[3]	827,584	528,293	299,291	73.8%	26.2%
M Brokhof	544,950	408,713	136,237	72.1%	27.9%
G Brown[4]	285,677	214,258	71,419	72.9%	27.1%
J Egan	384,090	288,068	96,022	73.8%	26.2%
Former					
G Hunt[5]	193,178	193,178	-	73.8%	26.2%

1. To be paid in September 2023.
2. To be allocated once the full-year financial results have been disclosed to the market, generally in August/September 2023.
3. Pro-rated for time served as CFO/Interim CEO (1 July 2022 to 18 January 2023) and Managing Director & CEO role (effective 19 January 2023). A portion of the STI award will be deferred into Restricted Shares according to the policy approach (25% deferral for period as CFO and Interim Managing Director & CEO, and 50% deferral for period as Managing Director & CEO).
4. Reflects STI relating to KMP period only from 1 October 2022, in role of Interim CFO (1 October 2022 to 18 January 2023) and CFO (effective 19 January 2023).
5. Due to Mr Hunt's cessation of employment during the year, his STI award will be delivered as 100% cash (no deferral component).

8.4.3 FY23 LTI outcomes

Historical performance outcomes

The following table outlines AGL's historical financial performance. These results flow into the STI scorecard outcomes as well as LTI performance outcomes.

AGL five-year performance

		FY23	FY22	FY21	FY20	FY19
Statutory (loss)/profit attributable to AGL shareholders	($m)	(1,264)	860	(2,058)	1,007	905
Underlying Profit	($m)	281	225	537	808	1,040
Statutory (loss)/earnings per share (EPS)	(cents)	(187.9)	131.6	(330.3)	157.2	138.0
Underlying EPS	(cents)	41.8	34.4	86.2	126.1	158.6
Dividends	(cents)	31	26	75	98	119
Closing share price at 30 June	($)	10.81	8.25	8.20	17.05	20.01
Return on equity[1,2]	(%)	4.9	3.7	8.1	10.0	12.5

1. Used to calculate a portion of executives' LTI outcomes.
2. Includes share buy-backs.

FY20 LTI grant - vested during FY23

In assessing outcomes under the LTI, the Board assessed the quality of the results and the manner in which they were achieved and ensured that outcomes were aligned with the experience of AGL's shareholders.

The vesting outcome of the FY20 LTI grant offer (performance period of 1 July 2019 to 30 June 2023) is detailed below.

Metric	Vesting schedule	Outcome	Commentary
Relative TSR (50%)	Straight-line vesting between 50-100% for 50th to 75th percentile	9th percentile 0% vesting	AGL's relative TSR performance over the four-year performance period was at the 9th percentile, resulting in 0% vesting for this metric.
ROE (50%)	Straight-line vesting between 50-90% for 8.5% to 10.5% ROE; straight-line vesting between 90-100% for 10.5% to 12.5% ROE	5.3% average annual ROE 0% vesting	The average annual ROE for AGL over the four-year performance period was 5.3% excluding impairments, onerous contract movements and share buy-backs, resulting in 0% vesting for this metric.
Total		**0% vesting**	**The combined vesting outcome for the FY20 LTI grant is therefore 0%.**

FY20 LTI - KMP outcomes

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 $	Number of awards lapsed	% of awards lapsed	Value lapsed $[4]
Current										
D Nicks	18 October 2019	28,268	350,241	30 June 2023	-	-	-	28,268	100%	305,577
J Egan	18 October 2019	7,685	95,214	30 June 2023	-	-	-	7,685	100%	83,075

1. Includes executives who were KMP during the year. The FY20 LTI grant to Mr Nicks was granted for his Chief Financial Officer role; and the FY20 LTI grant to Ms Egan was for a role prior to being appointed KMP.
2. Calculated based on fair values shown in Note 33 to the consolidated financial report.
3. Reflects the number of Performance Rights forfeited as a result of cessation of employment.
4. Calculated based on closing share price as at the end of the performance period on 30 June 2023 ($10.81).

LTI vesting outcomes for the last three years

A summary of the vesting outcomes of the LTI offers tested over the last three years is shown below.

Grant	Performance Measures	Performance Period	Performance Period End Date	Vesting Outcome %
FY19	Relative TSR & ROE	Three Years	30 June 2021	0%
FY20 Bridging	Relative TSR & ROE	Three Years	30 June 2022	0%
FY20	Relative TSR & ROE	Four Years	30 June 2023	0%

8.4.4 Additional remuneration arrangements

In August 2022, the Board determined that, with the ongoing uncertainty following the withdrawal of the proposed demerger, and the announcement that the previous Managing Director & CEO would be stepping down from the role, a retention award was necessary for both Mr Nicks and Mr Brokhof to ensure continuity of leadership for operations and to mitigate the risks of further destabilisation of the executive team.

- Mr Nicks was provided with a retention award of $400,000, during the time he was Chief Financial Officer. This was to be provided as 50% cash and 50% equity in August 2023. Upon appointment to the Managing Director & CEO role in January 2023, Mr Nicks opted to forfeit this retention award in full in recognition of the opportunity and increase in remuneration provided by the new role.
- Mr Brokhof was provided with a retention award of $450,000, to be paid 50% ($225,000) in cash in August 2023, and 50% ($225,000) delivered in equity in August 2023.

8.5 Remuneration governance

8.5.1 Role of the People & Performance Committee

What is the purpose of the People & Performance Committee?

- The 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.

How does the Committee support the Board?

- The Committee reviews and makes recommendations to the Board on the remuneration arrangements for the key management personnel.
- The Committee provides support to the Board in relation to matters such as governing remuneration and employment policies, practices and programs.
- The Committee oversees the preparation of AGL's Remuneration Report which is subsequently reviewed by the Audit & Risk Management Committee as part of the Annual Report.

Who sits on the committee?

- The People & Performance Committee includes independent Directors of the Board, including members of the Audit & Risk Management Committee, which are reviewed periodically.

To what extent does the Committee seek advice, e.g. from remuneration advisers?

- To assist in performing its duties and making recommendations to the Board, the Committee has access to management and independent external consultants to seek advice on various remuneration-related matters as required.
- Any recommendations made by consultants in relation to remuneration arrangements of KMP are made directly to the Board without any influence from management. Arrangements are in place to ensure any advice is independent of management.
- During FY23, the Committee engaged EY to act as independent remuneration advisers. EY did not provide any remuneration recommendations as defined in the *Corporations Act 2001* to the People & Performance Committee during FY23.

Further details

- The complete People & Performance Charter is reviewed at least every two years and is available on AGL's website: **agl.com.au/BoardAndCommitteeCharters**.

8.5.2 Management of risk and remuneration

The AGL remuneration framework is designed to ensure that executives focus on delivering against the strategic objectives, ensuring that company and shareholder outcomes are primary considerations in the decision-making processes. The framework is structured to mitigate against any excessive risk-taking or short-term decisions by executives through the establishment of scorecard metrics that align with strategic objectives. The use of deferred equity in both the short and long-term incentive plans, and the clawback provisions within those equity plans also assists the company in managing risk.

8.5.3 Incentive plan governance

AGL has the following governance framework in place for its incentive plans:

Clawback

- The Board has discretion to prescribe clawback events for any unvested equity awards which may be clawed back from executives.

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 their equity plan(s) participation.

Discretion

- The Board, in conjunction with the People & Performance Committee, exercises discretion to ensure the quantum of executive remuneration is appropriate considering individual and company performance, for example by adjusting STI and LTI vesting outcomes. This discretion ensures that the quantum of executive remuneration is appropriate.
- Discretion guidelines provide a framework to assist the Board with identifying one-off/extraordinary circumstances (e.g. impairments) and whether those circumstances require an adjustment to incentive outcomes. The guidelines support consistency in application over time and does not limit the Board's overarching discretion under AGL's incentive plans.

8.5.4 KMP share ownership

To provide for shareholder alignment, AGL operates a minimum shareholding policy for KMP and other executives reporting to the Managing Director & CEO, subject to compliance with AGL's Securities Dealing Policy. Shareholdings are reported in Table 8.7.2 for executive KMP and Table 8.8.4 for Non-Executive Directors.

The minimum shareholding policies stipulate the following requirements:

	Shareholding requirement	Period to satisfy requirement
Non-Executive Directors	100% of base annual fee	Four years; 50% within two years of appointment; encouraged to hold 10% by the end of the financial year of appointment.
Executives		
Managing Director & CEO	100% of fixed remuneration	Up to five years from their initial appointment date to an eligible role.
CFO	75% of fixed remuneration	
Other executives	50% of fixed remuneration	

8.6 Executive remuneration disclosure

8.6.1 Statutory remuneration

Table 8.6.1.1: Executive remuneration and benefits for FY23 (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					
D Nicks[9]	**FY23**	**1,269,594**	**528,293**	**14,566**	**17,919**
	FY22	740,265	252,425	13,464	382,081
M Brokhof	**FY23**	**874,708**	**408,713**	**7,794**	**224,824**
	FY22	876,432	293,139	7,184	204,841
G Brown[10]	**FY23**	**526,940**	**214,258**	**7,580**	**-**
J Egan[12]	**FY23**	**600,338**	**288,068**	**10,709**	**5,553**
	FY22	9,037	5,101	127	2,221
Former					
C Corbett[13]	FY22	764,668	330,477	12,445	214,284
G Hunt[14]	**FY23**	**381,177**	**193,178**	**5,858**	**-**
	FY22	1,526,432	445,517	8,435	-
TOTAL	**FY23**	**3,652,757**	**1,632,510**	**46,507**	**248,296**
	FY22	3,916,834	1,326,659	41,655	803,427

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 following the relevant financial year-end), excluding the Restricted Share portion (to be allocated 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 2023. For members of the default employee superannuation fund, AGL funds the cost of Death and Permanent and Total Disablement insurance premiums.
4. Includes other cash payments and benefits, such as allowances and retention payments. Details of retention payments made to Mr Nicks and Mr Brokhof are detailed in section 8.4.4.
5. Includes the value of all STI Restricted Shares in relation to the performance year to be allocated following the financial year-end.
6. Includes a proportion of the fair value of all outstanding LTI offers at the start of the year or offered during the year. 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. Mr Nicks was appointed as Managing Director & CEO effective 19 January 2023. His remuneration also reflects his time during the year as Chief Financial Officer from 1 July 2022 to 30 September 2022 and Interim CEO from 1 October 2022 to 18 January 2023
10. Mr Brown was appointed as KMP effective 1 October 2022. His remuneration reflects his time during this period as Interim Chief Financial Officer from 1 October 2022 to 18 January 2023 and CFO from 19 January 2023.
11. Includes the amount expensed in the financial year relating to a sign-on award provided to Mr Brown on commencement in a role prior to the Chief Financial Officer position. The sign-on award is due to vest in 30 June 2023 and 30 June 2024.
12. Ms Egan was appointed KMP from 25 June 2022.
13. Ms Corbett left AGL on 24 June 2022.
14. Mr Hunt ceased to be a KMP on 30 September 2022. Amounts have been disclosed for KMP period only. All termination benefits were provided in accordance with the terms of his employment contract and paid on cessation of employment. Refer to section 8.1 for further detail.

Post-employment benefits	Share-based payments					
Superannuation/ pension $	STI Restricted Shares $[5]	LTI equity $[6]	Other equity $[7]	Total $	Performance-related %[8]	Termination benefits $
25,292	**299,291**	**88,104**	**17,919**	**2,260,978**	**41.3%**	**-**
23,954	84,142	149,671	182,081	1,828,083	36.6%	-
25,292	**136,237**	**289,181**	**224,824**	**2,191,573**	**48.3%**	**-**
24,996	97,713	171,015	204,841	1,880,161	40.8%	-
18,969	**71,419**	**37,174**	**80,923**[11]	**957,263**	**42.2%**	**-**
25,292	**96,022**	**72,991**	-	**1,098,973**	**41.6%**	**-**
357	-	872	-	17,715	33.7%	-
23,355	-	271,067	-	1,616,296	37.2%	626,596
6,323	**-**	**(2,057)**	-	**584,479**	**32.7%**	**1,189,127**
23,568	-	178,232	-	2,182,184	28.6%	-
101,168	**602,969**	**485,393**	**323,665**	**7,093,265**		**1,189,127**
96,230	181,855	770,857	386,922	7,524,439		626,596

8.7 Additional disclosures - executive KMP

8.7.1 Equity granted as remuneration

The table below provides a summary of the number awards granted to executive KMP, including Restricted Shares granted as part of STI or retention awards, and Performance Rights granted under the LTI offers.

Executive	Plan	Allocation date	Number of awards granted	Value at grant date $[1]	Vesting/ release date	Vested/ Released	Value vested/ released $[2]	Lapsed	Forfeited[3]
Current									
D Nicks	FY20 LTI Plan	18 Oct 19	28,268	350,241	30 Jun 23	0%	0	100%	-
	FY20 STI Restricted Shares	25 Aug 20	3,960	61,482	25 Aug 22	100%	31,403	-	-
	FY21 LTI Plan	28 Oct 20	32,779	274,684	30 Jun 24	-	-	-	-
	FY22 LTI Plan	29 Oct 21	89,034	213,012	30 Jun 25	-	-	-	-
	FY22 STI Restricted Shares	12 Sep 22	11,928	84,140	12 Sep 24	-	-	-	-
	FY23 Restricted Shares[4]	12 Sep 22	28,352	199,995	31 Dec 22	100%	228,801	-	-
	FY23 Restricted Shares[5]	12 Sep 22	28,353	200,002	15 Aug 23	0%	-	-	100%
	FY23 LTI Plan	08 Nov 22	94,510	421,041	30 Jun 26	-	-	-	-
M Brokhof	FY20 STI Restricted Shares	25 Aug 20	2,508	38,938	25 Aug 22	100%	19,888	-	-
	FY21 LTI Plan	28 Oct 20	52,086	436,481	30 Jun 24	-	-	-	-
	FY22 LTI Plan	29 Oct 21	103,394	247,369	30 Jun 25	-	-	-	-
	FY22 STI Restricted Shares	12 Sep 22	13,852	97,712	12 Sep 24	-	-	-	-
	FY23 Restricted Shares	12 Sep 22	31,897	225,001	31 Dec 22	100%	257,409	-	-
	FY23 Restricted Shares[6]	12 Sep 22	31,897	225,001	15 Aug 23	-	-	-	-
	FY23 LTI Plan	08 Nov 22	106,323	473,667	30 Jun 26	-	-	-	-
G Brown	FY23 LTI Plan	08 Nov 22	44,656	198,942	30 Jun 26	-	-	-	-
J Egan	FY22 LTI Plan	29 Oct 21	17,691	42,323	30 Jun 25	-		-	-
	FY23 LTI Plan	08 Nov 22	73,245	326,306	30 Jun 26	-		-	-
Former									
G Hunt	FY21 Restricted Shares	20 Aug 21	17,975	165,347	01 Jul 22[7]	100%	148,833	-	-
	FY22 LTI Plan	29 Oct 21	297,374	711,466	30 Jun 25	-		-	52%[8]

1. Calculated based on fair values shown in Note 33 to the consolidated financial report.
   For the FY23 LTI Plan, the fair values are $3.73 for relative TSR and $6.63 for carbon transition metrics.
   The minimum value of the grant is zero.
2. Calculated based on closing share price on the relevant vesting date.
3. Generally reflects the number of Performance Rights forfeited as a result of cessation of employment.
4. Mr Nicks received a retention award in August 2021 as part of his Chief Financial Officer role.
5. Mr Nicks, was provided with a retention award during the time he was Chief Financial Officer to be provided in August 2023. In recognition of Mr Nick's appointment as Managing Director & CEO on 19 January 2023, Mr Nicks decided to voluntarily forfeit his retention award. Refer section 8.4.4. for detail.
6. Mr Brokhof received a retention award in August 2022. Refer section 8.4.4. for detail.
7. Due to AGL's share trading blackout period, Mr Hunt's Restricted Shares were released on 1 July 2022 but remained subject to a trading lock until 23 August 2022.
8. The Board approved "good leaver" treatment to apply for Mr Hunt 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.

8.7.2 Movement in AGL shares

The movement during FY23 in the number of AGL shares, including Restricted Shares, held by each executive KMP, including their related parties, is shown below. Restricted Shares generally relate to the STI deferral, or for attraction/retention purposes in certain circumstances.

Executive KMP shareholdings

FY23	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	Total consideration $[4]	% FR[5]	Date to satisfy requirement
Executive								
Current								
D Nicks	13,540	95,633	-	(28,353)[6]	**80,820**	597,303	43%	19 Jan 28[7]
M Brokhof	2,508	77,646	-	(34,405)	**45,749**	-	0%	23 Mar 25
G Brown		20,646	-	-	**20,646**	144,985	21%	19 Jan 28
J Egan	594	7	-	-	**601**	11,346	2%	25 Jun 27
Former								
G Hunt	30,475	-	-	(30,475)	-	N/A	N/A	N/A
Total	**47,117**	**193,932**	**-**	**(93,233)**	**147,816**			

1. Includes purchase of ordinary shares and Dividend Reinvestment Plan.
2. Includes shares acquired upon vesting of LTI awards.
3. Includes sale of ordinary shares and balance adjustments for executives joining or leaving KMP.
4. In accordance with the Minimum Shareholding Policy, the value relates to ordinary shares held and not subject to risk of forfeiture. The value excludes STI deferred and retention awards which remain subject to service conditions as at 30 June 2023. The amount represents 68,892 shares for Mr Nicks and 31,897 shares for Mr Brokhof. The value is calculated based on price of shares at the time of acquisition, as per the Minimum Shareholding Policy.
5. Percentage of fixed remuneration (FR).
6. In recognition of Mr Nick's appointment as Managing Director & CEO on 19 January 2023, Mr Nicks decided to voluntarily forfeit his retention award.
7. In accordance with the policy and on appointment to Managing Director & CEO on 19 January 2023, the Committee determined the requirement to meet the revised minimum shareholding requirement of 100% of Fixed Remuneration would need to be achieved within five years.

8.7.3 Movement in Performance Rights

The movement during FY23 in the number of AGL Performance Rights held by each executive under the LTI plan is shown below.

Table 8.7.3.1: FY23 movement in Performance Right holdings

Executive	Balance at start of year	Acquired during year as part of remuneration	Performance Rights vested[1]	Other changes during year[2]	Balance at end of year
Current					
D Nicks	150,081	94,510	-	(28,268)	216,323
M Brokhof	155,480	106,323	-	-	261,803
G Brown	-	44,656	-	-	44,656
J Egan	34,288	73,245	-	(7,685)	99,848
Former					
G Hunt	297,374	-	-	(297,374)	-
Total	**637,223**	**318,734**	**-**	**(333,327)**	**622,630**

1. Relates to Performance Rights vested under the LTI but will not be allocated to executives until August/September following the financial year end. For the FY20 LTI grant with performance tested to 30 June 2023, 0% vested.
2. Represents balance adjustments for executives joining or leaving KMP, and any units forfeited under the LTI. Includes Performance Rights forfeited under the LTI but will not lapse for executives until August/September following the financial year end.

8.7.4 Executive contract terms

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

Table 8.7.4.1: Information relating to service agreements of executives

Executives[1]	Notice period[2] By executive	Notice period[2] By AGL	Termination payment[3,4]	Post employment restraint period
Current				
D Nicks	12 months	12 months	N/A	12 months
M Brokhof	6 months[5]	3 months	9 months	12 months
J Egan	6 months	6 months	6 months	12 months
G Brown	6 months	6 months	6 months	12 months

1. Includes executives who were KMP at 30 June 2023.
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. The executive 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.

8.8 Non-Executive Directors' remuneration

8.8.1 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.

8.8.2 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 Chair 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
- market benchmark data, sourced from companies with market capitalisation of 50-200% of AGL's

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.

8.8.3 FY23 fees

Fees for Non-Executive Directors remained unchanged during the financial year.

Table 8.8.3.1: Non-Executive Director fees

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 Committee	44,900	21,200

Table 8.8.3.2: Non-Executive Director remuneration for FY23

Non-Executive Director	Year	Director fees $	Superannuation $	Total $
Current				
P McKenzie[1]	**FY23**	**508,791**[2]	**25,033**	**533,824**
	FY22	227,091	22,709	249,800
M Bloom	**FY23**	**252,108**	**25,292**	**277,400**
	FY22	247,812	23,420	271,232
G Cockroft[3]	**FY23**	**253,701**	**14,682**	**268,383**
	FY22	119,228	3,736	122,964
M George[4]	**FY23**	**178,436**	**18,191**	**196,627**
C Holman[5]	**FY23**	**139,637**	**14,662**	**154,299**
J Pollaers[6]	**FY23**	**139,637**	**14,662**	**154,299**
K Schott[7]	**FY23**	**139,637**	**14,662**	**154,299**
V Sullivan[8]	**FY23**	**243,826**	**25,292**	**269,118**
	FY22	75,077	7,442	82,519
M Twidell[9]	**FY23**	**136,324**	**14,314**	**150,638**
Former				
P Botten[10]	**FY23**	**146,007**[11]	**6,323**	**152,330**
	FY22	579,432	23,568	603,000
D Smith-Gander[12]	**FY23**	**69,280**[13]	**6,323**	**75,603**
	FY22	261,208	5,892	267,100
J Hey[14]	FY22	229,104	21,604	250,708
J Stanhope[15]	FY22	59,191[16]	5,456	64,647
TOTAL	**FY23**	**2,207,384**	**179,436**	**2,386,820**
	FY22	1,798,143	113,827	1,911,970

1. Ms McKenzie was appointed Chair on 19 September 2022, and was previously a Non-Executive Director.
2. Includes non-monetary benefits of $5,745.
3. Mr Cockroft was appointed to the Board on 1 January 2022.
4. Mr George was appointed to the Board on 19 September 2022.
5. Ms Holman was appointed to the Board on 15 November 2022.
6. Mr Pollaers was appointed to the Board on 15 November 2022.
7. Ms Schott was appointed to the Board on 15 November 2022.
8. Ms Sullivan was appointed to the Board on 1 March 2022.
9. Mr Twidell was appointed to the Board on 15 November 2022.
10. Mr Botten ceased on the Board on 19 September 2022.
11. Includes non-monetary benefits of $1,580.
12. Ms Smith-Gander ceased on the Board on 19 September 2022.
13. Includes non-monetary benefits of $2,505.
14. Ms Hey ceased on the Board on 30 May 2022.
15. Mr Stanhope retired from the Board on 22 September 2021.
16. Includes non-monetary benefits of $1,602.

8.8.4 Non-Executive Director share movements and minimum shareholding requirements

Non-Executive Directors are required to hold shares equivalent to 100% of the Board base annual fee within four years of appointment to the Board (at least 50% of the Minimum Shareholding Requirement should be met within two years of appointment).

As at 30 June 2023, all Non-Executive Directors are compliant with the Minimum Shareholding Policy.

The table below presents AGL shareholdings for each Non-Executive Director.

FY23	Balance at start of year	Acquired during year[1]	Other changes during year[2]	Balance at end of year[3]	Total consideration $[4]	% base fees[5]	Date to satisfy requirement
Current							
P McKenzie	8,465	21,500	-	29,965	297,064	148%	Satisfied
M Bloom	7,000	15,000	-	22,000	208,704	104%	Satisfied
G Cockroft	20,000	15,000		35,000	245,750	122%	Satisfied
M George	-	39,900	100	40,000	270,482	135%	Satisfied
C Holman	-	28,000		28,000	210,170	105%	Satisfied
J Pollaers	-	17,250		17,250	118,973	59%	15 Nov 26
K Schott	-	26,500		26,500	197,969	98%	15 Nov 26
V Sullivan	3,221	17,000	-	20,221	139,130	69%	1 Mar 26
M Twidell	-	15,000	212	15,212	127,900	64%	15 Nov 26
Former							
P Botten	11,390	-	(11,390)	-	N/A	N/A	N/A
D Smith-Gander	10,962	-	(10,962)	-	N/A	N/A	N/A
Total	**61,038**	**195,150**	**(22,040)**	**234,148**			

1. Includes purchase of ordinary shares.
2. Includes sale of ordinary shares and balance adjustments for directors joining or leaving as KMP.
3. All shares held indirectly by Non-Executive Directors, with the exception of Mr Cockroft and Mr Twidell (4,012 of 15,212 shares held directly).
4. Value is based on price of shares at the time of acquisition, as per the Minimum Shareholding Policy.
5. % of base fees is based on the Board annual base fee per the Minimum Shareholding Policy.

Other Required Disclosures

For the year ended 30 June 2023

These Other Required Disclosures (pages 82 to 83) are attached to and form part of the Directors' Report.

For personal use only

9. Other Required Disclosures

9.1 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.

9.2 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.

9.3 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.

9.4 Auditor and non-audit services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu Australia (**Deloitte**). Disclosure of the details of these services can be found in Note 26 of the Financial Report 2023.

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 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.

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 during this or prior periods.

9.5 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.

9.6 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 2023.

9.7 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 Secretary 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.

9.8 Subsequent events

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.

9.9 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
- 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.

Other Required Disclosures

For the year ended 30 June 2023

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.

9.10 Corporate governance

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

9.11 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.

On 17 July 2022, at Bayswater Power Station during a Hunter River Salinity Trading Scheme (HRSTS) discharge from a Licenced discharge point from the Lake Liddell Seepage Return System, the maximum discharge rate (136.03 ML/day) was exceeded by 3.47 ML/day for 5 hours and 13 minutes. This event contravened Environment Protection Licence 779 (EPL) Condition E1.3. On 19 July 2022, AGL Macquarie Pty Ltd (AGLM) notified the NSW Environment Protection Authority (NSW EPA). AGLM undertook a review of HRSTS operating procedures and included a new risk mitigation action to close off the discharge valve between discharge periods, unless a discharge instruction was received from Water NSW. On 16 August 2022, NSW EPA issued AGLM with an Official Caution for the alleged contravention of the EPL and the *Protection of the Environment Operations Act 1997 (NSW)*.

On 30 July 2022, AGL Gas Storage Pty Ltd (AGLGS) became aware of a loss of containment of sales-quality gas within AGL’s Wallumbilla LPG Plant. It is estimated that 0.5TJ of gas (98% methane) was released to atmosphere. On 1 August 2022, AGLGS notified the Department of Environment and Science (DES) of the event. The plant was repaired and hydrotested to confirm its integrity. On 25 August 2022, DES issued AGLGS with a formal warning for a contravention of section 430(3) of the *Environmental Protection Act 1994 (QLD)* which states that a person must not contravene a condition of the EA.

On 27 September 2022, AGLGS was notified by a landholder of a loss of containment event along the Sirrah Pipeline within AGL’s Silver Springs Gas Field. The event involved the release of approximately 46kg of natural gas to the atmosphere and 2,000-5,000 litres of produced water (98% produced water, 2% hydrocarbon condensate) from a pipe wall defect in the Sirrah Pipeline. On 28 September 2022, AGLGS notified the DES. AGLGS immediately isolated the pipeline and conducted a clean-up and rehabilitation of the impacted area. AGLGS then developed an inspection, repair and corrosion mitigation plan for the continued safe operation of the Sirrah Pipeline to prevent recurrence. On 21 February 2023, DES issued AGLGS with a Penalty Infringement Notice (PIN) for contravention of Condition E1 of the EA.

Between 25 November and 1 December 2022, an event occurred at Bayswater Power Station, where a discharge of saline water from the Lake Liddell Seepage Return System entered Bayswater Creek. On 30 November 2022, AGLM notified the NSW EPA of the event. In response AGLM implemented two Pollution Reduction Programs on the Bayswater Environment Protection Licence 779 (EPL). On 8 February 2023, the NSW EPA issued AGLM with a Penalty Infringement Notice (PIN) for contravention of Condition O2.1 of the EPL and a formal warning for delayed notification to NSW EPA.

On 5 April 2023, the NSW EPA issued a Formal Warning Letter to AGL Upstream Investments Pty Ltd (AGL Upstream) in relation to a contravention of the *Petroleum (ONSHORE) Act 1991 (NSW)* for the Camden Gas Project Petroleum Operations Plan (POP) during the period of 1 July 2022 to 15 September 2022. For background, the POPs apply for a financial year. Each year, AGL prepares a POP during June and submits by 30 June to the Resources Regulator and EPA for approval and for implementation during the following financial year. Understanding that it takes time for the Departments to review the new POP, during the period in question, AGL Upstream had submitted its revised POP but also requested an extension to the existing POP so that it could remain valid until the next POP was approved. The Resources Regulator approved the POP on 15 September 2022. However due to the Departments approval processing, the existing POP ceased to be valid during this period. EPA NSW issued a formal warning letter for this occurring. AGL Upstream considered this warning unreasonable as approval was in the Department’s hands (i.e. out of AGL Upstream’s control). Following receipt of the formal Warning Letter, AGL prepared the next POP earlier than usual, which was approved on 2 June 2023 until 31 December 2023.

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 10th day of August 2023.

P. McKenzie

Patricia McKenzie
Chair

10 August 2023

Financial Report

Consolidated Statement of Profit or Loss

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
Continuing operations			
Revenue	2	**14,157**	13,221
Other income	3	**24**	20
Expenses	4	**(14,977)**	(11,151)
Share of (losses)/profits of associates and joint ventures	14	**(57)**	26
(Loss)/profit before net financing costs, depreciation and amortisation		**(853)**	2,116
Depreciation and amortisation	5	**(728)**	(717)
(Loss)/profit before net financing costs		**(1,581)**	1,399
Finance income	6	**10**	-
Finance costs	6	**(268)**	(217)
Net financing costs		**(258)**	(217)
(Loss)/profit before tax		**(1,839)**	1,182
Income tax benefit/(expense)	7	**569**	(329)
(Loss)/profit for the year including non-controlling interests from continuing operations		**(1,270)**	853
Loss attributable to non-controlling interest		**6**	7
(Loss)/profit for the year attributable to AGL shareholders		**(1,264)**	860
Earnings per share			
Basic earnings per share	23	**(187.9 cents)**	131.6 cents
Diluted earnings per share	23	**(187.9 cents)**	131.3 cents

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
(Loss)/profit for the year attributable to AGL shareholders		**(1,264)**	860
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit plans	32	**7**	103
Fair value gain/(loss) on the revaluation of equity instrument financial assets		**2**	(46)
Income tax relating to items that will not be reclassified subsequently	7	**(2)**	(7)
		7	50
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Gain in fair value of cash flow hedges		**23**	114
Reclassification adjustments transferred to profit or loss		**(24)**	29
Share of loss attributable to joint ventures		**(22)**	-
Cost of hedging subject to basis adjustment		**(1)**	5
Income tax relating to items that may be reclassified subsequently	7	**7**	(43)
		(17)	105
Other comprehensive income for the year, net of income tax		**(10)**	155
Total comprehensive (loss)/income for the year attributable to AGL shareholders		**(1,274)**	1,015

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $m	2022 $m
Current assets			
Cash and cash equivalents	35	**148**	127
Trade and other receivables	9	**1,840**	3,130
Inventories	10	**346**	369
Current tax assets	7	**13**	67
Other financial assets	11	**1,731**	4,639
Other assets	12	**312**	299
Assets classified as held for sale	13	**185**	-
Total current assets		**4,575**	8,631
Non-current assets			
Trade and other receivables	9	**21**	93
Inventories	10	**-**	46
Other financial assets	11	**638**	384
Investments in associates and joint ventures	14	**397**	426
Property, plant and equipment	15	**5,418**	6,013
Intangible assets	16	**3,182**	3,252
Deferred tax assets	7	**926**	344
Other assets	12	**81**	81
Total non-current assets		**10,663**	10,639
Total assets		**15,238**	19,270
Current liabilities			
Trade and other payables	17	**1,827**	3,164
Borrowings	18	**47**	355
Provisions	19	**366**	374
Current tax liabilities	7	**-**	55
Other financial liabilities	20	**1,667**	3,611
Other liabilities	21	**60**	48
Liabilities classified as held for sale	13	**220**	-
Total current liabilities		**4,187**	7,607
Non-current liabilities			
Borrowings	18	**2,836**	2,523
Provisions	19	**2,098**	1,961
Deferred tax liabilities	7	**10**	-
Other financial liabilities	20	**848**	491
Other liabilities	21	**140**	171
Total non-current liabilities		**5,932**	5,146
Total liabilities		**10,119**	12,753
Net assets		**5,119**	6,517
Equity			
Issued capital	22	**5,918**	5,918
Reserves		**82**	97
(Accumulated losses)/retained earnings		**(879)**	501
Non-controlling interest		**(2)**	1
Total equity		**5,119**	6,517

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 2023

	Attributable to AGL shareholders								
	Issued capital $m	Investment revaluation reserve $m	Employee equity benefits reserve $m	Hedge reserve $m	Other reserve $m	Retained earnings / (Accumulated losses) $m	Equity $m	Non-controlling Interests $m	Total equity $m
Balance at the beginning of the financial year	**5,918**	**17**	**(1)**	**77**	**4**	**501**	**6,516**	**1**	**6,517**
(Loss) for the period	-	-	-	-	-	(1,264)	(1,264)	(6)	(1,270)
Other comprehensive income/(loss) for the year, net of income tax	-	2	-	(16)	(1)	5	(10)	-	(10)
Total comprehensive (loss)/income for the year	-	2	-	(16)	(1)	(1,259)	(1,274)	(6)	(1,280)
Transactions with owners in their capacity as owners:									
Payment of dividends	-	-	-	-	-	(121)	(121)	-	(121)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	3	3
Balance at 30 June 2023	**5,918**	**19**	**(1)**	**61**	**3**	**(879)**	**5,121**	**(2)**	**5,119**
Balance at 1 July 2021	5,601	40	(1)	(24)	-	(115)	5,501	5	5,506
Profit/(Loss) for the period	-	-	-	-	-	860	860	(7)	853
Other comprehensive income for the year, net of income tax	-	(23)	-	101	4	73	155	-	155
Total comprehensive income/(loss) for the year	-	(23)	-	101	4	933	1,015	(7)	1,008
Transactions with owners in their capacity as owners:									
Issue of shares[1]	317	-	-	-	-	-	317	-	317
Payment of dividends	-	-	-	-	-	(317)	(317)	-	(317)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	3	3
Balance at 30 June 2022	5,918	17	(1)	77	4	501	6,516	1	6,517

1. Issue of shares to satisfy fully underwritten dividend and dividend reinvestment plan.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
Cash flows from operating activities			
Receipts from customers		**16,475**	13,264
Payments to suppliers and employees		**(15,476)**	(11,970)
Dividends received		**17**	17
Finance income received		**10**	-
Finance costs paid		**(115)**	(84)
Income taxes refund		**1**	-
Net cash provided by operating activities	35(b)	**912**	1,227
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		**(624)**	(636)
Payments for investments in associates and joint ventures		**(67)**	(358)
Payments for equity instrument financial assets		**(1)**	-
Proceeds from subsidiaries and businesses		**5**	-
Loans to joint ventures		**(4)**	-
Payments for subsidiaries and businesses, net of cash acquired		**-**	(1)
Payments of deferred consideration		**(38)**	(37)
Proceeds from disposal of equity instrument financial assets		**-**	147
Net cash used in investing activities		**(729)**	(885)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	317
Purchase of shares on-market for equity based remuneration		**(2)**	(1)
Proceeds from borrowings		**3,338**	1,832
Repayment of borrowings		**(3,377)**	(2,134)
Dividends paid	8	**(121)**	(317)
Capital contributed by non-controlling interests		**3**	-
Net cash used in financing activities		**(159)**	(303)
Net increase/(decrease) in cash and cash equivalents		**24**	39
Cash and cash equivalents at the beginning of the financial period		**127**	88
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(3)**	-
Cash and cash equivalents at the end of the financial period	35(a)	**148**	127

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

1. Segment information

Operating Segments

AGL manages its business in three key operating segments:

Segments

- **Customer Markets** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at transfer prices that reflect wholesale energy costs in each state, along with other energy costs such as those arising from environmental schemes. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.
- **Integrated Energy** operates AGL's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects. Integrated Energy runs a large trading operation to manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, gas offtake agreements and associated portfolio of energy hedging products.
- **Investments** comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe, Ovo Energy Australia Pty Ltd and other investments.

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

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.

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 segment reports the revenue and margin associated with satisfying the gas, electricity and telecommunication requirements of AGL consumer and business customer portfolio and Integrated Energy reports the revenue, expenses and margin related to AGL's operating sites and AGL's wholesale energy portfolio.

2023 $m	Customer Markets	Integrated Energy	Investments	Other	Total
Revenue					
Total segment revenue	8,279	9,317	33	-	17,629
Inter-segment revenue	(27)	(3,445)	-	-	(3,472)
External revenue	**8,252**	**5,872**	**33**	**-**	**14,157**
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	**371**	**1,284**	**(8)**	**(286)**	**1,361**
Depreciation and amortisation	(123)	(531)	-	(74)	(728)
Underlying EBIT	**248**	**753**	**(8)**	**(360)**	**633**
Net financing costs					(258)
Underlying profit before tax					**375**
Underlying income tax expense					(100)
Underlying profit after tax					**275**
Non-controlling interests					6
Underlying profit after tax (attributable to AGL shareholders)[1]					**281**
Segment assets	2,865	8,307	418	207	11,797
Segment liabilities	772	3,749	17	173	4,711
Other segment information					
Share of (losses)/profits of associates and joint ventures	-	-	(57)	-	(57)
Investments in associates and joint ventures	-	4	393	-	397
Additions to non-current assets	108	603	-	26	738
Other non-cash expenses	(100)	-	-	(21)	(121)

1. Underlying Profit is derived from Statutory Profit, as measured in accordance with Australian Accounting Standards, and excluding significant items and movements in the fair value of financial instruments. The use of Underlying Profit enhances comparability of results by excluding non-recurring events and transactions that materially affect the financial results of AGL for the reporting period.

2022 $m	Customer Markets	Integrated Energy	Investments	Other	Total
Revenue					
Total segment revenue	7,650	8,612	17	-	16,279
Inter-segment revenue	(187)	(2,871)	-	-	(3,058)
External revenue	7,463	5,741	17	-	13,221
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	320	1,146	11	(259)	1,218
Depreciation and amortisation	(139)	(503)	-	(75)	(717)
Underlying EBIT	181	643	11	(334)	501
Net financing costs					(217)
Underlying profit before tax					284
Underlying income tax expense					(66)
Underlying profit after tax					218
Non-controlling interests					7
Underlying profit after tax (attributable to AGL shareholders)					225
Segment assets	2,743	10,267	440	272	13,722
Segment liabilities	699	4,805	5	209	5,718
Other segment information					
Share of profits of associates and joint ventures	-	-	26	-	26
Investments in associates and joint ventures	-	-	426	-	426
Additions to non-current assets	65	559	-	31	655
Other non-cash expenses	(81)	-	-	(11)	(92)

Segment revenue reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment revenue to total revenue from continuing operations is as follows:

	2023 $m	2022 $m
Segment revenue for reportable segments	**17,629**	16,279
Elimination of inter-segment revenue	**(3,472)**	(3,058)
Revenue for reportable segments	**14,157**	13,221
Total revenue	**14,157**	13,221

Revenue from major products and services

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

	2023 $m	2022 $m
Electricity	**6,116**	5,709
Generation sales to pool	**4,631**	4,401
Gas	**2,502**	2,417
Rendering of services	**620**	484
Other revenue	**288**	210
Total revenue	**14,157**	13,221

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

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

	2023 $m	2022 $m
Underlying EBIT for reportable segments	**993**	835
Other	**(360)**	(334)
	633	501
Amounts excluded from underlying results:		
- (loss)/gain in fair value of financial instruments	**(1,271)**	212
- significant items	**(943)**	686
Finance income	**10**	-
Finance costs	**(268)**	(217)
(Loss)/profit before tax	**(1,839)**	1,182

Segment assets reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment assets to total assets is as follows:

	2023 $m	2022 $m
Segment assets for reportable segments	**11,590**	13,450
Other	**207**	272
	11,797	13,722
Cash and cash equivalents	**148**	127
Current tax assets	**13**	67
Deferred tax assets	**926**	344
Derivative financial instruments	**2,346**	5,010
Other	**8**	-
Total assets	**15,238**	19,270

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Segment liabilities reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment liabilities to total liabilities is as follows:

	2023 $m	2022 $m
Segment liabilities for reportable segments	**4,538**	5,509
Other	**173**	209
	4,711	5,718
Borrowings	**2,883**	2,878
Current tax liabilities	**-**	55
Deferred tax liabilities	**10**	-
Derivative financial instruments	**2,388**	3,952
Deferred consideration	**127**	150
Total liabilities	**10,119**	12,753

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 (2022: 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

2023	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	**4,462**	**1,417**	**237**	**-**	**6,116**
Generation sales to pool	**1**	**-**	**4,630**	**-**	**4,631**
Gas	**1,736**	**143**	**596**	**27**	**2,502**
Rendering of services	**51**	**49**	**141**	**379**	**620**
Other revenue	**2**	**-**	**202**	**84**	**288**
Total revenue	**6,252**	**1,609**	**5,806**	**490**	**14,157**

2022	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	4,191	1,258	260	-	5,709
Generation sales to pool	-	-	4,401	-	4,401
Gas	1,511	123	755	28	2,417
Rendering of services	50	39	91	304	484
Other revenue	-	-	122	88	210
Total revenue	5,752	1,420	5,629	420	13,221

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 (electricity or gas) 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

Consumer electricity and gas sales

Consumer energy sales relate to the sale of energy (electricity and gas) to retail customers. Consumer 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 consumer electricity and gas sales

AGL recognises revenue from contracts with its consumers 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.

Business electricity and gas sales

Business sales represent the sale of energy to business customers. Revenue recognition is largely consistent with consumer 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 electricity and gas 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

ACCOUNTING POLICY

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.

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

Generation Sales to Pool

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.

ACCOUNTING POLICY

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 systematic basis over the useful life of the related assets.

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 period. 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

	2023 $m	2022 $m
Sale of land	7	-
Sale of Wellington North Solar Development Rights[1]	17	-
Sale of purchase option	-	20
Total other income	**24**	20

1. Revenue related to deferred consideration received from the FY21 Wellington North Solar Farm sale due to a contractual milestone being met in the current period.

4. Expenses

	2023 $m	2022 $m
Cost of sales	**11,262**	10,472
Administrative expenses	**245**	213
Employee benefits expenses	**650**	636
Other expenses		
Movement in onerous contract provision[1]	**(2)**	(1,019)
Movement in environmental rehabilitation provision[2]	**(47)**	(65)
Impairment losses on property plant & equipment[3]	**991**	246
Impairment losses on inventories	**32**	-
Reversal of impairment in a joint venture	**-**	(14)
Reversal of impairment on property plant & equipment[3]	**(51)**	-
Restructuring and integration costs	**30**	61
Separation and re-integration costs	**14**	125
Loss/(gain) on fair value of financial instruments	**1,146**	(153)
Contracts and materials	**282**	267
Impairment loss on trade receivables (net of bad debts recovered)	**100**	81
Marketing expenses	**49**	47
Short term lease and outgoings expenses	**34**	24
Net (gain)/loss on disposal of property, plant and equipment	**(1)**	3
Other	**243**	227
Total expenses	**14,977**	11,151

1. Refer to Note 19
2. Movement in environmental rehabilitation provision relates to changes in estimate recognised through the consolidated statement of profit or loss due to the associated rehabilitation asset being previously impaired. Refer to Note 19.
3. Refer to Notes 15 and 16.

5. Depreciation and amortisation

	2023 $m	2022 $m
Property, plant and equipment	**525**	494
Intangible assets	**203**	223
Total depreciation and amortisation	**728**	717

6. Net financing costs

	2023 $m	2022 $m
Finance income		
Interest income	**10**	-
Total financing income	**10**	-
Finance costs		
Interest expense[1]	**100**	76
Lease interest expense	**14**	10
Unwinding of discounts on provisions and other liabilities	**132**	108
Unwinding of discount on deferred consideration	**16**	18
Other finance costs	**6**	5
Total financing costs	**268**	217
Net financing costs	**258**	217

1. Interest expense for the year ended 30 June 2023 is presented net of capitalised interest of $8 million (2022: $2 million).

The weighted average capitalisation rate on funds borrowed for finance costs capitalised is 3.87% (2022: 2.80%).

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:

	2023 $m	2022 $m
Current tax		
Current tax (benefit)/expense in respect of the current year	**(3)**	84
Deferred tax		
Relating to the origination and reversal of temporary differences	**(566)**	245
Total income tax (benefit)/expense	**(569)**	329

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:

	2023 $m	2022 $m
(Loss)/profit before tax	**(1,839)**	1,182
Income tax (benefit)/expense calculated at the Australian tax rate of 30% (2022: 30%)	**(552)**	355
Recognition of previously derecognised capital losses	**(5)**	-
Adjustments in relation to current tax of prior years	**(10)**	(17)
Other	**(2)**	(9)
Total income tax (benefit)/expense	**(569)**	329

Income tax recognised in other comprehensive income

	2023 $m	2022 $m
Deferred tax		
Cash flow hedges	**(7)**	43
Remeasurement gain on defined benefit plans	**2**	31
Fair value (loss)/gain on the revaluation of equity instrument financial assets	**-**	(24)
Total income tax recognised in other comprehensive income	**(5)**	50

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

	2023 $m	2022 $m
Temporary differences		
Tax losses	**30**	(187)
Provisions, payables and accruals	**(58)**	409
Allowance for expected credit losses	**-**	8
Defined benefit superannuation plans	**1**	(2)
Borrowings	**(15)**	3
Derivative financial instruments	**(389)**	64
Property, plant and equipment and intangible assets	**(93)**	(27)
Other	**(42)**	(23)
Total deferred income tax recognised in profit or loss	**(566)**	245

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Current tax balances

	2023 $m	2022 $m
Current tax assets		
Income tax refund receivable	**13**	67
Current tax liabilities		
Income tax payable	**-**	55

Deferred tax balances

	2023 $m	2022 $m
Deferred tax assets/(liabilities) arise from the following:		
Tax losses	**327**	358
Provisions, payables and accruals	**751**	694
Allowance for expected credit losses	**54**	54
Defined benefit superannuation plans	**(8)**	(6)
Borrowings	**48**	33
Derivative financial instruments	**91**	(305)
Property, plant and equipment and intangible assets	**(416)**	(509)
Other	**69**	25
Net deferred tax assets/(liabilities)	**916**	344
Recognised in the Consolidated Statement of Financial Position as follows:		
Deferred tax assets	**926**	344
Deferred tax liabilities	**(10)**	-
Net deferred tax assets/(liabilities)	**916**	344

Deferred tax assets of $28 million (2022: $33 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

ACCOUNTING POLICY

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.

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 each 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. The recoverability of this deferred tax asset is dependent on the generation of sufficient taxable income, 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

	2023 $m	2022 $m
Final dividend		
Final dividend for 2022 of 10.0 cents per share, unfranked, paid 27 September 2022 (2022: Final dividend for 2021 of 34.0 cents per share, unfranked, paid 29 September 2021).	**67**	212
Interim dividend		
Interim dividend for 2023 of 8.0 cents per share, unfranked, paid 24 March 2023 (2022: Interim dividend for 2022 of 16.0 cents per share, unfranked, paid 30 March 2022).	**54**	105
Dividends paid as per the Consolidated Statement of Cash Flows	**121**	317

Unrecognised amounts

Since the end of the financial year, the Directors have declared a final dividend for 2023 of 23.0 cents per share, unfranked, payable 22 September 2023 (2022: 10.0 cents per share, unfranked, paid 27 September 2022).	**155**	67

Dividend franking account

	2023 $m	2022 $m
Adjusted franking account balance	**(32)**	(66)

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

	2023 $m	2022 $m
Current		
Trade receivables	**1,159**	2,295
Unbilled revenue	**832**	787
Allowance for expected credit loss	**(183)**	(183)
	1,808	2,899
Other receivables	**32**	231
Total current trade and other receivables	**1,840**	3,130
Non-current		
Other receivables	**17**	93
Loans to Joint Ventures	**4**	-
Total non-current trade and other receivables	**21**	93
Allowance for expected credit loss		
Balance as at 1 July	**183**	209
Impairment losses recognised on receivables	**133**	162
Amounts written off as uncollectible	**(133)**	(188)
Balance at end of the financial year	**183**	183

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

	2023		2022	
	Total $m	Allowance $m	Total $m	Allowance $m
Unbilled revenue	**832**	**(45)**	787	(39)
Not past due	**854**	**(11)**	2,008	(12)
Past due 0 – 30 days	**84**	**(13)**	69	(12)
Past due 31 – 60 days	**43**	**(13)**	38	(9)
Past due 61 – 90 days	**25**	**(8)**	20	(7)
Past 90 days	**153**	**(93)**	160	(104)
Total	**1,991**	**(183)**	3,082	(183)

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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.

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.

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

	2023 $m	2022 $m
Current		
Raw materials and stores - at cost	**276**	308
Finished goods - at cost	**70**	61
Total current inventories	**346**	369

Non-current		
Finished goods - at cost	**-**	46
Total non-current inventories	**-**	46

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

	2023 $m	2022 $m
Current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**-**	54
Interest rate swap contracts - cash flow hedges	**38**	26
Forward foreign exchange contracts - cash flow hedges	**1**	-
Energy derivatives - economic hedges	**1,686**	4,559
	1,725	4,639
Other	**6**	-
Total current other financial assets	**1,731**	4,639

Non-current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**55**	54
Interest rate swap contracts - cash flow hedges	**76**	96
Forward foreign exchange contracts - cash flow hedges	**1**	-
Energy derivatives - economic hedges	**484**	216
Other	**5**	5
	621	371
Equity instrument financial assets - at fair value through other comprehensive income		
Unlisted equity securities	**8**	8
Unlisted investment funds	**7**	5
	15	13
Other	**2**	-
Total non-current other financial assets	**638**	384

Refer to Note 36 for AGL's financial assets accounting policy and critical accounting estimates and assumptions.

12. Other assets

	Note	2023 $m	2022 $m
Current			
Green commodities scheme certificates and instruments		**228**	214
Prepayments		**84**	85
Total current other assets		**312**	299

	Note	2023 $m	2022 $m
Non-current			
Defined benefit superannuation plan asset	32	**81**	81
Total non-current other assets		**81**	81

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 the lower of cost, or net realisable value.

13. Assets & Liabilities classified as held for sale

Moranbah Gas Project consists of upstream gas assets and liabilities relating to Moranbah and North Queensland Energy joint operations. Surat Gas Project consists of upstream gas assets and liabilities located at Silver Springs and Wallumbilla. AGL is in the process of divesting these projects. The expected completion of these transactions is within 12 months from 30 June 2023. Both projects were included in the Integrated Energy operating segment.

Asset classified as held for sale

	2023 $m	2022 $m
Assets classified as held for sale	**185**	-

The major classes of assets of Moranbah Gas Project and Surat Gas Projects classified as held for sale as at 30 June are, as follows:

Assets	2023 $m
Trade and other receivables	**4**
Inventories	**50**
Property, plant and equipment	**131**
Assets classified as held for sale	**185**

Liabilities classified as held for sale

	2023 $m	2022 $m
Liabilities classified as held for sale	**220**	-

The major classes of liabilities of Moranbah Gas Project and Surat Gas Projects classified as held for sale as at 30 June are, as follows:

Liabilities	2023 $m
Trade and other payables	**16**
Provisions	**190**
Other liabilities	**14**
Liabilities classified as held for sale	**220**

14. Investments in associates and joint ventures

	2023 $m	2022 $m
Investments in joint ventures - unlisted	**397**	426
Total investments in associates and joint ventures	**397**	426

Reconciliation of movements in investments in associates and joint ventures

	2023 $m	2022 $m
Balance at beginning of financial year	**426**	117
Additions	**67**[1]	358
Impairment reversal recognised in profit or loss	**-**	14
Share of (losses)/profits	**(57)**	26
Dividends received	**(17)**	(17)
Fair value loss on financial instruments	**(22)**	(72)
Balance at end of financial year	**397**	426

1. Additions relate to capital injections into Tilt Renewables $63 million and Pottinger Renewables $4 million.

		Ownership interest		Carrying value	
	Principal activities	2023 %	2022 %	2023 $m	2022 $m
Associates					
Solar Analytics Pty Ltd	Solar PV monitoring	**31.2**	31.2	**-**	-
Joint ventures					
ActewAGL Retail Partnership	Gas and electricity retailer	**50**	50	**38**	40
Central Queensland Pipeline Pty Ltd	Gas pipeline development	**50**	50	**-**	-
Tilt Renewables	Development and owner of renewable energy generation projects	**20**	20	**355**	386
Pottinger Renewables	Development and owner of renewable energy generation projects	**50**	-	**4**	-
Muswellbrook Pumped Hydro	Pumped hydro energy generation project	**50**	-	**-**	-
Total investments in associates and joint ventures				**397**	426

All the above entities are incorporated and operate in Australia.

Aggregate information of joint ventures that are not individually material

	2023 $m	2022 $m
Current assets	**456**	572
Non-current assets	**4,420**	4,111
Total assets	**4,876**	4,683
Current liabilities	**1,019**	615
Non-current liabilities	**2,018**	2,317
Total liabilities	**3,037**	2,932
Net assets	**1,839**	1,751
Revenue	**987**	1,021
Expenses	**(1,319)**	(941)
AGL's share of joint ventures' (loss)/profit after income tax	**(57)**	26

Commitments and contingent liabilities

AGL's share of commitments and contingent liabilities of associates and joint ventures are disclosed in Notes 24(b) and 25 respectively.

ACCOUNTING POLICY

Equity accounted investments

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.

15. Property, plant and equipment

2023	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2022, net of accumulated depreciation and impairment	**5,762**	**3**	**164**	**84**	**6,013**
Additions	**496**	**103**	**2**	**3**	**604**
Impairment loss recognised in profit or loss	**(987)**	**-**	**(4)**	**-**	**(991)**
Change in estimate related to provision for environmental rehabilitation	**399**	**-**	**-**	**-**	**399**
Disposals	**(2)**	**-**	**-**	**-**	**(2)**
Reversal of impairment[1]	**51**	**-**	**-**	**-**	**51**
Reclassified to held for sale	**(130)**	**-**	**-**	**(1)**	**(131)**
Depreciation expense	**(505)**	**(7)**	**(13)**	**-**	**(525)**
Balance at 30 June 2023 net of accumulated depreciation and impairment	**5,084**	**99**	**149**	**86**	**5,418**

1. The reversal of impairment of PPE relates to assets previously impaired for the Moranbah Gas Project. The expected consideration relating to the divestment of the Moranbah Gas Project supports the partial reversal of previous impairment. Following the reversal of impairment, the PPE relating to Moranbah Gas Project was reclassified to assets held for sale. Refer to note 13.

Balance at 1 July 2022					
Cost (gross carrying amount)	**10,578**	**12**	**301**	**107**	**10,998**
Accumulated depreciation and impairment	**(4,816)**	**(9)**	**(137)**	**(23)**	**(4,985)**
Net carrying amount	**5,762**	**3**	**164**	**84**	**6,013**

Balance at 30 June 2023					
Cost (gross carrying amount)	**10,543**	**115**	**303**	**109**	**11,070**
Accumulated depreciation and impairment	**(5,459)**	**(16)**	**(154)**	**(23)**	**(5,652)**
Net carrying amount	**5,084**	**99**	**149**	**86**	**5,418**

2022	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated depreciation and impairment	6,025	4	180	74	6,283
Additions	483	-	4	-	487
Impairment loss recognised in profit or loss	(237)	-	(9)	-	(246)
Change in estimate related to provision for environmental rehabilitation	(231)	-	-	-	(231)
Disposals	(7)	-	-	(2)	(9)
Reclassified from held for sale	211	-	-	12	223
Depreciation expense[1]	(482)	(1)	(11)	-	(494)
Balance at 30 June 2022 net of accumulated depreciation and impairment	5,762	3	164	84	6,013

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

Balance at 1 July 2021					
Cost (gross carrying amount)	10,323	12	297	97	10,729
Accumulated depreciation and impairment	(4,298)	(8)	(117)	(23)	(4,446)
Net carrying amount	6,025	4	180	74	6,283

Balance at 30 June 2022					
Cost (gross carrying amount)	10,578	12	301	107	10,998
Accumulated depreciation and impairment	(4,816)	(9)	(137)	(23)	(4,985)
Net carrying amount	5,762	3	164	84	6,013

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 $440 million (2022: $375 million).

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 15 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.

ACCOUNTING POLICY

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. Refer to note 16 for further details on the impairment incurred during the period.

16. Intangible assets

2023	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2022, net of accumulated amortisation and impairment	**2,446**	**447**	**275**	**84**	**3,252**
Additions	**-**	**128**	**-**	**5**	**133**
Amortisation expense	**-**	**(170)**	**(9)**	**(24)**	**(203)**
Balance at 30 June 2023, net of accumulated amortisation and impairment	**2,446**	**405**	**266**	**65**	**3,182**
Balance at 1 July 2022					
Cost (gross carrying amount)	**3,073**	**1,488**	**311**	**331**	**5,203**
Accumulated amortisation and impairment	**(627)**	**(1,041)**	**(36)**	**(247)**	**(1,951)**
Net carrying amount	**2,446**	**447**	**275**	**84**	**3,252**
Balance at 30 June 2023					
Cost (gross carrying amount)	**3,073**	**1,616**	**311**	**336**	**5,336**
Accumulated amortisation and impairment	**(627)**	**(1,211)**	**(45)**	**(271)**	**(2,154)**
Net carrying amount	**2,446**	**405**	**266**	**65**	**3,182**

2022	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated amortisation and impairment	2,440	482	285	95	3,302
Additions	6	155	-	12	173
Amortisation expense	-	(190)	(10)	(23)	(223)
Balance at 30 June 2022, net of accumulated amortisation and impairment	2,446	447	275	84	3,252
Balance at 1 July 2021					
Cost (gross carrying amount)	3,067	1,333	311	319	5,030
Accumulated amortisation and impairment	(627)	(851)	(26)	(224)	(1,728)
Net carrying amount	2,440	482	285	95	3,302
Balance at 30 June 2022					
Cost (gross carrying amount)	3,073	1,488	311	331	5,203
Accumulated amortisation and impairment	(627)	(1,041)	(36)	(247)	(1,951)
Net carrying amount	2,446	447	275	84	3,252

Intangible assets under development

The net carrying amount of intangible assets disclosed above includes expenditure recognised in relation to intangible assets which are in the course of development of $67 million (2022: $39 million).

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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 2023	$m
Customer Markets	**1,093**
Wholesale Gas	**1,353**
Generation Fleet	**-**
Flexible Generation	**-**
Total goodwill and intangibles with indefinite useful lives	**2,446**

Year ended 30 June 2022	
Customer Markets	1,093
Wholesale Gas	1,353
Generation Fleet	-
Flexible Generation	-
Total goodwill and intangibles with indefinite useful lives	2,446

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 lived intangible assets are assessed at least annually for impairment. Finite lived 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 – 3 to 35 years

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 group 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.

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 assessment for the year ended 30 June 2023

AGL regularly reviews the carrying values of its assets to test for any impairment. An assessment of indications of impairment for each cash generating unit (CGU) is performed at each reporting period end, and if indications exist, a subsequent recoverable value assessment is performed. Notwithstanding the above, the recoverable value of a CGU containing goodwill, intangible assets with indefinite useful lives or intangible assets in development is determined at least annually. These annual assessments are performed in December each year.

AGL's main CGUs are:

- Generation Fleet
- Customer Markets
- Wholesale Gas
- Flexible Generation

Impairment testing methodology

AGL is subject to a number of external factors that impact the performance of its CGUs. This includes, but is not limited to, market prices, external regulatory and social factors that may impact the life of assets, competitor behaviour and new entrants and technological change. To respond to the range of potential outcomes that can result from these factors, AGL applies a scenario analysis approach when determining the recoverable value of assets. Each of the scenarios are assigned a probability weighting to estimate the recoverable value of the CGU overall. The methodology of analysing several modelled outcomes is consistent with AGL's external reporting disclosures such as the Task Force on Climate-Related Financial Disclosures (TCFD) reports and Climate Transition Action Plan (CTAP). The scenarios modelled represent a range of outcomes including differing wholesale market prices, asset lives, and operating costs.

If the recoverable amount of a CGU is estimated to be less than the carrying amount, the carrying amount of the CGU is reduced to its recoverable amount with any impairment recognised immediately in the statement of profit or loss.

Generation Fleet CGU

The key assumptions in the calculation of value in use include:

- Electricity pool prices;
- Station closure dates;
- Discount rate;
- Generation volumes;
- Assumptions associated with regulatory outcomes impacting upon operations; and
- Probability weighting applied to each scenario.

As part of the review of strategic direction undertaken in September 2022, the estimated recoverable value of the Generation Fleet CGU resulted in the recognition of an impairment expense of $1,008 million (pre tax). A post-tax weighted average cost of capital of 8.5% (FY22: 6.7%) was utilised to derive the recoverable value.

For AGL's fleet of finite life generation assets, cash flow forecasts are based on discrete and long-term cash flow forecasts that reflect the life of the assets. The long-term modelling reflects AGL's view of the cash flows anticipated from operations, factoring in known events such as planned outages and expectations, and allows for quantification of sensitivities and scenarios.

At 30 June 2023, an impairment indicators assessment was performed for the Generation Fleet CGU to determine if there were any indicators of further impairment since September 2022, or reversal of impairment. The assessment has not identified any internal or external indicators that the asset within this CGU is further impaired or the previous impairment expense recognised should be reversed. Accordingly, no further recoverable value assessment was required.

The recoverable amount is sensitive to reasonably possible changes in assumed electricity pool prices, discount rates, and expected asset closure dates. It is reasonably possible that a change in these assumptions could lead to a reduction in recoverable value. The interrelationship of changes in these and other assumptions is complex. Changes in the external operating environment, such as closure of large load consumers (aluminium smelters), significant new generation capacity or delays in the closure of other non-AGL owned power stations; or changes to government policies can result in changes of pool prices or may reduce the operating lives of AGL's assets which can lead to further impairments.

Impact of climate change related risk

AGL recognises that there is an increased pace of change in the energy industry, community perspectives and associated political landscape.

The scenario analysis undertaken as part of AGL's impairment analysis in September 2022 includes scenarios that are consistent with the TCFD analysis performed and reflects AGL's commitments as set out in the CTAP.

Customer Markets CGU

The key assumptions in the calculation of value in use include:

- Discount rate;
- Terminal growth rate;
- Customer numbers and churn;
- Gas margins and volumes;
- Gross margin including assumptions around regulatory outcomes, constraints that impact pricing of market contracts, customer product swaps and customer discounts; and
- Probability weighting applied to each scenario.

The outcomes are based on actual regulatory decisions for the current reporting period, which are publicly available, together with AGL's expectations of regulated network prices and regulated pricing (Victorian Default Market Offer/Default Market

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Offer) beyond the current reset period. The assumed future gross margin in unregulated markets is determined with reference to historic achieved revenue rates, AGL's expectations of future price changes and impact of expected customer discounts. Customer numbers and consumption volumes are estimated based on historical experience, marketing strategies for the retention and winning of customers and the expected competition from new entrants. A post-tax weighted average cost of capital of 7.5% (FY22: 6.7%) and terminal growth rate of 2.5% (FY22: 2%) was utilised to derive the recoverable value for the December 2022 impairment assessment.

At 30 June 2023, an impairment indicators assessment was performed for the Customer Markets CGU. The assessment has not identified any internal or external indicator that the assets within this CGU are impaired and accordingly, no further recoverable value assessment was required.

Wholesale Gas CGU

The key assumptions in the calculation of value in use include:

- Discount rate;
- Terminal growth rate;
- Gas margins and volumes;
- Assumptions associated with regulatory outcomes impacting upon operations; and
- Probability weighting applied to each scenario.

Gas procurement costs are estimated based on the actual contract portfolio, together with an estimate of future margins and volumes beyond the period of the actual contract portfolio.

The recoverable amount is sensitive to reasonably possible changes in assumptions. At December 2022, the recoverable amount of the CGU would equal its carrying amount if the long-term gas margin forecast is reduced by $0.24/GJ in isolation. A post-tax weighted average cost of capital of 7.5% (FY22: 6.7%) and terminal growth rate of 2.5% (FY22: 2%) was utilised to derive the recoverable value for the December 2022 impairment assessment.

At 30 June 2023, an impairment indicators assessment was performed for the Wholesale Gas CGU. The assessment has not identified any internal or external indicator that the assets within this CGU are impaired and accordingly, no further recoverable value assessment was required.

The Wholesale Gas CGU benefits from favourable supply costs associated with existing contractual arrangements. As these contracts lapse and costs reset to terms more consistent with current market conditions, the recoverable value of the Wholesale Gas CGU could potentially decrease. A decreasing recoverable value could give rise to the risk that the recoverable value may be lower than the carrying value and therefore potential impairment in future periods.

Flexible Generation CGU

At 30 June 2023, an impairment indicators assessment was performed for the Flexible Generation CGU. The assessment has not identified any internal or external indicator that the assets within this CGU are impaired and accordingly, no further recoverable value assessment was required.

17. Trade and other payables

	2023 $m	2022 $m
Current		
Trade payables and accrued expenses	**1,100**	2,558
Accrued distribution costs	**434**	378
Green commodity scheme obligations	**263**	207
Other	**30**	21
Total trade and other payables	**1,827**	3,164

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.

ACCOUNTING POLICY

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.

18. Borrowings

	2023 $m	2022 $m
Current		
Bank loans - unsecured	**-**	80
USD senior notes - unsecured	**-**	239
CPI bonds - unsecured	**12**	11
Lease liabilities	**35**	25
Total current borrowings	**47**	355
Non-current		
Bank loans - unsecured	**1,483**	1,590
USD senior notes - unsecured	**1,133**	766
CPI bonds - unsecured	**40**	49
Lease liabilities	**196**	125
Deferred transaction costs	**(16)**	(7)
Total non-current borrowings	**2,836**	2,523

Financing facilities

AGL has access to the following committed bank facilities:

	Total facilities		Amounts used	
	2023 $m	2022 $m	2023 $m	2022 $m
USD senior notes - unsecured (after effect of cross currency swaps)	**1,109**	910	**1,109**	910
Bank loans - unsecured	**2,578**	2,152	**1,483**	1,670
CPI bonds - unsecured	**52**	60	**52**	60
Bank guarantees - unsecured	**955**	453	**718**	388
Total financing facilities	**4,694**	3,575	**3,362**	3,028

USD senior notes

- On 8 June 2023, AGL issued AUD $386 million (USD $131 million and AUD $188 million) of fixed rate unsecured senior notes in the US private placement market, with maturity ranging from 7 to 15 years.
- On 8 December 2016, AGL issued $572 million (USD $395 million and AUD $50 million) of fixed rate unsecured senior notes in the US private placement market, with maturity ranging from 10 to 15 years.

- On 8 September 2010, AGL issued $152 million (USD $135 million) of fixed rate unsecured senior notes in the US private placement market, with maturity of 15 years.
- During the year $186 million (USD $165 million) USD senior notes matured.
- All USD senior notes are converted back to AUD through cross currency interest rate swaps.

Bank loans

- On 28 April 2023, AGL executed a $1.2 billion syndicated facility, which includes a $500 million green capital expenditure facility, with maturity ranging from 3 to 7 years. As at 30 June 2023, $583 million of this was utilised.
- In 2018, AGL extended its $410 million club term loan facility from June 2021 to June 2025. As at 30 June 2023, this facility was fully utilised.
- In September 2019 AGL executed a A$600 million 5-year syndicated Sustainability Linked Loan. As at 30 June 2023, this facility was $260 million drawn down.
- During the year $880 million of bank loans facilities were terminated.
- The remaining $360 million of bank debt facilities comprises of bilateral facilities, with $230 million utilised at year end.

CPI bonds

- CPI bonds rank pari passu with other unsecured debt and will mature in May 2027.

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.

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 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.

ACCOUNTING POLICY

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.

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.

19. Provisions

	2023 $m	2022 $m
Current		
Employee benefits	**220**	219
Environmental rehabilitation	**86**	64
Onerous contracts	**17**	57
Restructuring	**37**	27
Other	**6**	7
Total current provisions	**366**	**374**

	2023 $m	2022 $m
Non-current		
Employee benefits	**6**	6
Environmental rehabilitation	**1,316**	1,092
Onerous contracts	**776**	863
Total non-current provisions	**2,098**	1,961

Movements in each class of provision, except employee benefits, are set out below:

	Environmental rehabilitation $m	Restructuring $m	Onerous contracts $m	Total $m
Balance at 1 July 2022	1,156	27	920	2,103
Changes in estimated provision	(361)	29	(2)	(334)
Additional provisions recognised	714	2	-	716
Provisions utilised and derecognised	(56)	(21)	(118)	(195)
Reclassed to held for sale liabilities	(137)	-	(53)	(190)
Unwinding of discount	86	-	46	132
Balance at 30 June 2023	1,402	37	793	2,232

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 rehabilitation

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the end of the reporting period, based on current legal requirements and current technology. Future rehabilitation 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 rehabilitation 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 rehabilitation 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 rehabilitation

AGL estimates the future removal and rehabilitation costs of electricity generation assets, oil and gas production facilities, wells, pipelines, mine 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 requirement for rehabilitation is also subject to community and regulatory expectations which may evolve over time and in practice negotiation is required to arrive at a practical rehabilitation strategy. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of rehabilitation activities required and available technologies. The assumptions are highly judgemental and represents management's best estimate of the present value of the expenditure required to settle the obligation, given known facts and circumstances at a point in time.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For the period ended 30 June 2023, environmental rehabilitation has been updated to reflect the changes in assumption associated with the announced closure dates of AGL's thermal generation assets. A pre-tax discount rate of 6.86% (FY22: 5.14%) has been used for the purpose of discounting the expected future cashflows.

In line with AGL's accounting policy, the Provisions for Environmental Rehabilitation are reviewed on a regular basis.

Provision for onerous contracts

AASB 137 Provisions, Contingent Liabilities and Contingent Assets defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. 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.

AGL recognised a number of legacy power purchase agreements as onerous for the year ended 30 June 2021. Under these legacy power purchase agreements, AGL makes periodic payments for the electricity and green certificates generated by these assets. The agreements were primarily entered between 2006 and 2012 to support the development of the renewables sector at that time. These offtake agreements were entered at prices significantly higher than current and forecast prices for electricity and renewable energy certificates today.

In line with AGL's accounting policy, the onerous contract provisions are reviewed on a regular basis.

20. Other financial liabilities

	2023 $m	2022 $m
Current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**21**	8
Interest rate swap contracts - cash flow hedges	**-**	1
Energy derivatives - economic hedges	**1,620**	3,475
	1,641	3,484
Futures deposits and margin calls	**-**	104
Deferred consideration	**26**	23
Total current other financial liabilities	**1,667**	3,611
Non-current		
Derivative financial instruments - at fair value		
Cross currency swap contracts - cash flow and fair value hedges	**8**	-
Energy derivatives - economic hedges	**739**	364
	747	364
Deferred consideration	**101**	127
Total non-current other financial liabilities	**848**	491

ACCOUNTING POLICY

Financial Instruments

Refer to Note 36.

ACCOUNTING POLICY

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 within finance costs in profit or loss over the life of the obligation.

21. Other liabilities

	Note	2023 $m	2022 $m
Current			
Deferred revenue		**55**	48
Other		**5**	-
Total current other liabilities		**60**	48
Non-current			
Deferred revenue		**-**	14
Defined benefit superannuation plan liability	32	**43**	50
Other		**97**	107
Total non-current other liabilities		**140**	171

22. Issued capital

	2023		2022	
	Total $m	Number of shares	Total $m	Number of shares
Balance at beginning of reporting period	**5,918**	**672,747,233**	5,601	623,033,791
Issue of shares to satisfy the dividend reinvestment plan	**-**	**-**	317	49,713,442
Balance at reporting date	**5,918**	**672,747,233**	5,918	672,747,233

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 shareholder present at a general meeting of the Parent Entity, in person or by proxy is entitled to one vote per ordinary share held.

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.

23. Earnings per share

	2023	2022
Statutory earnings per share		
Basic earnings per share	**(187.9 cents)**	131.6 cents
Diluted earnings per share	**(187.9 cents)**	131.3 cents
Underlying earnings per share		
Basic earnings per share	**41.8 cents**	34.4 cents
Diluted earnings per share	**41.6 cents**	34.4 cents

Earnings used in calculating basic and diluted earnings per share attributable to AGL shareholders

	2023 $m	2022 $m
Statutory earnings used to calculate basic and diluted earnings per share attributable to AGL shareholders	**(1,264)**	860
Significant items after income tax	**655**	(486)
Loss/(gain) in fair value of financial instruments after income tax	**890**	(149)
Underlying earnings used to calculate basic and diluted earnings per share	**281**	225

Weighted average number of ordinary shares

	30 June 2023 Number	30 June 2022 Number
Number of ordinary shares used in the calculation of basic earnings per share	**672,747,233**	653,324,767
Effect of dilution - LTIP share performance rights	**2,298,674**	1,480,075
Number of ordinary shares used in the calculation of diluted earnings per share	**675,045,907**	654,804,842

24. Commitments

(a) Capital expenditure commitments

Property, plant and equipment and intangible assets

	2023 $m	2022 $m
Not later than one year	**126**	147
Later than one year and not later than five years	**22**	37
	148	184

There are nil (2022: nil) joint operations capital commitments and AGL's share of associates' commitments is nil (2022: nil).

(b) Joint venture commitments

AGL's share of commitments made jointly with other investors relating to its joint ventures is $13 million (2022 : $46 million).

25. Contingent assets and 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.

26. Remuneration of auditors

Auditor of the Parent Entity

	2023 $000	2022 $000
Deloitte Touche Tohmatsu Australia		
Audit and review of financial reports		
Group	**1,852**	1,880
Controlled entities	**177**	151
Total Audit and Review	**2,029**	2,031
Other regulatory audit services	**192**	192
Other assurance services	**170**	987
Total regulatory and other assurance	**362**	1,179
Other services	**147**	-
Total other services	**147**	-
Total Deloitte Touche Tohmatsu Australia	**2,538**	**3,210**
Deloitte Touche Tohmatsu related practices		
Audit of subsidiary financial reports	**28**	27
Other	**12**	-
Total remuneration of auditors	**2,578**	3,237

The auditor of AGL Energy Limited is Deloitte Touche Tohmatsu Australia.

27. Subsidiaries

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 30 June 2023 %	30 June 2022 %
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Australia Limited	(a)	Australia	**100**	100
AGLA Vic Hydro Assets Pty Limited	(a)	Australia	**100**	100
AGL Barker Inlet Pty Limited	(a)	Australia	**100**	100
AGL Community Legacy Program Pty Limited	(a)(f)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
OVO Energy Pty Limited		Australia	**51**	51
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
AGL Australia Markets 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
AGL Torrens Island Battery Pty Limited	(a)	Australia	**100**	100
AGL Dalrymple Pty Limited	(a)(d)	Australia	**100**	100
IQ Energy Services Pty Ltd	(a)(f)	Australia	**100**	100
Energy 360 Pty Ltd	(a)	Australia	**100**	100
Carbon Green Pty Ltd	(a)	Australia	**100**	100
Access Way SPV Pty Ltd	(a)	Australia	**100**	100
Epho Holding Pty Limited	(a)	Australia	**100**	100
Epho Services Pty Limited	(a)	Australia	**100**	100
Epho Pty Limited	(a)	Australia	**100**	100
Epho Asset Management Pty Limited	(a)	Australia	**100**	100
BTPS 1 Pty Limited	(a)	Australia	**100**	100
SEGH Pty Limited	(a)	Australia	**100**	100
Sustainable Business Energy Solutions Pty Ltd	(a)	Australia	**100**	100
Sol Install Pty Limited	(a)	Australia	**100**	100
Sol Distribution Pty Limited	(a)	Australia	**100**	100
Sunlease Pty Limited	(a)	Australia	**100**	100
Solarserve Pty Limited	(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)(f)	Australia	**100**	100
AGL Gas Developments (PNG) Pty Limited	(a)(f)	Australia	**100**	100

Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 30 June 2023 %	30 June 2022 %
AGL Gas Developments (Sydney) Pty Limited	(a)(f)	Australia	**100**	100
AGL Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Loy Yang Pty Ltd		Australia	**75**	75
AGL Loy Yang Partnership		Australia	**75**	75
AGL Loy Yang Projects Pty Ltd		Australia	**75**	75
AGL Generation Proprietary Limited	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(b)	Australia	**25**	25
AGL Loy Yang Partnership	(b)	Australia	**25**	25
AGL Loy Yang Projects Pty Ltd	(b)	Australia	**25**	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 LYP 2 Pty Ltd	(b)	Australia	**100**	100
AGL LYP 3 Pty Ltd	(b)	Australia	**100**	100
AGL Gloucester MG Pty Ltd	(a)(f)	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**	20
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**30.5**	30.5
AGL LNG Pty Ltd	(a)(f)	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)(f)	Australia	**100**	100
AGL Energy Hubs Pty Ltd	(a)(e)	Australia	**100**	100
Box Hill Wind Farm Pty Limited	(a)(f)	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)(f)	Australia	**100**	100
AGL (SG) (Camden) Operations Pty Limited	(a)(f)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)(f)	Australia	**100**	100

Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 30 June 2023 %	30 June 2022 %
AGL (SG) Operations Pty Limited	(a)(f)	Australia	**100**	100
AGL Australia Services Pty Limited	(a)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)(f)	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
Click Energy Group Holdings Pty Limited	(a)	Australia	**100**	100
Click Energy Pty Ltd	(a)	Australia	**100**	100
On the Move Pty Ltd	(a)	Australia	**100**	100
A.C.N 133 799 149 Pty Limited	(a)(f)	Australia	**100**	100
M2C Services Pty Limited	(a)(f)	Australia	**100**	100
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)(f)	Australia	**100**	100
Geogen Victoria Pty Ltd	(a)(f)	Australia	**100**	100
GRCI Australia Pte Ltd		Singapore	**100**	100
H C Extractions Pty Limited	(a)(f)	Australia	**100**	100
AGL Newcastle Power Station Pty Limited	(a)	Australia	**100**	100
NGSF Assets Trust		Australia	**100**	100
NGSF Finance Pty Limited	(a)(f)	Australia	**100**	100
NGSF Operations Pty Limited	(a)	Australia	**100**	100
NGSF Operations Trust		Australia	**100**	100
Perth Energy Holdings Pty Ltd	(a)	Australia	**100**	100
Perth Energy Pty Ltd	(a)	Australia	**100**	100
WA Power Exchange Pty Limited	(a)	Australia	**100**	100
Western Energy Holdings Pty Limited	(a)	Australia	**100**	100
Western Energy Pty Limited	(a)	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)	Australia	**100**	100
AGL Liddell BESS Pty Ltd	(a)(c)	Australia	**100**	-
The Australian Gas Light Company	(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.

(b) Parties to a Deed of Cross Guarantee with AGL Generation Proprietary Limited.

(c) Incorporated on 16 May 2023.

(d) On 6 October 2022 Accel Energy Retail Pty Limited name changed to AGL Dalrymple Pty Limited.

(e) On 6 October 2022 Accel Energy Hubs Pty Ltd name changed to AGL Energy Hubs Pty Ltd.

(f) These entities are in the process of being liquidated.

28. Acquisition of subsidiaries and businesses

2023

Capital Contribution to Tilt Renewables

During the financial year, AGL made a $63 million capital contribution to Tilt Renewables to fund the development of the Rye Park Wind Farm.

Investments in Joint Ventures

During the period AGL entered into a number of investments in joint ventures namely: Muswellbrook Joint Venture and Pottinger Renewables Joint Venture.

2022

Acquisition of Energy360

On 29 April 2022, AGL completed the purchase of 100% of the outstanding share capital of Energy360 Pty Ltd. Energy360 provides biogas solutions for commercial and industrial customers in Australia.

Capital Contribution to Tilt Renewables

On 3 August 2021, AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables.

29. Disposal of subsidiaries and businesses

2023

AGL is in the process of divesting its interest in the Moranbah and Surat Gas Projects, refer to Note 13 for further details.

2022

Disposal of Activate Capital

On 28 June 2022, AGL completed the disposal of its investment in Activate Capital for $51m.

Disposal of Energy Impact Partners US

On 21 December 2021, AGL completed the disposal of its investment in Energy Impact Partners US for $95m.

Disposal of Ecobee

On 1 December 2021, AGL completed the disposal of its investment in Ecobee in return for a consideration of cash and shares valued at $12m at 31 December 2021.

30. Joint operations

Joint operation	Principal activities	Interest 2023 %	Interest 2022 %
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**	16.67
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.

	2023 $m	2022 $m
Current assets		
Cash and cash equivalents	**-**	6
Trade and other receivables	**-**	3
Total current assets	**-**	9
Non-current assets	**-**	-
Total non-current assets	**-**	-
Total assets	**-**	9

Assets and liabilities relating to Moranbah Gas Project are classified as held for sale at 30 June 2023. Refer to Note 13.

AGL's share of capital expenditure commitments and contingent liabilities of joint operations are disclosed in Notes 24 and 25 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.

For personal use only

31. Deeds of cross guarantee

The wholly-owned Australian subsidiaries identified in Note 27 have entered into a Deed of Cross Guarantee with AGL Energy Limited and AGL Generation Proprietary Ltd respectively 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 the year ended 30 June 2023:

- AGL Liddell BESS Pty Ltd

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 Limited	
	2023 $m	2022 Restated $m[1]	2023 $m	2022 Restated $m[1]
Revenue	**11,782**	10,808	**-**	-
Other income	**208**	160	**-**	-
Expenses	**(14,273)**	(10,311)	**-**	-
Share of profits of associates and joint ventures	**273**	3,296	**268**	(484)
(Loss)/profit before net financing costs, depreciation and amortisation	**(2,010)**	3,953	**268**	(484)
Depreciation and amortisation	**(472)**	(491)	**-**	-
(Loss)/profit before net financing costs	**(2,482)**	3,462	**268**	(484)
Finance income	**61**	40	**-**	-
Finance costs	**(324)**	(239)	**-**	-
Net financing costs	**(263)**	(199)	**-**	-
(Loss)/profit before tax	**(2,745)**	3,263	**268**	(484)
Income tax benefit/(expense)	**884**	(921)	**(80)**	145
(Loss)/profit for the year	**(1,861)**	2,342	**188**	(339)

1. The comparative balances included in the financial statements above for the AGL Energy Limited and AGL Generation Pty Ltd Deed of Cross Guarantee groups have been restated to retrospectively reflect historical changes in the structure of the closed group. There are no impacts on the consolidated group's financial position and performance as a result of these restatements. The restatement resulted in an increase/(decrease) in the profit for the prior period of the groups by $2,679m and ($1m) respectively and an increase in the net assets of the groups by $1,127m and $837m respectively.

Statement of comprehensive income

(Loss)/profit for the period	**(1,861)**	2,342	**188**	(339)
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit plans	**4**	62	**1**	10
Fair value gain on the revaluation of equity instrument financial assets	**2**	(47)	**-**	-
Income tax relating to items that will not be reclassified subsequently	**(1)**	5	**-**	(3)
	5	20	**1**	7
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges				
Gain in fair value of cash flow hedges	**23**	114	**-**	-
Reclassification adjustments transferred to profit or loss	**(24)**	29	**-**	-
Share of loss attributable to joint ventures	**(22)**	-	**-**	-
Cost of hedging subject to basis adjustment	**(1)**	5	**-**	-
Income tax relating to items that may be reclassified subsequently	**7**	(43)	**-**	-
	(17)	105	**-**	-
Other comprehensive income for the year, net of income tax	**(12)**	125	**1**	7
Total comprehensive (loss)/income for the year	**(1,873)**	2,467	**189**	(332)

Statement of financial position

	AGL Energy Limited		AGL Generation Pty Limited	
	2023 $m	2022 Restated $m[1]	2023 $m	2022 Restated $m[1]
Current assets				
Cash and cash equivalents	**134**	118	**-**	-
Trade and other receivables	**1,662**	2,227	**-**	-
Inventories	**270**	292	**-**	-
Current tax assets	**28**	84	**-**	-
Other financial assets	**988**	2,855	**-**	-
Other assets	**83**	130	**-**	-
Assets classified as held for sale	**185**	-	**-**	-
Total current assets	**3,350**	5,706	**-**	-
Non-current assets				
Trade and other receivables	**241**	79	**-**	-
Inventories	**-**	46	**-**	-
Other financial assets	**2,706**	2,271	**4,663**	3,979
Investments in associates and joint ventures	**397**	426	**-**	-
Property, plant and equipment	**2,218**	2,530	**-**	-
Intangible assets	**2,919**	2,980	**-**	-
Deferred tax assets	**912**	38	**-**	-
Other assets	**32**	36	**-**	-
Total non-current assets	**9,425**	8,406	**4,663**	3,979
Total assets	**12,775**	14,112	**4,663**	3,979
Current liabilities				
Trade and other payables	**1,550**	2,496	**-**	-
Borrowings	**75**	341	**-**	-
Provisions	**284**	281	**-**	-
Current tax liabilities	**-**	-	**-**	-
Other financial liabilities	**1,058**	1,301	**-**	-
Other liabilities	**14**	32	**-**	-
Liabilities classified as held for sale	**220**	-	**-**	-
Total current liabilities	**3,201**	4,451	**-**	-
Non-current liabilities				
Trade and other payables	**-**	-	**664**	125
Borrowings	**2,881**	2,415	**-**	-
Provisions	**583**	892	**-**	-
Deferred tax liabilities	**7**	-	**15**	59
Other financial liabilities	**3,938**	2,145	**-**	-
Other liabilities	**40**	90	**-**	-
Total non-current liabilities	**7,449**	5,542	**679**	184
Total liabilities	**10,650**	9,993	**679**	184
Net assets	**2,125**	4,119	**3,984**	3,795
Equity				
Issued capital	**5,918**	5,918	**2,878**	2,878
Reserves	**(1,005)**	(990)	**-**	-
(Accumulated losses)/retained earnings	**(2,788)**	(809)	**1,106**	917
Total equity	**2,125**	4,119	**3,984**	3,795

1. The comparative balances included in the financial statements above for the AGL Energy Limited and AGL Generation Pty Ltd Deed of Cross Guarantee groups have been restated to retrospectively reflect historical changes in the structure of the closed group. There are no impacts on the consolidated group's financial position and performance as a result of these restatements. The restatement resulted in an increase/(decrease) in the profit for the prior period of the groups by $2,679m and ($1m) respectively and an increase in the net assets of the groups by $1,127m and $837m respectively.

Summary of movements in (accumulated losses)/retained earnings

	AGL Energy Limited		AGL Generation Pty Limited	
	2023 $m	2022 Restated $m[1]	2023 $m	2022 Restated $m[1]
(Accumulated losses)/retained earnings at beginning of financial year	**(809)**	(2,877)	**917**	1,249
(Loss)/profit for the year	**(1,861)**	2,342	**188**	(339)
Dividends paid	**(121)**	(317)	**-**	-
Remeasurement gain on defined benefit plans, net of tax	**3**	43	**1**	7
(Accumulated losses)/retained earnings at end of financial year	**(2,788)**	(809)	**1,106**	917

1. The comparative balances included in the financial statements above for the AGL Energy Limited and AGL Generation Pty Ltd Deed of Cross Guarantee groups have been restated to retrospectively reflect historical changes in the structure of the closed group. There are no impacts on the consolidated group's financial position and performance as a result of these restatements. The restatement resulted in an increase/(decrease) in the profit for the prior period of the groups by $2,679m and ($1m) respectively and an increase in the net assets of the groups by $1,127m and $837m respectively.

32. 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

	2023 $m	2022 $m
Current service cost	**12**	17
Net interest (income)/expense	**(1)**	1
Expense recognised in profit or loss as part of employee benefits expenses	**11**	18

Amounts recognised in other comprehensive income

Remeasurements		
Return on plan assets (excluding amounts included in net interest income/expense)	**(24)**	30
Actuarial loss arising from changes in demographic assumptions	**3**	-
Actuarial (gain)/loss arising from changes in financial assumptions	**(8)**	(136)
Actuarial loss/(gain) arising from experience	**11**	3
Adjustment for effect of asset ceiling	**11**	-
Remeasurement (gain) on defined benefit plans recognised in other comprehensive income	**(7)**	(103)

Amounts included in the Consolidated Statement of Financial Position

	Note	2023 $m	2022 $m
Present value of funded defined benefit obligations		**560**	600
Fair value of plan assets		**(609)**	(631)
Adjustment for effect of asset ceiling		**11**	-
Net defined benefit (asset)/ liability		**(38)**	(31)
Recognised in the Consolidated Statement of Financial Position as follows:			
Defined benefit superannuation plan asset	12	**(81)**	(81)
Defined benefit superannuation plan liability	21	**43**	50
Net defined benefit (asset)/liability		**(38)**	(31)
Net (asset)/liability at beginning of year		**(31)**	66
Transfer to defined contribution superannuation plans		**2**	3
Expense recognised in the statement of profit or loss as part of employee benefits expense		**11**	18
Amount recognised in retained earnings		**(7)**	(103)
Employer contributions		**(13)**	(15)
Net (surplus)/liability at end of financial year		**(38)**	(31)

Movements in the present value of defined benefit obligations

	2023 $m	2022 $m
Opening defined benefit obligations	**600**	757
Current service cost	**12**	17
Interest expense	**31**	21
Contributions by plan participants	**7**	6
Actuarial (gain)/loss arising from changes in demographic assumptions	**3**	-
Actuarial (gain)/loss arising from changes in financial assumptions	**(8)**	(136)
Actuarial (gain)/loss arising from experience	**11**	3
Benefits paid	**(89)**	(61)
Taxes and premiums paid	**(5)**	(4)
Contributions to accumulation section	**(2)**	(3)
Closing defined benefit obligations	**560**	600

Movements in the fair value of plan assets

	2023 $m	2022 $m
Opening fair value of plan assets	**631**	691
Interest income	**32**	20
Actual Return on Plan Assets less Interest Income	**23**	(30)
Employer contributions	**13**	15
Contributions by plan participants	**6**	5
Benefits paid	**(89)**	(60)
Taxes and premiums paid	**(5)**	(7)
Contributions to accumulation section	**(2)**	(3)
Closing fair value of plan assets	**609**	631

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:

2023	EF %	EISS %	SSS, SASS, and SANCS %
Australian equities	**16**	**24**	**26**
International equities	**22**	**23**	**38**
Fixed interest securities	**16**	**13**	**4**
Property	**6**	**11**	**2**
Cash	**7**	**6**	**14**
Alternatives/other	**33**	**23**	**16**
2022			
Australian equities	17	27	18
International equities	19	20	33
Fixed interest securities	10	11	5
Property	7	11	6
Cash	6	7	14
Alternatives/other	41	24	24

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:

2023	EF %	EISS %	SSS, SASS, & SANCS %
Discount rate active members	**5.6**	**5.6**	**5.7**
Discount rate pensioners	**5.6**	**5.6**	**-**
Expected salary increase rate	**3.0**	**3.8**	**3.2**
Expected pension increase rate	**2.8**	**2.9**	**-**
2022			
Discount rate active members	5.3	5.3	5.3
Discount rate pensioners	5.3	5.3	-
Expected salary increase rate	2.5	3.5	3.1
Expected pension increase rate	2.6	2.7	-

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 2023 $m	Decrease 2023 $m	Increase 2022 $m	Decrease 2022 $m
Discount rate (0.5 percentage point movement)	**(27)**	**29**	(30)	35
Expected salary increase rate (0.5 percentage point movement)	**10**	**(9)**	12	(11)
Expected pension increase rate (0.5 percentage point movement)	**9**	**(9)**	10	(9)

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 $13 million to the defined benefit plans during the year ending 30 June 2024.

The weighted average duration of the defined benefit obligation as at 30 June 2023 was EF 9 years; EISS 11 years; and SSS, SASS and SANCS 12 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 2023 was $46 million (2022: $48 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 asset or 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.

33. Share-based payment plans

AGL operates the following share-based payment plans:

- The Share Reward Plan; and
- The Long-Term Incentive plan.

AGL has the following other equity arrangements:

- The Share Purchase Plan; and
- The Restricted Equity Plan.

Share Reward Plan (SRP)

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

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

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

Grant date	Balance at 1 July Number	Granted during the year Number	Fair Value per share $	Released during the year Number	Balance at 30 June Number
2023					
30 September 2023	**-**	**329,700**	**$ 6.58**	**(31,500)**	**298,200**
30 September 2022	**234,973**	**-**	**-**	**(27,390)**	**207,583**
30 September 2021	**167,532**	**-**	**-**	**(18,147)**	**149,385**
28 September 2020	**100,251**	**-**	**-**	**(100,251)**	**-**
Total Share Reward Plan shares	**502,756**	**329,700**		**(177,288)**	**655,168**
2022					
30 September 2022	-	293,737	$5.96	(58,764)	234,973
30 September 2021	212,037	-	-	(44,505)	167,532
28 September 2020	124,221	-	-	(23,970)	100,251
28 September 2019	117,260	-	-	(117,260)	-
Total Share Reward Plan shares	453,518	293,737		(244,499)	502,756

The expense recognised in profit or loss, as part of employee benefits expense during the year in relation to the SRP, was $2 million (2022: $2 million).

Long-Term Incentive (LTI) Plan

The LTI plan provides for a grant of performance rights to eligible participants subject to AGL's performance against pre-determined metrics over a 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.

Current LTI Plans

For the FY23 and FY22 plan, the performance rights are subject to two performance hurdles, based on:

- Relative Total Shareholder Return (Relative TSR) - 75% weighted; and
- Carbon Transition metrics - 25% weighted

For the FY21 plan, the performance rights are subject to three performance hurdles, weighted equally, based on:

- Relative TSR;
- Return on Equity (ROE); and
- Carbon Transition metrics

For the FY20 plan, the performance rights are subject to two performance hurdles, weighted equally, based on:

- 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.

Carbon Transition is calculated through three transition metrics. These metrics are based off emissions intensity, controlled renewable capacity and green and carbon neutral revenue.

The performance period for the outstanding LTI plans as at 30 June 2023 are as follows:

- FY23: Four years from 1 July 2022 to 30 June 2026
- FY22: Four years from 1 July 2021 to 30 June 2025
- FY21: Four years from 1 July 2020 to 30 June 2024
- FY20: Four years from 1 July 2019 to 30 June 2023

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	FY23	FY22	FY21	FY20
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	FY23	FY22	FY21	FY20
Nil	N/A	N/A	Below 5.0%	Below 8.5%
50 – 90%	N/A	N/A	5.0% - 6.5%	8.5% – 10.5%
90 – 100%	N/A	N/A	6.5% - 8.0%	10.5% – 12.5%
100%	N/A	N/A	At or above 8.0%	At or above 12.5%

Carbon Transition vesting schedule

The units of measurement for each of the carbon transition metrics are:

- Controlled intensity is measured at tCO_2e/MWh;
- Percentage of controlled renewable & storage capacity is measured as a proportion of total controlled generation capacity; and
- Green energy and carbon neutral products and services is measured as a percentage of total revenue.

FY23 plan percentage of performance rights which vest	Controlled intensity at 30 June 2026	% Controlled renewable & storage capacity at 30 June 2026	Green & carbon neutral products & services in FY26
0%	above 0.875	below 30.8%	below 22.2%
50 - 100%	0.875 - 0.800	30.8% - 39.8%	22.2% - 27.0%
100%	below 0.800	above 39.8%	above 27.0%

FY22 plan percentage of performance rights which vest	Controlled intensity in FY25	% Controlled renewable & storage capacity at 30 June 2025	Green & carbon neutral products & services in FY25
0%	above 0.885	below 29.4%	below 16.5%
50 - 100%	0.885 - 0.823	29.4% - 36.9%	16.5% - 22.1%
100%	below 0.823	above 36.9%	above 22.1%

FY21 plan percentage of performance rights which vest	Controlled intensity in FY24	% Controlled renewable & storage capacity at 30 June 2024	Green & carbon neutral products & services in FY24
0%	above 0.895	below 28%	below 15.5%
50 - 100%	0.895 - 0.845	28% - 34%	15.5% - 20%
100%	below 0.845	above 34%	above 20%

Details of performance rights movements in the FY23 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
2023							
FY23 LTI – 8 November 2022	**Relative TSR**	**-**	**650,207**	**$3.73**	**-**	**(43,364)**	**606,843**
FY23 LTI – 8 November 2022	**Carbon Transition**	**-**	**216,735**	**$6.63**	**-**	**(14,455)**	**202,280**
Total share rights			**866,942**	**$4.46**	**-**	**(57,819)**	**809,123**

Details of performance rights movements in the FY22 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
2023							
FY22 LTI – 29 Oct 2021	**Relative TSR**	**997,991**	**-**	**$1.59**	**-**	**(392,907)**	**605,084**
FY22 LTI – 29 Oct 2021	**Carbon Transition**	**332,659**	**-**	**$4.80**	**-**	**(130,969)**	**201,690**
Total share rights		**1,330,650**	**-**	**$2.39**	**-**	**(523,876)**	**806,774**
2022							
FY22 LTI – 29 Oct 2021	Relative TSR	-	1,074,516	$1.59	-	(76,525)	997,991
FY22 LTI – 29 Oct 2021	Carbon Transition	-	358,167	$4.80	-	(25,508)	332,659
Total share rights		-	1,432,683	$2.39	-	(102,033)	1,330,650

Details of performance rights movements in the FY21 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
2023							
FY21 LTI – 28 Oct 2020	**Relative TSR**	**159,221**	**-**	**$3.86**	**-**	**(41,803)**	**117,418**
FY21 LTI – 28 Oct 2020	**ROE**	**158,935**	**-**	**$10.64**	**-**	**(41,720)**	**117,215**
FY21 LTI – 28 Oct 2020	**Carbon Transition**	**158,935**	**-**	**$10.64**	**-**	**(41,720)**	**117,215**
Total share rights		**477,091**	**-**	**$8.38**	**-**	**(125,243)**	**351,848**
2022							
FY21 LTI – 28 Oct 2020	Relative TSR	248,384	-	$3.86	-	(89,163)	159,221
FY21 LTI – 28 Oct 2020	ROE	248,384	-	$10.64	-	(89,449)	158,935
FY21 LTI – 28 Oct 2020	Carbon Transition	248,384	-	$10.64	-	(89,449)	158,935
Total share rights		745,152	-	$8.38	-	(268,061)	477,091

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
2023							
FY20 LTI – 18 Oct 2019	**Relative TSR**	**204,483**	**-**	**$8.76**	**-**	**(23,470)**	**181,013**
FY20 LTI – 18 Oct 2019	**ROE**	**204,455**	**-**	**$16.02**	**-**	**(23,468)**	**180,987**
Total share rights		**408,937**	**-**	**$12.72**	**-**	**(46,937)**	**362,000**
2022							
FY20 LTI – 18 Oct 2019	Relative TSR	239,218	11,180	$8.76	-	(45,915)	204,483
FY20 LTI – 18 Oct 2019	ROE	239,189	11,180	$16.02	-	(45,914)	204,455
Total share rights		478,407	-	$12.72	-	(91,829)	408,937

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.

	2023	2022	2021	2020
	FY23 LTI	FY22 LTI	FY21 LTI	FY20 LTI
Grant date	**8 November 2022**	29 October 2021	28 October 2020	18 October 2019
Weighted average fair value at grant date	**$4.46**	$2.39	$8.38	$12.72
Share price at grant date	**$7.56**	$5.72	$12.93	$19.13
Expected volatility	**31.0%**	27.0%	23.0%	21.0%
Expected dividend yield	**3.6%**	6.0%	5.3%	4.8%
Risk free interest rate (based on government bonds)	**3.6%**	0.7%	0.2%	0.8%

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 ($1) million (2022: $2 million).

Shares purchased on-market

During the financial year ended 30 June 2023, 329,700 (2022: 293,737) AGL shares were purchased on-market at an average of $6.58 (2022: $5.96) per share, for a total consideration of $2,169,739 (2022: $1,750,673), 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
2023					
Employees	**665,444**	**201,623**	**$ 7.79**	**(175,520)**	**691,547**
Total share purchase plan shares	**665,444**	**201,623**		**(175,520)**	**691,547**
2022					
Employees	531,681	378,196	$7.08	(244,433)	665,444
Total share purchase plan shares	531,681	378,196		(244,433)	665,444

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/forfeited during the year Number	Balance at 30 June Number
2023					
Current Managing Director and Chief Executive Officer - Damien Nicks	**3,960**	**68,633**	**$ 7.05**	**(60,665)**	**11,928**
Former Managing Director and Chief Executive Officer - Graeme Hunt	**17,975**	**-**	**-**	**(17,975)**	**-**
Former Managing Director and Chief Executive Officer - Brett Redman	**21,255**	**-**	**-**	**(21,255)**	**-**
Employees	**28,318**	**123,074**	**$ 7.05**	**(68,752)**	**82,640**
Total restricted equity plan shares	**71,508**	**191,707**		**(168,647)**	**94,568**
2022					
Current Managing Director and Chief Executive Officer - Damien Nicks	7,920	-	-	(3,960)	3,960
Former Managing Director and Chief Executive Officer - Graeme Hunt	-	17,975	$9.20	-	17,975
Former Managing Director and Chief Executive Officer - Brett Redman	42,510	-	-	(21,255)	21,255
Employees	57,287	-	-	(28,969)	28,318
Total restricted equity plan shares	107,717	17,975		(54,184)	71,508

Shares purchased on-market

During the financial year ended 30 June 2023, 393,329 (2022: 396,171) AGL shares were purchased on-market at an average price of $7.45 (2022: $7.10) per share, for a total consideration of $2,908,850 (2022: $2,719,583), 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. On the grant 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. Shares under the AGL Share Reward Plan are subject to disposal restrictions and holding locks.

34. Related party disclosures

Key management personnel remuneration

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

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

	2023 $000	2022 $000
Short-term employee benefits	**7,787**	7,887
Post-employment benefits	**281**	210
Termination benefits	**1,189**	627
Share-based payments	**1,412**	1,340
Total remuneration to key management personnel	**10,669**	10,064

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

	2023 $000	2022 $000
ActewAGL Retail Partnership	**50,503**	58,808
Tilt Renewables	**372**	-
Pottinger Renewables Joint Venture	**1,000**	-
Muswellbrook Pumped Hydro Joint Venture	**3,237**	-

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

	2023 $000	2022 $000
Tilt Renewables	**17,136**	16,942

The amount owing is unsecured, interest free and will be net settled in cash.

Trading transactions with joint ventures and joint operations

	2023 $000	2022 $000
ActewAGL Retail Partnership		
AGL sold gas, electricity and environmental products to the ActewAGL Retail Partnership on normal commercial terms and conditions.		
Net amounts received	**281,178**	327,049
Tilt Renewables		
AGL sells/purchases electricity and environmental products with Tilt on normal commercial terms and conditions.		
Net amounts (paid)/received	**(132,372)**	142,342
AGL received management fees from Tilt for overseeing the operation and construction of its generation assets.		
Net amounts received	**5,807**	1,519
North Queensland Energy Joint Venture		
North Queensland Energy Joint Venture (NQE) pays management fees to AGL as the operator of NQE.		
Net amounts received	**375**	750

35. 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:

	2023 $m	2022 $m
Cash at bank and on hand	**141**	127
Short-term deposits	**7**	-
Total cash and cash equivalents	**148**	127

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2023 $m	2022 $m
(Loss)/profit before tax	**(1,270)**	853
Share of losses/(profits) of associates and joint ventures	**57**	(26)
Dividends received from joint ventures	**17**	17
Depreciation and amortisation	**728**	717
Share-based payment expense	**1**	1
Loss/(gain) in fair value of financial instruments	**1,201**	(213)
Net (loss)/gain on disposal of property, plant and equipment	**(1)**	3
Non-cash finance costs	**159**	135
Capitalised finance costs	**(8)**	(2)
Impairment of investments in associates	**-**	(14)
Onerous contract expenses	**(2)**	(1,019)
Impairment expenses	**1,023**	246
Reversal of impairment	**(51)**	-
Other non-cash expenses	**3**	-
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	**1,360**	(1,261)
(Increase)/decrease in inventories	**(13)**	49
(Increase) in derivative financial instruments	**(70)**	(1)
(Increase)/decrease in other financial assets	**(109)**	180
(Increase) in other assets	**(12)**	(4)
(Decrease)/increase in trade and other payables	**(1,325)**	1,416
(Decrease) in provisions	**(213)**	(178)
Increase/(decrease) in other liabilities	**5**	(1)
(Increase)/Decrease in net tax assets	**(568)**	329
Net cash provided by operating activities	**912**	1,227

(c) Reconciliation of changes in liabilities arising from financing activities

Year ended 30 June 2023	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	**1,005**	**200**	**(72)**	**1,133**
Bank loans	**1,670**	**(187)**	**-**	**1,483**
CPI bonds	**60**	**(10)**	**2**	**52**
Lease liabilities	**150**	**(28)**	**109**	**231**
Deferred transaction costs	**(7)**	**(14)**	**5**	**(16)**
	2,878	**(39)**	**44**	**2,883**

Year ended 30 June 2022	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	1,019	-	(14)	1,005
Medium term notes	-	-	-	-
Bank loans	1,950	(280)	-	1,670
CPI bonds	67	(9)	2	60
Other loans	-	-	-	-
Lease liabilities	159	(20)	11	150
Deferred transaction costs	(10)	-	3	(7)
	3,185	(309)	2	2,878

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.

36. 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.

	Carrying value								
	Financial assets				Financial liabilities				
2023 $m	FVTPL	FVOCI	Amortised cost	Hedges	FVTPL	FVOCI	Amortised cost	Hedges	Total
Cash and cash equivalents	**-**	**-**	**148**	**-**	**-**	**-**	**-**	**-**	**148**
Other financial assets	**-**	**15**	**8**	**-**	**-**	**-**	**-**	**-**	**23**
Trade and other receivables	**-**	**-**	**1,861**	**-**	**-**	**-**	**-**	**-**	**1,861**
Derivative financial instruments	**2,170**	**5**	**-**	**171**	**(2,359)**	**-**	**-**	**(29)**	**(42)**
Borrowings	**-**	**-**	**-**	**-**	**(896)**	**-**	**(1,756)**	**-**	**(2,652)**
Finance lease liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(231)**	**-**	**(231)**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**-**	**(1,827)**	**-**	**(1,827)**
Deferred consideration	**-**	**-**	**-**	**-**	**-**	**-**	**(127)**	**-**	**(127)**
Total	**2,170**	**20**	**2,017**	**171**	**(3,255)**	**-**	**(3,941)**	**(29)**	**(2,847)**

2022 $m	Carrying value Financial assets FVTPL	FVOCI	Amortised cost	Hedges	Financial liabilities FVTPL	FVOCI	Amortised cost	Hedges	Total
Cash and cash equivalents	-	-	127	-	-	-	-	-	127
Other financial assets	-	13	-	-	-	-	-	-	13
Trade and other receivables	-	-	3,130	-	-	-	-	-	3,130
Future deposits and margin calls	-	-	-	-	-	-	(104)	-	(104)
Derivative financial instruments	4,775	5	-	230	(3,839)	-	-	(9)	1,162
Borrowings	-	-	-	-	(955)	-	(1,773)	-	(2,728)
Finance lease liabilities	-	-	-	-	-	-	(150)	-	(150)
Trade and other payables	-	-	-	-	-	-	(3,164)	-	(3,164)
Deferred consideration	-	-	-	-	-	-	(150)	-	(150)
Total	4,775	18	3,257	230	(4,794)	-	(5,341)	(9)	(1,864)

(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.

2023	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	**8**	**-**	**-**	**8**	**8**
Unlisted investment funds	**7**	**-**	**-**	**7**	**7**
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	**55**	**-**	**55**	**-**	**55**
Interest rate swap contracts - cash flow hedges	**114**	**-**	**114**	**-**	**114**
Forward foreign exchange contracts - cash flow hedges	**2**	**-**	**2**	**-**	**2**
Energy derivatives - economic hedges	**2,170**	**1,022**	**433**	**715**	**2,170**
Other	**5**	**-**	**-**	**5**	**5**
Total financial assets	**2,361**	**1,022**	**604**	**735**	**2,361**
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	**(29)**	**-**	**(29)**	**-**	**(29)**
Energy derivatives - economic hedges	**(2,359)**	**(747)**	**(553)**	**(1,059)**	**(2,359)**
Total financial liabilities	**(2,388)**	**(747)**	**(582)**	**(1,059)**	**(2,388)**

2022	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	8	-	-	8	8
Unlisted investment funds	5	-	-	5	5
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	108	-	108	-	108
Interest rate swap contracts - cash flow hedges	122	-	122	-	122
Forward foreign exchange contracts - cash flow hedges	-	-	-	-	-
Energy derivatives - economic hedges	4,775	3,080	1,277	418	4,775
Other	5	-	-	5	5
Total financial assets	5,023	3,080	1,507	436	5,023
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	(8)	-	(8)	-	(8)
Interest rate swap contracts - cash flow hedges	(1)	-	(1)	-	(1)
Energy derivatives - economic hedges	(3,839)	(2,269)	(332)	(1,238)	(3,839)
Total financial liabilities	(3,848)	(2,269)	(341)	(1,238)	(3,848)

Management has assessed that the carrying value of financial assets and financial liabilities to be comparable to fair value.

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.

	2023 $m	2022 $m
Opening balance	**(801)**	741
Total gains or losses recognised in profit or loss		
Settlements during the year	**(579)**	(456)
Changes in fair value	**842**	(917)
Transfer from Level 3 to Level 2[1]	**253**	(1)
Premiums	**(40)**	-
Purchases	**1**	(12)
Disposals	**-**	(156)
Closing balance	**(324)**	(801)

1. Contract fell into observable market curve during the financial year.

The total gains or losses for the year included a loss of $842 million relating to energy derivative Level 3 contracts held at the end of the reporting period (2022: a gain of $870 million). Fair value gains or losses on energy derivatives are included in other expenses in the line item 'Gain 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 $(192) million and lower by 10 percent is $192 million (profit after tax (decrease)/increase)). 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 2022.

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.

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:

	2023 $m	2022 $m
Current borrowings	**47**	355
Non-current borrowings	**2,836**	2,523
Total borrowings	**2,883**	2,878
Adjustment for cross currency swap hedges	**(24)**	(89)
Adjusted total borrowings	**2,859**	2,789
Cash and cash equivalents	**(148)**	(127)
Net debt	**2,711**	2,662
Total equity	**5,119**	6,517
Hedge reserve	**(62)**	(79)
Adjusted equity	**5,057**	6,438
Net debt	**2,711**	2,662
Adjusted total capital	**7,768**	9,100
Gearing ratio	**34.9%**	29.2%

(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	2023 $m	2022 $m
Financial assets		
Cash and cash equivalents	**148**	127
Total financial assets	**148**	127
Financial liabilities		
USD senior notes (after effect of cross currency swaps)	**872**	860
Bank loans	**1,483**	1,670
Interest rate swap contracts	**(1,450)**	(1,545)
Total financial liabilities	**905**	985

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		Notional principal amount		Carrying value of outstanding hedging instruments	
	2023 %	2022 %	2023 $m	2022 $m	2023 $m	2022 $m
Less than 1 year	**1.63**	1.60	**400**	470	**8**	6
1 to 2 years	**0.94**	1.63	**150**	400	**8**	12
2 to 3 years	**1.24**	0.94	**50**	150	**3**	9
3 to 4 years	**1.50**	1.24	**500**	50	**39**	4
4 to 5 years	**1.26**	1.50	**175**	500	**21**	38
5 years or more	**2.74**	1.33	**425**	350	**35**	51
Total			**1,700**	1,920	**114**	120

	Financial year	2023 $m	2022 $m
Aggregate notional amount of variable rate borrowings		**1,700**	1,920
Aggregate notional principal of the outstanding interest rate swaps		**1,700**	1,920
Included in this amount:			
Forward interest rate swap contracts		**250**	375
Of which:			
Commences in	**2023**	**-**	125
Commences in	**2024**	**200**	200
Commences in	**2025**	**50**	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. All underlying forecast transactions remain highly probable.

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)	
	2023 $m	2022 $m[1]	2023 $m	2022 $m[1]
Interest rates +0.5% (50 basis points)	**(3)**	(9)	**3**	2
Interest rates -0.5% (50 basis points)	**3**	9	**(3)**	-

1. Interest rate sensitivity in FY22 was based on 150 basis points movement

(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 $3 million and to not enter into forward foreign exchange contracts until a firm commitment is in place. The forward foreign exchange contracts are designated as cash flow hedges. During the year, no hedges were de-designated and all underlying forecast transactions remain highly probable as per original forecast.

There were $26 million of forward foreign exchange contracts outstanding at the end of the reporting period (2022: $1 million). The fair value of those contracts was $2 million (2022: nil).

The following tables detail the Forward foreign exchange contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Forward foreign exchange contracts assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or as liabilities) within the statement of financial position:

Cash Flow Hedge - Outstanding contracts	Average exchange rate 2023	Average exchange rate 2022	Contract value (foreign currency) 2023 $m	Contract value (foreign currency) 2022 $m	Contract value (local currency) 2023 $m	Contract value (local currency) 2022 $m	Carrying value of outstanding hedging instruments 2023 $m	Carrying value of outstanding hedging instruments 2022 $m
Buy JPY								
0 to 6 months	**-**	71.56	**-**	100	**-**	1	**-**	-
Buy Euro								
0 to 6 months	**0.64**	-	**5**	-	**7**	-	**-**	-
6 to 12 months	**0.66**	-	**1**	-	**2**	-	**-**	-
1 to 5 years	**0.64**	-	**11**	-	**17**	-	**1**	-

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 2023 was an asset of $26 million (2022: asset of $100 million), of which $117 million (2022: $143 million) is in a cash flow hedge relationship, $(94) million (2022: $(48) million) is in a fair value hedge relationship and $3 million (2022: $5 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:

Outstanding contracts	Average interest rate 2023 %	Average interest rate 2022 %	Average exchange rate 2023	Average exchange rate 2022	Contract value (foreign currency) 2023 $m	Contract value (foreign currency) 2023 $m	Contract value (local currency) 2023 $m	Contract value (local currency) 2022 $m	Fair value/ carrying amount 2023 $m	Fair value/ carrying amount 2022 $m
Buy US dollars										
1 to 5 years	**6.04**	3.09	**0.888**	0.888	**135**	300	**152**	338	**44**	100
5 years or more	**6.36**	3.10	**0.731**	0.757	**526**	395	**720**	522	**(18)**	0

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) 2023 $m	Profit/(loss) after tax increase/(decrease) 2022 $m	Other comprehensive income increase/(decrease) 2023 $m	Other comprehensive income increase/(decrease) 2022 $m
AUD exchange rates +10.0%	**-**	-	**1**	(6)
AUD exchange rates -10.0%	**-**	-	**(1)**	8

(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.

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.

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)	
	2023 $m	2022 $m	2023 $m	2022 $m
Energy forward price +10%	**(115)**	(79)	**-**	-
Energy forward price -10%	**113**	78	**-**	-

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
2023	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	**117**	**114**	**2**	**-**	**-**
- Liabilities	**-**	**-**	**-**	**-**	**(94)**
Total carrying amount of the hedging instrument	**117**	**114**	**2**	**-**	**(94)**
Change in value of hedging instrument	**(26)**	**(6)**	**2**	**-**	**(46)**
Change in value of hedged item	**26**	**6**	**(2)**	**-**	**44**
Change in value of the hedging instrument recognised in reserve	**(8)**	**19**	**2**	**-**	**n/a**
Amount recognised in profit or loss on discontinued hedge relationships	**-**	**(1)**	**-**	**-**	**-**
Hedge ineffectiveness recognised in profit or loss[1]	**-**	**2**	**-**	**-**	**2**
Amount reclassified from hedge reserve to profit or loss[2]	**(18)**	**(25)**	**-**	**-**	**n/a**
Balance in cash flow hedge reserve for continuing hedges	**(3)**	**122**	**2**	**-**	**n/a**

1. Included in the line item 'Gain 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 largely offsets by the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

	Cash flow hedges				Fair Value Hedges
2022	USD CCIRS $m	IRS $m	FX $m	Energy $m	USD CCIRS $m
Carrying amount of the hedging instrument					
- Assets	143	122	-	-	-
- Liabilities	-	(1)	-	-	(48)
Total carrying amount of the hedging instrument	143	121	-	-	(48)
Change in value of hedging instrument	89	143	-	-	(92)
Change in value of hedged item	(89)	(143)	-	-	94
Change in value of the hedging instrument recognised in reserve	2	123	-	-	n/a
Amount recognised in profit or loss on discontinued hedge relationships	-	3	-	-	-
Hedge ineffectiveness recognised in profit or loss[1]	-	-	-	-	(2)
Amount reclassified from hedge reserve to profit or loss[2]	87	21	-	-	n/a
Balance in cash flow hedge reserve for continuing hedges	(4)	127	-	-	n/a

1. Included in the line item 'Gain 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 largely 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.

2023	Less than 1 year $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]	**1,827**	**-**	**-**	**-**	**1,827**
USD senior notes	**63**	**63**	**412**	**1,211**	**1,749**
Bank loans	**89**	**745**	**896**	**-**	**1,730**
CPI bonds	**14**	**15**	**31**	**-**	**60**
Lease liabilities	**39**	**36**	**57**	**304**	**436**
Deferred consideration	**39**	**40**	**84**	**-**	**163**
	2,071	**899**	**1,480**	**1,515**	**5,965**

1. Trade payables are generally settled within 32 days of the date of recognition.

2022	Less than 1 year $m	1 - 2 years $m	2 - 5 years $m	More than 5 years $m	Total $m
Non-derivative financial liabilities					
Trade and other payables	3,164	-	-	-	3,164
USD senior notes	279	35	339	703	1,356
Bank loans	148	330	1,370	-	1,848
CPI bonds	13	14	43	-	70
Lease liabilities	29	27	43	216	315
Deferred consideration	38	39	124	-	201
	3,671	445	1,919	919	6,954

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.

2023	Less than 1 year $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	**(66)**	**(64)**	**(306)**	**(878)**	**(1,314)**
Cross currency swap contracts - receive leg	**47**	**47**	**316**	**954**	**1,364**
Net receive/(pay)	**(19)**	**(17)**	**10**	**76**	**50**
Net settled					
Energy derivatives	**(1,503)**	**(781)**	**(796)**	**(151)**	**(3,231)**
	(1,522)	**(798)**	**(786)**	**(75)**	**(3,181)**

2022	Less than 1 year $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	(226)	(45)	(266)	(635)	(1,172)
Cross currency swap contracts - receive leg	277	32	283	703	1,295
Net receive/(pay)	51	(13)	17	68	123
Net settled					
Interest rate swap contracts	(2)	-	-	-	(2)
Energy derivatives	(3,852)	(1,029)	(711)	(18)	(5,610)
	(3,803)	(1,043)	(694)	50	(5,489)

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.

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.

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.

USD interest rate benchmark reform

AGL has borrowings and derivative financial instruments denominated in USD which are impacted by USD interest rate benchmark reform. Although AGL does not have direct IBOR exposure on account of the borrowings and derivative financial instruments being fixed rate in nature, the valuation of its cross currency interest rate swaps and the underlying hedge relationships reference IBOR.

During FY23, AGL has adopted SOFR rates in place of IBOR rates to value cross currency interest rate swaps. The impact from the transition is immaterial.

There were no changes to AGL's risk management practices and the overall economics of the hedging transactions. AGL's internal hedge accounting documentation has been updated to reflect the use of the SOFR rate as the reference rate for valuation purposes.

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.

37. 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

	2023 $m	2022 $m
Assets		
Current assets	**942**	379
Non-current assets	**11,452**	11,753
Total assets	**12,394**	12,132
Liabilities		
Current liabilities	**365**	615
Non-current liabilities	**8,527**	6,655
Total liabilities	**8,892**	7,270
Equity		
Issued capital	**5,918**	5,918
Reserves		
Loss reserve	**(2,191)**	(1,047)
Employee equity benefits reserve	**-**	(1)
Hedge reserve	**62**	93
Retained earnings	**(287)**	(101)
Total equity	**3,502**	4,862

Financial performance

(Loss)/profit for the year	**(1,144)**	334
Other comprehensive Income	**13**	118
Total comprehensive (loss)/income for the year	**(1,131)**	452

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 27 and 31 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.

Capital expenditure commitments

As at 30 June 2023, the Parent Entity had commitments for the acquisition of property, plant and equipment of nil (2022: $4 million) and its share of joint operations capital commitments was nil (2022: nil).

38. 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 10 August 2023.

(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 2022. 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 2024 or later:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current;
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates;
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback;
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards;

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128;
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections; and
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

The standards and interpretations listed above are not expected to have a material impact on AGL's financial results or financial position on adoption.

39. Subsequent events

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 2023

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 38(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 2023;

d. there are reasonable grounds to believe that AGL Energy Limited and the subsidiaries identified in Note 27 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 2023.

Signed on behalf of the Board.

P. McKenzie

Patricia McKenzie
Chair
10 August 2023

Deloitte.

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The Board of Directors
AGL Energy Limited
200 George Street
Sydney NSW 2000

10 August 2023

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 2023, 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

H Fortescue
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 2023, 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, and 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 2023 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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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Potential financial reporting impacts of climate change related risk Climate change related risk is pervasive to AGL's overall financial position and performance given the industry in which AGL operates. The associated audit risks we have identified include: • Forecast assumptions used in assessing the recoverable amount of property, plant and equipment and intangible assets. In particular, that forecast price and volume assumptions and their interrelationship with forecast emissions costs and energy procurement costs may not appropriately reflect actual changes in supply and demand due to the impact of climate change. • As disclosed in Section 3.2 of the operating and financial review within the Annual Report and Note 15 to the financial statements, management has brought forward the closure dates of AGL's thermal coal power stations in line with AGL's climate commitments announced as part of the Review of Strategic Direction ("RoSD") and Climate Transition Action Plan ("CTAP") in September 2022. The targeted useful lives of the thermal coal power stations may be further reduced as Australian federal and state governments move towards 'net zero' emissions targets. As a consequence, the depreciation expense may be materially increased, a material impairment of property, plant and equipment may be required in the future and the provision for environmental rehabilitation may need to be materially increased due to the potential acceleration of timing of performing rehabilitation. • Regulatory change in respect of emissions schemes and targets may result in increased requirements for capital expenditure.	We have considered the areas of AGL's financial statements whereby climate change related risk could have a financial reporting impact and determined audit procedures to specifically respond to this. Our procedures included, amongst others, the following: In respect of forecast assumptions used by management in assessing the recoverable amount of property, plant and equipment and intangible assets, in conjunction with our valuation specialists, our procedures included, but were not limited to: • assessing and challenging the key assumptions for forecast price and volume assumptions used in the forecast cash flows. We compared these assumptions to historical results and economic data and industry forecasts, considering the impact of climate change related risk, where applicable. In doing this, we obtained third party outlook reports and information assessing the National Electricity Market, which included information related to energy pricing, emissions costs, procurement costs, supply, demand, government policy and targeted thermal coal power station closure dates. In respect of the targeted useful lives adopted by management as announced in the CTAP, our procedures included, but were not limited to: • determining whether the earlier closure of AGL's thermal coal power stations has been appropriately reflected in the value in use discounted cash flow modelling, as well as the calculation of depreciation expense; and • challenging management's assertion at 30 June 2023 that no further changes were required to useful lives as a consequence of the potential impact of climate change related risk. We compared the assertions to third party outlook reports and information evaluating the National Electricity Market which included expected thermal coal power station closure dates. We have considered draft and finalised state and federal regulation in respect of current and future emissions schemes, including The Safeguard Mechanism, and the impact this may have on the net realisable value of AGL's

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	renewable energy certificate balances and completeness of recorded obligations. We have also assessed the appropriateness of the disclosures included in Note 15, Note 16 and Note 19 to the financial statements and consistency with the operating and financial review section of the Annual Report.
Carrying value of property, plant and equipment and intangible assets As disclosed in Note 15 and 16 to the financial statements at 30 June 2023 property, plant and equipment totaling $5,418 million and intangible assets totaling $3,182 million, including goodwill of $2,446 million, are included in the consolidated statement of financial position. On 29 September 2022 AGL announced the results of the RoSD which included the announcement that the closure date for Loy Yang ("LY") Power Station would be brought forward to 2035 from 2045 and a consequent impairment of $706 million (post tax) would be recognised to the associated carrying value of inventory and property, plant and equipment. Where a cash generating unit ("CGU") contains goodwill, management conducts annual impairment tests (or more frequently if impairment indicators exist) to assess the recoverable amount of property, plant and equipment and intangible assets. This assessment is performed through the preparation of discounted cash flow value in use models using impairment scenario analysis. The annual impairment assessment for the year ended 30 June 2023 was carried out at 31 December 2022 and management has considered whether indicators of impairment are present at 30 June 2023. The evaluation of the recoverable amount requires significant judgement by management in determining the key assumptions supporting the forecast cash flows of each CGU including: • energy prices in the short and long term; • energy procurement costs and generation volumes; • thermal coal power station closure dates; • timing and quantum of future environmental rehabilitation costs;	Our procedures included, but were not limited to: • obtaining an understanding of the process flows and key controls associated with the valuation models, prepared by management and approved by the AGL Board, used to estimate the recoverable amount of each CGU and impairment expense, where applicable; • evaluating management's methodologies and their documented basis for key assumptions utilised in the discounted cash flow valuation models, which are disclosed in Note 16; • in conjunction with our valuation specialists, assessing and challenging: o the identification of each CGU; o the identification and allocation of cash flows for the purposes of assessing the recoverable amount of each CGU; o the key assumptions for forecasting energy prices and demand used in the forecast cash flows (see 'Potential financial reporting impact of climate change related risk' above); and o the discount rate applied by comparing to our independent estimate, third party evidence and broker consensus data. • comparing the term of forecast cash flows included in the valuation models to the targeted closure dates of thermal coal power stations as announced to the market in the CTAP; • checking the mechanics and mathematical accuracy of the cash flow models; • agreeing forecast cash flows including capital expenditure to the latest forecasts approved by the AGL Board; • assessing management's historical forecasting accuracy through retrospective analysis by comparing to actual results and whether the estimates had been determined and applied on a consistent basis;

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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>timing and quantum of future capital expenditure to meet current and expected regulatory emissions requirements;
applying appropriate discount rates; and
scenario analysis and probability weighting of each scenario to estimate the value of each CGU.</td><td>challenging the scenarios and probability weighting of those scenarios, including further sensitivity analyses in terms of future energy prices and the discount rate applied; and
assessing and challenging the consideration by management of reasonably possible changes in key assumptions that would be required for each CGU 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 4, Note 15 and Note 16 to the financial statements.</td></tr>
<tr><td>Derivative financial instruments

AGL enters into various financial instruments including derivative financial instruments, which are recorded at fair value, to economically hedge the Group's exposure to variability in interest rates, foreign exchange movements and energy prices.

These derivative 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.

At 30 June 2023, derivative financial assets totaled $2,346 million (current assets of $1,725 million and non-current assets of $621 million), as disclosed in Note 11 to the financial statements, and derivative financial liabilities totaled $2,388 million (current liabilities of $1,641 million and non-current liabilities of $747 million), as disclosed in Note 20 to the financial statements.

Significant judgement is required by management in the valuation of and accounting for these derivative financial instruments including:
understanding and applying contract terms;
forecasting of energy prices in the short and long term;
forecasting of emissions trading outcomes and prices; and
applying appropriate 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 key controls associated with the origination and maintenance of complete and accurate information relating to contracts containing derivative financial instruments, and the valuation of derivative financial instruments;
obtaining an understanding of the relevant contract terms in derivative financial instruments to assess the appropriateness of the relevant accounting applied; and
in conjunction with our treasury and capital markets specialists, testing on a sample basis the valuation of derivative financial instruments including:
assessing hedge documentation and effectiveness where appropriate;
evaluating the integrity of the valuation models; and
assessing the incorporation of the contract terms and the key assumptions into the valuation models, including future energy prices and future energy demand used in the forecast cash flows, and discount rates by comparing to market data.
We have also assessed the appropriateness of the disclosures included in Note 11, Note 20 and Note 36 to the financial statements.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Unbilled revenue and accrued distribution costs
Unbilled revenue of $832 million, as disclosed in Note 9 to the financial statements, represents the estimated value of electricity and gas supplied to customers between the date of the last meter reading and 30 June 2023 where no invoice has been issued to the customer at the end of the reporting period.
Accrued distribution costs of $434 million, as disclosed in Note 17 to the financial statements, represents the estimated distribution costs related to energy consumption between the date of the last invoice from the distributor and 30 June 2023.
Significant management judgment is required in the calculation of unbilled revenue and accrued distribution costs, including estimation of allowance for expected credit losses. Management exercise this judgement in the calculation of:

consumption profile for electricity and gas retail portfolios;
pricing applicable to customers between the last invoice date and the end of the reporting period; and
application of consumption profiles of portfolios against relevant published distribution tariff rates.

</td><td>
Our procedures included, but were not limited to:

obtaining an understanding of the process flows and key controls management has in place to determine the estimate of unbilled revenue, related allowance for expected credit losses 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 volume to supporting systems, having performed testing of the key controls in those systems;
comparing the prices applied to customer consumption with historical and current data; and
comparing the distribution tariff rates applied to relevant published distribution tariff rates.

assessing and challenging the allowance for expected credit loss estimate applied to unbilled revenue by:

evaluating management’s forward-looking macroeconomic assumptions and scenario weightings;
testing the completeness and accuracy of critical data elements used in the expected credit loss models; and
testing the recoverability of debtors through subsequent cash collection analysis.

in conjunction with our data analytics specialists:

calculating an independent estimate of the expected unbilled revenue at 30 June 2023 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 2023 utilising information supplied by distributors and tariff data and comparing this to the reported accrued distribution costs.

</td></tr>
</table>

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	We have also assessed the appropriateness of the disclosures in Note 2, Note 9 and Note 17 to the financial statements.
Provision for environmental rehabilitation As disclosed in note 19, AGL have recognised a provision for environmental rehabilitation of $1,402 million (FY22: $1,156 million) in respect of the future removal and rehabilitation costs of electricity generation assets (including the coal mine associated with Loy Yang Power Station), 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 timing and quantum of rehabilitation cash flows, including closure date of the associated asset, application of environmental legislation and future regulatory and societal expectations, the extent of rehabilitation activities required and available technologies.	Our procedures included, but were not limited to: • obtaining an understanding of the process flows and key controls management has in place to determine the estimate of the provision for environmental rehabilitation; • understanding the relevant data sources of the forecast cash flows including use of estimates from external experts; • where relevant, agreeing cash flow estimates to draft or final contractual arrangements; • assessing management's external expert for objectivity and competence in preparing cash flow estimates; • comparing forecast timing of rehabilitation cash flows to closure dates of relevant assets as announced to the market as part of the CTAP; • understanding and challenging discount rates applied to the forecast cash flows against relevant market data; and • verifying the accuracy of the calculation of the rehabilitation provision. We have also assessed the appropriateness of the disclosure included in note 19.

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 2023 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.

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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.

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.

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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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 66 to 92 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of AGL Energy Limited, for the year ended 30 June 2023 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

H Fortescue
Partner
Chartered Accountants
Sydney, 10 August 2023

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Independent Limited Assurance Report to the Management of AGL Energy Limited

Conclusion

We have undertaken a limited assurance engagement on AGL Energy Limited's ('AGL') subject matter detailed below (the 'Subject Matter') presented in the 2023 Annual Report for the year ended 30 June 2023.

Subject Matter	Reporting Criteria

Selected Annual KPI scorecard disclosures
 	
The performance data in respect of selected Annual KPI Scorecards disclosures and performance for the year ended 30 June 2023 within the 2023 Annual Report Business Value Driver tables on pages 5 and 19-33.
▪ Customers:
  ▪ Ombudsman complaints presented on page 19 of the 2023 Annual Report
  ▪ Number of customers on Staying Connected presented on page 20 of the 2023 Annual Report
  ▪ Average level of debt of customers on Staying Connected presented on page 20 of the 2023 Annual Report
  ▪ Green revenue as a % of total revenue presented on page 21 of the 2023 Annual Report
▪ Assets:
  ▪ Controlled renewable and battery capacity (%) presented on page 22 of the 2023 Annual Report
▪ People:
  ▪ TIFR employees presented on page 24 of the 2023 Annual report
  ▪ TIFR (employees + contractors) presented on page 24 of the 2023 Annual Report
  ▪ Fatalities (employees + contractors) presented on page 24 of the 2023 Annual Report
  ▪ Material breaches of Code of Conduct presented on page 25 of the 2023 Annual Report
  ▪ Key talent retention presented on page 25 of the 2023 Annual Report
▪ Relationships:
  ▪ Community contribution presented on page 26 of the 2023 Annual Report
▪ Environment:
  ▪ Operated scope 1 & 2 emissions (MtCO2-e) presented on page 30 of the 2023 Annual Report
	AGL's definitions and approaches as described in the 'Key Operating Metrics and Business Value Drivers section' and 'Glossary for the Business Value Drivers' section of 2023 Annual Report on pages 19-33 and 186-188 respectively.

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Subject Matter	Reporting Criteria
▪ Controlled generation intensity (tCO2-e/MWh) presented on page 30 of the 2023 Annual Report ▪ Emissions intensity of total revenue (ktCO2-e/$m) presented on page 30 of the 2023 Annual Report ▪ Environmental Regulatory Reportable incidents presented on page 30 of the 2023 Annual Report ▪ Business intelligence: ▪ Major IT incidents presented on page 33 of the 2023 Annual Report ▪ Reportable privacy incidents presented on page 33 of the 2023 Annual Report	

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Reporting Criteria for the year ended 30 June 2023 ('FY23').

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.

AGL's responsibilities

The Management of AGL are responsible for:

- ensuring that the Subject Matter is properly prepared in accordance with the Reporting Criteria;
- confirming the measurement or evaluation of the underlying Subject Matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information;
- designing, establishing and maintaining internal controls to ensure that the Subject Matter is properly prepared in accordance with the Reporting Criteria;
- selecting and applying appropriate Reporting Criteria;
- maintaining adequate records and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements and apply Auditing Standard ASQM 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 the Subject Matter 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 Subject Matter is 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 subject matter information is likely to arise, addressing the areas identified and considering the process used to prepare the subject matter information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk

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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 subject matter information has been properly prepared, in all material respects, in accordance the Reporting Criteria.

Our procedures included:

- Review of AGL's processes relating to stakeholder identification, engagement and responsiveness, including an assessment of stakeholder engagement outcomes and how this process and the outcomes have been presented in the 2023 Annual Report
- Review of AGL's process to identify and determine material issues to be included in the 2023 Annual Report with examination of underlying assessments and evidence on a sample basis
- 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
- In respect of the FY23 Selected Annual KPI scorecard disclosures:
  - interviews with a selection of AGL management responsible for selected FY23 Annual KPI scorecard disclosures to understand the compilation and review processes;
  - conducting 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;
  - examination of evidence for a small number of transactions or events;
  - 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 2023 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.

Restricted Use

The applicable criteria used for this engagement was designed for a specific purpose of assisting management of AGL in their reporting of the Selected Annual KPI scorecard disclosures, as a result, the subject matter information may not be suitable for another purpose.

This report has been prepared for use by management of AGL for the purpose reporting on the subject matter information presented in the 2023 Annual Report. We disclaim any assumption of responsibility for any reliance on this report or on the Subject Matter to which it relates, to any person other than the management of AGL or for any purpose other than that for which it was prepared.

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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

PR Dobson
Partner
Sydney, 10 August 2023

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Shareholding Information

The following information is provided regarding the Issued Capital of AGL as at 18 July 2023:

1. The Issued Capital consisted of 672,747,233 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 131,698 holders of ordinary shares.
3. There were 5,062 holders of less than a marketable parcel of 43 shares.
4. There were 73 holders of 2,441,448 performance rights.

Distribution schedule of ordinary shares

	Securities	%	No. of Holders	%
100,001 and over	420,222,105	62.46	116	0.09
10,001 - 100,000	73,938,198	10.99	3,579	2.72
5,001 - 10,000	48,218,930	7.17	6,817	5.18
1,001 - 5,000	101,423,276	15.08	44,063	33.46
1 - 1,000	28,944,724	4.30	77,123	58.56
Total	**672,747,233**	**100.00**	**131,698**	**100.00**

Substantial shareholders of AGL

In a substantial holding notice updated on 27 May 2022, Michael Alexander Cannon-Brookes, Galipea Partnership and certain affiliated entities advised that as at 17 May 2022, they had an interest in 75,883,390 ordinary shares, which represented 11.28% of AGL's ordinary shares at this time. On 21 June 2023, Galipea Partnership provided a notice, in accordance with Takeovers Panel Guidance Note 20 - Equity Derivatives, of an equity collar transaction and other transactions entered into by Gallipea Partnership which affect the interest notified in the previous substantial holding notice, including the reduction in its relevant interest to 70,037,429 ordinary shares, which represented 10.41% of AGL's ordinary shares at this time.

Shareholdings by geographic region

	Securities	%	No. of Holders	%
Australia	666,977,536	99.14	128,964	97.92
Hong Kong	389,279	0.06	80	0.06
New Zealand	4,231,888	0.63	1,736	1.32
United Kingdom	316,905	0.05	261	0.20
USA and Canada	426,325	0.06	445	0.34
Others	405,300	0.06	212	0.16
Total	**672,747,233**	**100.00**	**131,698**	**100.00**

Shareholding Information

20 largest holders of ordinary shares

Twenty Largest Holders as at 18 July 2023	Fully-Paid Ordinary Shares	% of Total Issued Shares
HSBC Custody Nominees (Australia) Limited	105,782,581	15.72
J P Morgan Nominees Australia Pty Limited	75,922,027	11.29
Citicorp Nominees Pty Limited	59,658,291	8.87
HSBC Custody Nominees (Australia) Limited <GP A/C>	50,177,454	7.46
National Nominees Limited	28,509,386	4.24
NEWECONOMY COM AU Nominees Pty Limited <Cb Nominees Account>	19,859,875	2.95
BNP Paribas Noms Pty Ltd <DRP>	13,378,397	1.99
HSBC Custody Nominees (Australia) Limited - A/C 2	10,480,821	1.56
Washington H Soul Pattinson and Company Limited	4,429,596	0.66
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,891,181	0.58
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,746,164	0.56
UBS Nominees Pty Ltd	2,353,648	0.35
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,963,038	0.29
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,848,962	0.27
Netwealth Investments Limited <Wrap Services A/C>	1,764,533	0.26
Ms Bo Xu	1,550,000	0.23
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,447,644	0.22
HSBC Custody Nominees (Australia) Limited	1,392,971	0.21
Carlton Hotel Limited	1,378,556	0.20
Broadgate Investments Pty Ltd	1,263,150	0.19
	390,798,275	58.09

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 the Investor Centre also provides access to update your details with the Share Registry, Computershare, 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.

Computershare 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 Computershare act as registry for) using a single login. To create a portfolio, please go to**www-au.computershare.com/investor**

Share Registry

Shareholders with enquiries about their shareholdings can also contact AGL's Share Registry:
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001 Australia

Telephone:	1800 824 513 (free call within Australia)
International:	+61 3 9415 4253
Email:	aglenergy@computershare.com.au
Website:	**www-au.computershare.com/Investor**

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 23.0 cents per share, unfranked, will be paid on 22 September 2023. 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 Computershare's website.

Dividend Reinvestment Plan

AGL's Dividend Reinvestment Plan (DRP) has been suspended indefinitely and will not operate for the final FY23 dividend.

On-market share buy-back and shares purchased on-market

AGL is not currently undertaking an on-market share buy-back.

During the financial year ended 30 June 2023, 723,030 AGL shares were purchased on-market at an average price of $7.02 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 Computershare. The online Annual Report is available at **agl.com.au/about-agl/investors/annual-reports**. 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 Secretary

Melinda Hunter BCom LLB

Glossary for the Business Value Drivers

All data relates to the year ended 30 June 2023 unless specified otherwise.

Term	Explanation
Strategic 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 proportion of responses of zeros to sixes from the proportion of responses 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. Click Energy complaint volumes are included from April 2021 onwards.
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. Debt levels include GST.
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. From FY23 onwards this does not include clearing restricted debt (where bill has been issued but invoice has not been presented to customers).
Green revenue as a % of total revenue (%)	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 including state-based green schemes; RET revenue from green charges passed through to customers; and other revenue from state-based charges passed through to customers. In FY23, the boundary statement (above) was updated to correctly reflect the calculation methodology as including revenue from state-based schemes. The boundary statement previously incorrectly stated that state-based schemes were excluded from the data.
Increase in green revenue from FY19 baseline	Increase in AGL's revenue from green energy and carbon neutral products and services compared to FY19 baseline. Green energy revenue represents: green revenue including state-based green schemes; RET revenue from green charges passed through to customers; and other revenue from state-based charges passed through to customers.
Decentralised assets under orchestration (MW)	Decentralised assets under orchestration refers to the aggregation of flexible load and generation assets managed as a part of AGL's virtual power plant. Most of these assets are installed behind the connection point, and include assets such as residential batteries and solar, as well as flexible loads and backup generation systems at commercial and industrial customer sites. From FY23, this also includes smelters unless otherwise indicated.
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 AGL's telecommunications customers, reflecting each internet, mobile and voice 'services-in-operation' (SIO) connected.
Churn, Rest of Market Churn	Churn is defined as a completed transfer of a customer to a competing retailer. Churn figures relate to residential and small business energy customers and do not include commercial and industrial customers or Southern Phone Company customers. Rest of Market churn refers to churn that takes place in the energy market excluding churn from AGL.
Controlled renewable and electricity storage capacity (%)	The proportion of total controlled renewable and electricity storage capacity (MW) in AGL's total controlled[1] generation and electricity storage capacity (MW), based on the registered capacity as at 30 June in the reporting year. For assets in the NEM the capacity is as per AEMO's NEM Registration and Exemption List; for Kwinana Swift Power Station the capacity is based on the maximum capacity as per AEMO's Wholesale Electricity Market data. Capacity for assets which are not operational is excluded.
New renewable and firming capacity	Measured as new firming and renewable capacity in construction, delivery or contracted from FY23 onwards.

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Glossary for the Business Value Drivers

Term	Explanation
Grid-scale batteries installed and managed (MW)	This represents the registered battery capacity used in the AGL portfolio that AGL owns and manages, or has the contracted right to control the dispatch of.
Total grid scale batteries operated, contracted or in delivery	This represents the registered battery capacity used in the AGL portfolio that AGL owns and manages, or has the contracted right to control the dispatch of. Includes batteries in operation, under construction, and contracted.
Equivalent availability factor (EAF) - all fleet	EAF measures the percentage of rated capacity available to the market. Power stations comprise Liddell, Bayswater, Loy Yang A, Torrens Island A and B, and Somerton power stations, AGL's hydroelectric power stations, and wind and solar farms under AGL's operational control. Barker Inlet Power Station is included from FY21; Silverton and Coopers Gap wind farms are included from FY22. Kwinana Swift Power Station is included from FY23. Site EAF is weighted by megawatt (MW) capacity.
Equivalent availability factor (EAF) - thermal and gas generation fleet	EAF measures the percentage of rated capacity available to the market. Power stations comprise Liddell, Bayswater, Loy Yang A, Torrens Island B, Somerton, Barker Inlet and Kwinana Swift Power Station. Site EAF is weighted by megawatt (MW) capacity.
Total injury frequency rate (TIFR)(employees)	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 by employees in that 12-month period.
Total injury frequency rate (TIFR)(employees + contractors)	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 by employees and contractors in that 12-month period. AGL defines a contractor as a person or entity engaged by AGL under purchase order or contract to perform work or deliver services to, or on behalf of, AGL.
Employee engagement	Engagement scores are calculated using the Aon Hewitt's Employee Engagement Model, utilising the ORC International methodology. From FY20, engagement is measured using the Culture Amp platform, with the methodology applied in the calculation of the scores being consistent with prior years. Southern Phone and Perth Energy employees (acquired during FY20) are included from FY21. Click Energy, Solgen and Epho employees (acquired during FY21) are included from FY22. FY22 data does not include employees from Energy360 (24 employees). 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.
Attrition (total workforce)	Calculated based on the total number of voluntary departures and includes fixed term, permanent full-time, and permanent part-time employees; excludes casuals, labour hire and contract workers. Data for FY19 and FY20 is calculated on the number of departures per FTE (full-time equivalent). From FY21, data is calculated on the number of departures per headcount. Data for FY21 and FY22 has been restated in FY23 to reflect this change in methodology. Employees from Perth Energy (acquired during FY20) and Click Energy (acquired during FY21) are included from FY21. Employees from Solgen and Epho (both acquired during FY21) are included from FY22. Data does not include employees from Southern Phone Company (68) or Energy360 (24) as they were not fully integrated into AGL's human resource systems as of 30 June 2023, and accordingly comparable data is not readily available.
Key talent retention	The performance measures relates to employees identified as key talent per AGL's talent processes from AGL's enterprise leadership team (ELT) and direct reports. Employees from Southern Phone Company (acquired during FY20) and Energy360 (acquired during FY22) are not included as they were not fully integrated into AGL's human resource systems as of 30 June 2023. Employees from Click Energy, Solgen and Epho (all acquired during FY21) are included from FY22.
Gender mix in senior leadership pipeline (SLP)	The SLP refers to employees in Management Groups A, B and ELT in accordance with AGL's Position Framework. These are equivalent to Hay Level roles 18 and above. Employees from Perth Energy (acquired during FY20) and Click Energy (acquired during FY21) are included from FY21. Employees from Southern Phone Company (acquired during FY20), Solgen and Epho (both acquired during FY21) are included from FY22. FY23 data does not include employees from Energy360 (24) as they were not fully integrated into AGL's human resource systems as at 30 June 2023. Data up to and including FY22 included the Executive Team.
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. Where the investigation of a potential breach has not been concluded at the time of reporting, this breach (if confirmed) will be reported in the next period as an updated figure for the year where the breach occurred.
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. Community contribution is AGL's investment in charitable organisations and grassroots community groups harnessing its resources, skills and innovation to help address societal issues that intersect with its core business. From FY21, data includes management costs in line with

Glossary for the Business Value Drivers

Term	Explanation
	B4SI guidance. Management costs were not included in prior years. Management costs include pro-rata salaries for community related roles, B4SI annual membership, workplace giving platform licence fees and social impact assessment costs.
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 to FY23 scores reflect the score for the June quarter.
Underlying effective tax rate	AGL's underlying income tax expense expressed as a percentage of AGL's underlying profit.
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. Data is based on measured emissions from material sources, which make up approximately 99% of total Scope 1 and 2 emissions, with estimates for minor sources.
Reduction in operated Scope 1 & 2 emissions compared to FY19 baseline (%)	AGL's FY19 Scope 1 and 2 emissions baseline is 43.2 $MtCO_2$ and comprises Scope 1 and 2 greenhouse gas emissions for all facilities operated by AGL, as reported under the National Greenhouse and Energy Reporting Act 2007. FY19 was selected as the baseline year as it provides a better reflection of representative historical output from thermal assets compared to FY20-FY22.
Controlled generation intensity (tCO_2e/MWh)	Total Scope 1 and 2 emissions divided by total sent out generation of electricity generation facilities which fit within AGL's controlled boundary[1]. Emissions data is based on measured emissions from material sources, which make up approximately 99% of total Scope 1 and 2 emissions, with estimates for minor sources.
Emissions intensity of total revenue ($ktCO_2e$/\$million)	Total Scope 1 and 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. Emissions data is based on measured emissions from material sources, which make up approximately 99% of total Scope 1 and 2 emissions, with estimates for minor sources.
Environmental regulatory reportable incidents (ERR)	Up to and including FY22, ERR comprised incidents that trigger mandatory notification provisions under legislation and/or environmental licences. In FY23 there was a change to the Environmental Regulatory Reportable (ERR) incidents definition. From FY23, an ERR incident is any Event that meets the notification criteria of a Regulatory Authority and may include: an Event that caused actual or potential material or serious environmental harm; a breach of an environmental licence condition that is not an administrative non-compliance; and monitoring unable to be completed due to availability of plant or specialist. An ERR incident may include events that have occurred on AGL managed site by an independent party. This definition change has resulted in an increase in ERR events reported as it comprises previous ERR and Voluntarily Regulatory Reportable (VRR) events into one figure.
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.
Digitally active services to customers (%)	Digital Active (%) is the percentage of contracts considered to be Digital Active as a proportion of total contracts (excluding Staying Connected customers). Digital Active customers are defined as customers that have accessed one of AGL's digital channels (including MyAccount, App, Web etc.) at least once in the last 180 days. Historical data for Digital Active customers has been updated to reflect a change in the calculation methodology.
Digital only customers (%)	Digital only refers to the percentage of residential customers who, in the last 90 days, have only interacted with AGL via AGL's Digital ecosystem, including agl.com.au, help and support, MyAccount and the Mobile App. This includes customers on both ebill and direct debit.
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. A 'critical' IT incident refers to a complete interruption of service, system, network, application or configuration item identified as critical. A 'high' IT incident applies when the service, system, network, application or configuration item can perform but where performance is significantly reduced and/or with very limited functionality. Operations can continue in a restricted mode. From FY21, data includes Perth Energy (acquired during FY20), Click Energy (acquired during FY21), and any incidents related to Southern Phone services that are sold through AGL's multi-product offerings (NBN and mobile). From FY22, data includes Solgen and Epho (acquired during FY21).
Reportable privacy incidents	Data comprises 'eligible data breaches' as defined in the Privacy Act 1988. An eligible data breach arises when there is unauthorised access, disclosure, or loss of personal information and AGL has not been able to prevent the likely risk of serious harm with remedial action.

1. AGL's controlled boundary includes all electricity assets (generation and/or storage) for which AGL has 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.

Corporate Directory and Financial Calendar

Directory

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Australia

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Financial calendar

10 August 2023
Full Year result and final dividend announced

24 August 2023
Record date of final dividend

22 September 2023
Payment date of final dividend

21 November 2023
Annual General Meeting

AGL recognises the Aboriginal and Torres Straits Islander peoples as the Traditional Owners of the lands on which we work, and acknowledges those communities' continuing connections to their lands, waters and cultures. We pay our respects to their Elders, past and present.

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