

**Notice to company pursuant to ss 249N & P of the Corporations Act 2001 (CA)**

I/we .....  
[name of 'shareholder']

of .....  
[address]

.....  
identified by the Holder Identification Number (HIN) or Shareholder Reference Number (SRN) ..... [HIN or SRN]

in respect of any holding of the shareholder's AGL Energy Ltd ('AGL' or 'the company') ordinary fully paid shares;

hereby give notice (in accord with sections 249N & P of the CA) to the company of: the following resolutions (1: Amendment to the Constitution, 2: Transition Planning Disclosure) the shareholder proposes to move at a general meeting of the company; and request (in accordance with section 249P) that the company give to all members each of the Supporting Statements following the resolutions.

**SIGNED**

..... (Signature of individual Shareholder <sup>†</sup> /company director)	..... (Signature of second shareholder in a joint holding/for a company second director or company secretary)
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† Or sole company director and sole company secretary. JOINT HOLDING: For a holding in more than one name all shareholders must sign)

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**Resolution 1 – Amendment to the Constitution**

To amend the constitution to insert at the end of Clause 32 'General Meetings - Business' the following new sub-clause: "The Company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised. However such a resolution must relate to a material risk as identified by the Company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors or the Company."

*(Note that an accompanying ordinary resolution seeking transition planning disclosure should also be included on AGL Energy Ltd's Notice of 2019 Annual General Meeting. Shareholders who vote by proxy should be able to lodge a vote on both resolutions.)*

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## **Resolution 2 – Transition Planning Disclosure**

Shareholders note the 2018 Global Investor Statement to Governments on Climate Change and its accompanying briefing paper, which calls for a reduction in greenhouse gas emissions to meet the goals of the Paris Agreement, necessitating the phase out of coal power generation by no later than 2030 in OECD countries, including Australia.

Shareholders therefore request that the company, in annual reporting from 2020, disclose strategies to reduce scope 1 and 2 emissions in line with the climate goals of the Paris Agreement, including short, medium and long term targets.

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### **Supporting statement 1**

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of AGL is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of AGL, the AGL board and all AGL shareholders.

Passage of this resolution – to amend the AGL constitution – will simply put the company in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

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## Supporting statement 2

AGL has stated its support for the climate goals of the Paris Agreement.<sup>1</sup> However, our company's currently disclosed strategy is inconsistent with the energy transition required to meet those goals.<sup>2</sup>

Given the significant financial risks and opportunities a Paris-aligned energy transition presents, shareholders require further disclosure to ensure AGL's strategy aligns with its support for the Paris climate goals.

### Energy transition and investor expectations

Signed by almost 200 countries, the Paris Agreement sets out the goals of: "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels."<sup>3</sup>

The greenhouse gas emissions reductions needed to meet these goals requires the phase out of coal-fired power in OECD countries, including Australia, by 2030.<sup>4</sup> Investors around the world have accepted and reiterated this deadline.

The Global Investor Statement to Governments on Climate Change (GISGCC) has been signed by 477 investors representing over US\$34 trillion in assets.<sup>5</sup> Australian signatories include: AustralianSuper, BTFG, CareSuper, Catholic Super, Cbus, Christian Super, Colonial First State, First State Super, HESTA, IFM Investors, LUCRF, Local Government Super, Mercer, Statewide Super, VicSuper, and Vision Super. International signatories with significant AGL holdings include: Schrodgers, Aberdeen Standard Investments, Kempen Capital Management, Pictet Group, and PGGM.

The GISGCC calls on governments to "phase out thermal coal power worldwide by set deadlines." The Briefing Paper accompanying the GISGCC sets out these deadlines, including the elimination of coal power in OECD countries by no later than 2030.<sup>6</sup> The GISGCC's asks were recently restated in an open letter to governments.<sup>7</sup> A recent Climate Analytics report states: "The Paris Agreement's 1.5°C limit requires that coal fired electricity be phased out by around 2030 in developed countries including Australia."<sup>8</sup>

In December 2018, 89 investors with US\$11.5 trillion under management asked power companies to plan for a net-zero carbon future:

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<sup>1</sup> [AGL Greenhouse Gas Policy](#) (April 2015); [Standing firm on the Paris Agreement](#) (June 2017)

<sup>2</sup> [Carbon Tracker, AGL Profile](#) (May 2019); [Climate Analytics, Implications of the Paris Agreement for coal use in the power sector](#) (November 2016)

<sup>3</sup> [Paris Agreement](#), art 2(1)(a)

<sup>4</sup> [Climate Analytics](#) (2016)

<sup>5</sup> [GISGCC](#) (December 2018, signatories updated June 2019)

<sup>6</sup> [GISGCC Briefing Paper](#)

<sup>7</sup> [Open letter to governments](#) (June 2019)

<sup>8</sup> Climate Analytics, [Australia's power supply: brown and polluting](#) (May 2019)

Specifically, we request companies to set out transition plans consistent with the goal of the Paris Agreement, including compatibility of capital expenditure plans. We expect explicit timelines and commitments for the rapid elimination of coal use by utilities in EU and OECD countries by no later than 2030.<sup>9</sup>

With this resolution, shareholders make the same request for transition planning disclosure of AGL.

### Current plans

AGL owns and operates three coal-fired power stations:<sup>10</sup>

	Capacity	Fuel	Emissions intensity	Commissioned	Planned closure
Liddell	2000MW	Black coal	0.93 t/MWh	1971	2022
Bayswater	2640MW	Black coal	0.89 t/MWh	1985	2035
Loy Yang A	2210MW	Brown coal	1.18 t/MWh	1985	2048

AGL's plans clearly involve operating both Bayswater and Loy Yang A well beyond the deadline imposed under a Paris-aligned energy transition scenario. Carbon Tracker's analysis shows AGL's plans are not Paris-aligned, and highlights the following question: "Is AGL Energy planning to align its business model with the Paris agreement by closing all existing coal-fired power stations in its portfolio by 2030?"

### Financial risks

According to Bloomberg New Energy Finance, wind and solar energy with battery storage will be cheaper than energy produced by existing coal power stations almost everywhere by 2030,<sup>11</sup> with this tipping point having already been reached in "many parts of Australia."<sup>12</sup> This changing energy mix is consistent with a 2°C warming pathway. A more rapid transition will be required to achieve the Paris climate goals, suggesting regulatory and market changes could further impact the cost competitiveness of coal power.

For example, the state government of Victoria (home to Loy Yang A) will announce 2025 and 2030 emissions reduction targets by March 2020, and a strategy to meet those targets soon after.<sup>13</sup> In the event that these targets are aligned to the Paris climate goals, regulatory changes to bring about the reductions pose a significant risk to our company, given its plans to continue operating Loy Yang until 2048.

AGL's scope 3 (indirect) emissions also expose our company to financial risks presented by market and regulatory moves to reduce emissions in line with the Paris goals. Along with the

<sup>9</sup> [Power companies must accelerate decarbonisation](#) (Financial Times, 20 December 2018)

<sup>10</sup> [AGL website](#); [NGERS data](#) (2017-18 intensity figures)

<sup>11</sup> [Bloomberg New Energy Outlook](#) (June 2019)

<sup>12</sup> Renew Economy, [Age of cheap coal power is over for Australia, says BNEF](#) (8 May 2019)

<sup>13</sup> DELWP, [Climate Change: Reducing Victoria's Greenhouse Gas Emissions](#) (June 2019)

scope 1 and 2 reduction strategies requested in this resolution, AGL should also describe how it will manage risks posed by its scope 3 emissions.

The age of AGL's coal power stations also presents financial risks. The extended outage of one of Loy Yang A's four units is expected to reduce FY20 underlying profit after tax by \$60 million to \$100 million.<sup>14</sup> Since December 2017, Loy Yang A has experienced 29 breakdowns, more than any other Australian power station. Liddell has had 13 breakdowns and Bayswater five.<sup>15</sup> Further capital expenditure to keep Loy Yang and Bayswater operating until 2048 and 2035 respectively risks becoming stranded due to technological, market and regulatory changes required for a Paris-aligned energy transition.

#### Shareholder support required

Shareholder support for this resolution is required to ensure our company is prepared for the rapid transition to a low carbon economy required to meet Paris climate goals. AGL should demonstrate through improved disclosure how its strategy will align with this transition.

We encourage shareholders to vote in favour of this resolution.

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<sup>14</sup> AGL, [ASX Release: FY20 impact of extended unit outage at Loy Yang](#) (7 June 2019)

<sup>15</sup> The Australia Institute, [Breaking Brown](#) (June 2019)