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ASX statement

26 September 2011

Notice of Meeting – 2011 Annual General Meeting

AGL Energy Limited is about to commence dispatch of the Notice of Meeting in respect of the Annual General Meeting to be held on 27 October 2011. A copy of the Notice of Meeting, together with the shareholder voting form and shareholder question form, is attached.



Paul McWilliams
Company Secretary



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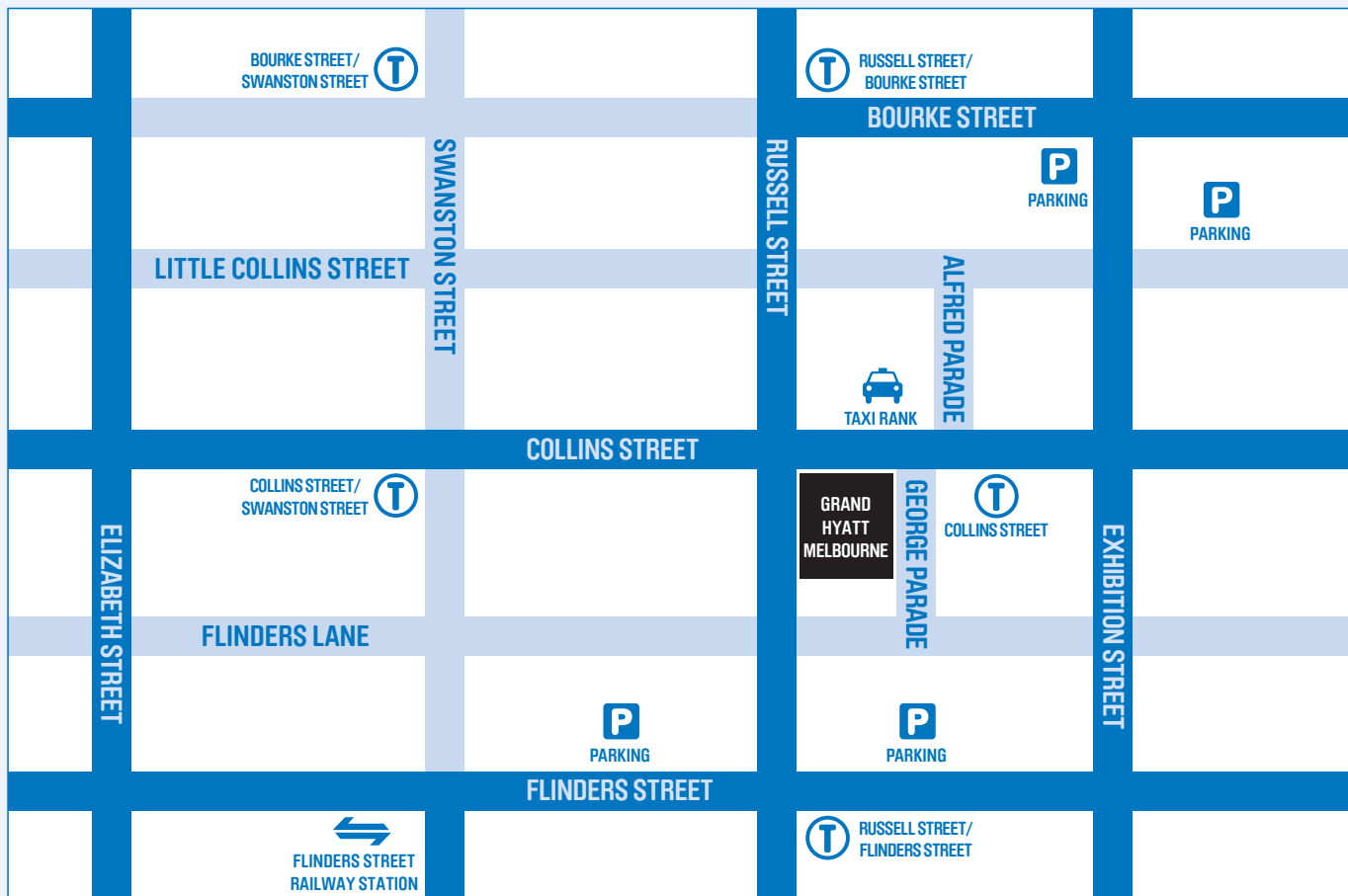
AGL

Notice of Annual General Meeting of Shareholders

AGL Energy Limited
ABN 74 115 061 375



Location of AGM



How to find the Grand Hyatt Hotel, Melbourne

You can use the map above to find the nearest transport routes and the location of the Meeting – the Grand Hyatt Hotel, 123 Collins Street, Melbourne.

By train

The Grand Hyatt Hotel, Melbourne is a short walk from Flinders Street Station.

By car

There are many car parks located within walking distance.

By tram

The Grand Hyatt Hotel, Melbourne is served by a number of trams.

By taxi

Your taxi can enter from Russell Street

For more specific information about public transport routes and timetables, contact the Metlink on 131 638 or visit www.metlinkmelbourne.com.au.

Chairman's Letter

Dear Shareholder,

I am pleased to invite you to attend the 2011 Annual General Meeting of Shareholders, which has been scheduled as follows:

Date: Thursday 27 October 2011

Time: 10.30am

Venue: Grand Hyatt Hotel, 123 Collins Street, Melbourne, Victoria

The business to be dealt with at the AGM is provided on pages 4 and 5 of this Notice of Meeting.

If you are able to attend the AGM, please bring the enclosed Shareholder Voting Form with you to facilitate registration at the AGM.

If you do not plan on attending the AGM, you are encouraged to appoint a proxy to attend and vote on your behalf by lodging your proxy appointment online at www.linkmarketservices.com.au or by completing the enclosed Shareholder Voting Form and returning it in the envelope provided. Instructions on how to appoint a proxy are detailed on the back of the Shareholder Voting Form. Proxies must be received no later than 10.30am (Sydney time) on Tuesday 25 October 2011 to be valid for the AGM. Proxies may be lodged online or returned by mail or by fax on 02 9287 0303.

You are encouraged to let us know of any questions you may have before the AGM. Details of how to lodge those questions prior to the AGM are on page 23 of this Notice.

We look forward to seeing you at the AGM.

Yours sincerely



Jeremy Maycock, Chairman

26 September 2011

Ordinary business

- 1 To receive and consider the Financial Report of the Company and the consolidated entity and the Reports of the Directors and Auditor for the financial year ended 30 June 2011.
- 2 To adopt the Remuneration Report for the financial year ended 30 June 2011, as set out in the Directors' Report section of the AGL Annual Report 2011. **(Note – the vote on this resolution is advisory only and does not bind the Directors or the Company).**

Voting Exclusion

As required by the Corporations Act, no member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member may vote on the proposed resolution in Item 2 of Ordinary Business unless:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 2 of Ordinary Business; and
- (ii) the vote is not cast on behalf of any such member or closely related party of any such member.

3 To elect Directors:

- (a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Jeremy Maycock, a Director who retires by rotation at the close of the Meeting in accordance with Clause 58 of the Company's Constitution and being eligible, is re-elected as a Director of the Company."

- (b) To consider and, if thought fit to pass the following resolution as an ordinary resolution:

"That Sandra McPhee, a Director who retires by rotation at the close of the Meeting in accordance with Clause 58 of the Company's Constitution and being eligible, is re-elected as a Director of the Company."

- (c) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Belinda Hutchinson who retires at the close of the Meeting in accordance with Clause 56.2 of the Company's Constitution and being eligible, is re-elected as a Director of the Company."

Special business

4 Grant of performance rights to Michael Fraser

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, in accordance with ASX Listing Rule 10.14, approval is given for the Company to grant to its Managing Director and Chief Executive Officer, Michael Fraser, performance rights under the Company's Long Term Incentive Plan in respect of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 on the terms set out in the Explanatory Notes which accompany this Notice of Meeting."

Voting Exclusion

As required by the ASX Listing Rules, the Company will disregard any votes cast on the proposed resolution in Item 4 of Special Business by Mr Fraser or by any associate of Mr Fraser. However, the Company need not disregard a vote on the proposed resolution in Item 4 if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (ii) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as a proxy on the proposed resolution in Item 4 unless:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 4; or
- (ii) the person is the chair of the meeting and votes as a proxy appointed by writing that authorises the chair to vote on the proposed resolution in Item 4 even though that resolution is connected with the remuneration of a member of the Company's key management personnel.

5 Approval of termination benefits for Michael Fraser

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for the Company to give benefits under the Company's Long Term Incentive Plan, as described in the Explanatory Notes accompanying the Notice convening this Meeting, in connection with the retirement of Michael Fraser from any office or position in the Company or a related body corporate of the Company referred to in section 200B of the Corporations Act."

Voting Exclusion

Mr Fraser has agreed that he will not cast, and will ensure that his associates do not cast, a vote (in any capacity) on the proposed resolution in Item 5, except where a vote is a permitted proxy vote. A vote is a permitted proxy vote where it:

- (i) is cast by Mr Fraser or an associate of Mr Fraser as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; and
- (ii) it is not cast on behalf of Mr Fraser or an associate of Mr Fraser.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as a proxy on the proposed resolution in Item 5 unless:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 5; or
- (ii) the person is the chair of the meeting and votes as a proxy appointed by writing that authorises the chair to vote on the proposed resolution in Item 5 even though that resolution is connected with the remuneration of a member of the Company's key management personnel.

6 Approval of termination benefits for Stephen Mikkelsen and Jane Thomas

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for the Company to give benefits, as described in the Explanatory Notes accompanying the Notice convening the Meeting, in connection with the retirement of either or each of Stephen Mikkelsen and Jane Thomas from any office or position in the Company or a related body corporate of the Company referred to in section 200B of the Corporations Act."

Voting Exclusion

Mr Mikkelsen and Ms Thomas have agreed that they will not cast, and will ensure that their associates do not cast, a vote (in any capacity) on the proposed resolution in Item 6, except where the vote is a permitted proxy vote. A vote is a permitted proxy vote where it:

- (i) is cast by Mr Mikkelsen or Ms Thomas or an associate of Mr Mikkelsen or Ms Thomas as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; and
- (ii) it is not cast on behalf of Mr Mikkelsen or Ms Thomas or an associate of Mr Mikkelsen or Ms Thomas.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as a proxy on the proposed resolution in Item 6 unless:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 6; or
- (ii) the person is the chair of the meeting and votes as a proxy appointed by writing that authorises the chair to vote on the proposed resolution in Item 6 even though that resolution is connected with the remuneration of members of the Company's key management personnel.

7 Approval of termination benefits for Anthony Fowler, Paul McWilliams and Michael Moraza

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for the Company and any relevant superannuation fund to give benefits, as described in the Explanatory Notes accompanying the Notice convening the Meeting, in connection with the retirement of any and each of Anthony Fowler, Paul McWilliams and Michael Moraza from any office or position in the Company or a related body corporate of the Company referred to in section 200B of the Corporations Act."

Voting Exclusion

As required by the Corporations Act, each of Mr Fowler, Mr McWilliams and Mr Moraza has agreed that they will not cast, and will ensure that their associates do not cast, a vote (in any capacity) on the proposed resolution in Item 7, except where the vote is a permitted proxy vote. A vote is a permitted proxy vote where it:

- (a) is cast by Mr Fowler, Mr McWilliams or Mr Moraza or an associate of Mr Fowler, Mr McWilliams or Mr Moraza as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; and
- (b) is not cast on behalf of Mr Fowler, Mr McWilliams or Mr Moraza or an associate of Mr Fowler, Mr McWilliams or Mr Moraza.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as a proxy on the proposed resolution in Item 7 unless:

- (i) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Item 7; or
- (ii) the person is the chair of the meeting and votes as a proxy appointed by writing that authorises the chair to vote on the proposed resolution in Item 7 even though that resolution is connected with the remuneration of members of the Company's key management personnel.

8 Adoption of new Constitution including Proportional Takeover Provisions

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the Constitution tabled at the meeting and signed by the Chairman of the meeting for the purposes of identification be adopted as the Constitution of the Company in substitution for the existing Constitution of the Company, with effect from the close of the meeting."

By Order of the Board



Paul McWilliams, Company Secretary
26 September 2011

Determination of entitlement to vote

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as Shareholders as at **7.00pm** (Sydney time) on **Tuesday, 25 October 2011**.

Shareholder voting

Each Shareholder who is entitled to vote at the AGM may appoint a proxy, who need not be a Shareholder, to attend and vote at the AGM on the Shareholder's behalf. A Shareholder who is entitled to attend and cast two or more votes at the Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll.

Each Shareholder who is entitled to vote at the AGM may appoint a proxy and specify the way that the proxy is to vote in relation to a resolution and indicate that the specification is to be regarded as a direct vote. Except where the Directors have determined, prior to the Meeting, that direct voting will not be permitted in relation to a particular resolution, a direct vote on a resolution by a Shareholder will, if a poll is demanded (but not on a show of hands), be effective to cast, at the Meeting, the votes of the Shareholder as specified in the Shareholder Voting Form without the need for, or regardless of, any further action by the proxy and the proxy will therefore have no authority to vote on a poll on the resolution on the Shareholder's behalf.

A Shareholder Voting Form and, if the Shareholder Voting Form is not signed by the Shareholder, the Power of Attorney or other authority (if any) under which the Shareholder Voting Form is signed (or a certified copy of that Power of Attorney or other authority) must be received by the Company at least 48 hours before the time for holding the Meeting – that is, by **10.30am** (Sydney time) on **Tuesday, 25 October 2011**. Documents may be lodged with the Company by:

- (i) appointing a proxy online at the AGL Share Registry's website: www.linkmarketservices.com.au; or
- (ii) posting them in an accompanying reply-paid envelope to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- (iii) sending them by fax to the AGL Share Registry on 02 9287 0309; or
- (iv) delivering them to the AGL Share Registry located at: Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

Direction to Chair for Remuneration Report

If the Chair of the Meeting is appointed, or taken to be appointed, as a proxy, the Shareholder can direct the Chair of the Meeting to vote "for" or "against" the proposed resolution on Item 2 (To adopt the Remuneration Report) by marking the appropriate box opposite Item 2 in the proxy form. However, if the Chair of the Meeting is a proxy and the relevant Shareholder does not mark either the "for" or "against" box opposite Item 2, the relevant Shareholder will be directing the Chair to vote in favour of the proposed resolution on Item 2.

Corporate representatives

A company wishing to appoint a person to act as its representative at the Meeting must provide that person with a letter executed in accordance with the Company's Constitution and the Corporations Act authorising him or her to act as the Shareholder's representative.

GLOSSARY

In these Explanatory Notes, and in the Notice of Meeting, the following terms have the following meanings unless the context otherwise requires.

AGL means AGL Energy Limited ABN 74 115 061 375.

AGL Annual Report 2011 means the Annual Report of AGL for the financial year ended 30 June 2011.

AGL Share means a fully paid ordinary share in AGL.

AGM means the 2011 annual general meeting of Shareholders.

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules means the listing rules of ASX.

Board means the board of directors of AGL.

Company means AGL Energy Limited ABN 74 115 061 375.

Constitution means the constitution of AGL.

Corporations Act means Corporations Act 2001 (Cth).

Director means a director of AGL.

LTIP means AGL's long term incentive plan arrangements as varied from time to time.

Meeting means the 2011 annual general meeting of Shareholders convened pursuant to the Notice of Meeting.

New LTIP means the terms applicable to SPRs granted under the LTIP for financial years ending between 30 June 2010 and 30 June 2014 (inclusive of both dates).

Notice of Meeting means the notice pursuant to which the AGM is convened.

Old LTIP means the terms applicable to SPRs granted under the LTIP for the financial year ended 30 June 2009.

Remuneration Report means the section of the Directors' Report contained in the AGL Annual Report 2011 entitled "Remuneration Report".

SPR means a share performance right granted under the LTIP.

TFR means total fixed remuneration.

TSR means total shareholder return.

VWAP means volume weighted average price.

EXPLANATORY NOTES

These Explanatory Notes have been prepared to provide Shareholders with important information regarding the items of business proposed for consideration at the AGM. Capitalised terms in the Notice of Meeting and these Explanatory Notes are defined in the Glossary below.

Ordinary Business

ITEM 1

To receive and consider the Financial, Directors' and Auditor's Reports for the financial year ended 30 June 2011

Shareholders have been notified that the AGL Annual Report 2011 can be found on AGL's website (www.agl.com.au) under 'Investor Centre' and have been given the option of having a printed copy of the report sent to them. The AGL Annual Report 2011 has been sent to those Shareholders who have requested it. During the discussion of this item, there will be an opportunity for Shareholders to ask questions about, or comment on, the report and the management and performance of AGL.

ITEM 2

Adoption of the Remuneration Report for the financial year ended 30 June 2011

The Company is required under the Corporations Act to include, in the business of its AGM, a resolution that its remuneration report for the financial year ended 30 June 2011 be adopted. The resolution is advisory only and does not bind the Directors or AGL. However, the Directors will take into account the outcome of the vote when reviewing remuneration policies and practices. During discussion of this Item, there will be an opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report.

The Remuneration Report which forms part of the Directors' Report is set out on pages 48 to 59 of the AGL Annual Report 2011.

Directors' Recommendation

Noting that each Director has a personal interest in his or her own remuneration from AGL, as described in the Remuneration Report, the Directors unanimously recommend the adoption of the Remuneration Report.

ITEM 3

Election of Directors

(a) Jeremy Maycock – Age 59

Term: Non-executive Director since October 2006 and Chairman since October 2010.

Independent: Yes.

Committees: Chair of the Nominations Committee.

Directorships: Chairman of Port of Brisbane Pty Ltd (commenced in 2010). Director of Nuplex Limited (commenced 1 September 2011). Member of the Advisory Council of the Australian School of Business (UNSW) (commenced in 2009).

Experience: Previously Managing Director and Chief Executive Officer of CSR Limited (commenced in 2007 and retired in 2010), Managing Director and Chief Executive Officer of Hastie Group Limited (commenced in 2003 and retired in 2007), inaugural Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 37 years, with his early career being with Shell Oil in the UK and in New Zealand.

Directors' Recommendation

The Directors (excluding Jeremy Maycock) recommend that Shareholders vote in favour of Item 3(a).

(b) Sandra McPhee – Age 65

Term: Non-executive Director since October 2006.

Independent: Yes.

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee, member of the People and Performance Committee, and the Nominations Committee.

Directorships: Director of Westfield Retail Trust (commenced in 2010), Director of Fairfax Media (commenced in 2010), Director of Tourism Australia (commenced in 2009), Kathmandu Holdings Limited (commenced in 2009). Vice President of The Art Gallery of New South Wales.

Experience: Extensive experience as a non-executive director and senior executive in a number of consumer oriented industries including retail, aviation and tourism, most recently ten years with Qantas Airways Limited from which she retired in 2004. Previous non-executive appointments include Director of Australia Post (commenced in 2001 and retired in 2009), The Coles Group Limited (commenced in 2003 and retired in 2007), Perpetual Limited (commenced in 2004 and retired in 2007), Primelife Corporation Limited (commenced in 2003 and retired in 2005), St Vincent's & Mater Health Sydney and CARE Australia.

Directors' Recommendation

The Directors (excluding Sandra McPhee) recommend that Shareholders vote in favour of Item 3(b).

(c) Belinda Hutchinson – Age 58

Term: Non-executive Director since December 2010.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, People and Performance Committee, and the Nominations Committee.

Directorships: Chairman of QBE Insurance Limited (commenced in 2010), Director of St Vincent's Health Australia Limited (commenced in 2010), Director of the State Library of NSW Foundation (commenced in 1997), Deputy Chairman of Centre for Independent Studies (commenced in 2010) and a member of the Salvation Army Australian Eastern Territorial Advisory Board (commenced in 2006).

Experience: Previous appointments include Director of St Vincent's Mater Health Sydney (commenced in 2001 and retired in 2009), Director of Coles Group Limited (commenced in 2005 and retired in 2007), Telstra Corporation Limited (commenced in 2001 and retired in 2007), TAB Limited (commenced in 1997 and retired in 2004), Energy Australia (commenced in 1997 and retired in 2005), Crane Group (commenced in 1997 and retired in 2004), Snowy Hydro Trading Limited (commenced in 1997 and retired in 1999), Member of the State Library of NSW Council (commenced in 1997 and retired in 2006).

Directors' Recommendation

The Directors (excluding Belinda Hutchinson) recommend that Shareholders vote in favour of Item 3(c).

Special Business

ITEM 4

Grant of Performance Rights to Michael Fraser

Michael Fraser's service contract entitlement

- 1 Under the terms of Michael Fraser's Service Contract with AGL, Michael Fraser is entitled to receive in respect of each year of his employment a notional grant of SPRs issued under the LTIP with a face value of up to 100% of his TFR for the year in question.
- 2 Michael Fraser's TFR is currently \$2,080,000. Under the terms of his Service Contract, Michael Fraser's TFR is required to be reviewed annually by the Board. The Board may in its discretion increase Michael Fraser's TFR but may not decrease it without Michael Fraser's consent.
- 3 A summary of the key terms of Michael Fraser's Service Contract is set out in the Remuneration Report. The Remuneration Report also contains details of Michael Fraser's remuneration for the financial year ended 30 June 2011.

AGL Long Term Incentive Plan Arrangements

- 4 The LTIP is an integral part of AGL's remuneration policy for AGL executives. It is designed to generate long term value for Shareholders by linking the performance of AGL executives with the achievement of specific business and strategic goals. A summary of the material terms of the LTIP is contained in Annexure A. An explanation of how the LTIP works in practice is contained in the Remuneration Report.

Shareholder Approval

- 5 Under ASX Listing Rule 10.14 a Director may only acquire shares or rights to shares under an employee incentive scheme if the Director's participation has been approved by an ordinary resolution of Shareholders. Approval from Shareholders is being sought in relation to Michael Fraser's participation in the LTIP in respect of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

Information required by ASX Listing Rule 10.15A

- 6 ASX Listing Rule 10.15A requires the following information to be disclosed in relation to SPRs which may be acquired by Michael Fraser under the LTIP:
 - (a) The maximum number of SPRs to be notionally granted to Michael Fraser in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 will be determined by dividing Michael Fraser's TFR for each of those respective years by the VWAP of AGL Shares traded on ASX during the 30 calendar days up to and including 30 June of the preceding financial year. For example, based on Michael Fraser's current TFR of \$2,080,000 and the VWAP for AGL Shares over the 30 calendar day period up to and including 30 June 2011 of \$14.23, the maximum number of SPRs to be notionally allocated to Michael Fraser in respect of the financial year ending 30 June 2012 is 146,171.

The maximum number of SPRs that may ultimately be banked for Michael Fraser under the LTIP for each financial year will then be determined according to AGL's performance against the applicable performance conditions determined by the Board. The current applicable performance conditions and the methodology for determining the number of SPRs which are to be banked in respect of AGL's performance against the applicable performance conditions are set out in the Remuneration Report. Where AGL achieves the highest performance targets the maximum number of SPRs that would be banked would be two times the number of SPRs notionally granted to Michael Fraser for the relevant financial year.

- (b) The price (including a statement whether the price will be, or be based on, the market price) or the formula for calculating the price for each security to be acquired under the LTIP for a financial year is the VWAP of AGL Shares traded on ASX during the 30 calendar day period up to and including 30 June of the preceding financial year.

- (c) The only Director or associate of a Director who has acquired SPRs under the LTIP since the last approval is Michael Fraser. The number of SPRs acquired by Mr Fraser since that time is 107,639 SPRs in respect of the financial year ended 30 June 2008, 134,546 SPRs in respect of the financial year ended 30 June 2009 and 137,175 SPRs in respect of the financial year ended 30 June 2010. In accordance with the terms of the LTIP no consideration was paid by Mr Fraser for those SPRs.
- (d) There are no Directors or associates of Directors entitled to participate in the LTIP except for Michael Fraser.
- (e) A voting exclusion statement is included in the Notice of Annual General Meeting.
- (f) There is no loan applicable in relation to the acquisition of SPRs or the shares underlying them as no payment for SPRs or the AGL Shares underlying them is required by Michael Fraser.
- (g) Details of any securities issued under the LTIP will be published in each Annual Report of AGL relating to a period in which SPRs have been issued, with a statement that approval for the issue the SPRs was obtained under ASX Listing Rule 10.14.
- (h) Any additional Directors, associates of such Directors or other persons determined by ASX under ASX Listing Rule 10.14.3 who become entitled to participate in the LTIP after the approval of the proposed resolution in Item 4 may not participate in the LTIP until shareholder approval for that participation is obtained under ASX Listing Rule 10.14.
- (i) The SPRs will be granted to Michael Fraser no later than 3 years after the date of this meeting, on the conditions described in these Explanatory Notes.
- (j) AGL has obtained a waiver from compliance with the requirements of Listing Rule 10.15A.2 which allows AGL not to include in this Notice of Meeting the maximum number of SPRs that will be notionally granted to Michael Fraser in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 on the basis that the Notice of Meeting sets out the method by which the number of SPRs will be calculated in respect of each of those financial years. The maximum number of SPRs that could be notionally granted to Michael Fraser in respect of each issue under the LTIP is an amount equal to 100% of his TFR for the year in question divided by the price per AGL Share determined on the VWAP basis set out in paragraph (b) above.

Directors' Recommendation

The Directors (other than Michael Fraser) recommend that Shareholders vote in favour of Item 4.

ITEM 5

Approval of Termination Benefits for Michael Fraser

Purpose of resolution

- 1 The purpose of the proposed resolution in Item 5 is to ensure AGL is able to comply with the terms of its Service Contract with Michael Fraser (Managing Director and Chief Executive Officer) and to provide the incentives established for him under the LTIP, by obtaining Shareholder approval under the Corporations Act to give certain benefits to Michael Fraser which he may be eligible to receive on termination of his employment in certain circumstances. The resolution does not propose or allow any variation to the terms of the existing Service Contract for Michael Fraser.

Summary of why AGL is seeking Shareholder approval

- 1 Certain terms of Michael Fraser's participation in the LTIP were previously approved by Shareholders for the purposes of ASX Listing Rule 10.14 at the 2008 Annual General Meeting.
- 2 There is the potential for SPRs granted to Michael Fraser under the LTIP to vest on termination of Michael Fraser's employment in certain circumstances.
- 3 In this context, the purpose of this resolution is to seek Shareholder approval, for the purposes of the Corporations Act, to the potential vesting of SPRs on termination of Michael Fraser's employment in certain circumstances including death, total and permanent disablement and retirement (see paragraph 15 below for a full list of relevant circumstances).
- 4 The Directors (other than Michael Fraser) recommend that Shareholders vote in favour of the resolution. Without Shareholder approval, AGL may be unable to allow vesting of Michael Fraser's SPRs on cessation of his employment which may expose AGL to a substantial risk of claims by Michael Fraser for breach of contract or other legal action. A detailed explanation of the Shareholder approval AGL is seeking is set out below.

Detailed explanation of why AGL is seeking Shareholder approval

- 5 On 24 November 2009, significant changes were made to the provisions of the Corporations Act that deal with the circumstances in which shareholder approval is required for termination benefits to be given by a company to directors and certain senior executives (including Michael Fraser). However, certain 'grandfathering' provisions mean that the relevant provisions of the Corporations Act as they operated immediately prior to 24 November 2009 continue to apply to Michael Fraser. Under those provisions, AGL may only give Michael Fraser a benefit in connection with him ceasing to hold his position as Managing Director and Chief Executive Officer of AGL (or any other relevant office or position in AGL or any related body corporate of AGL) if an exemption applies or it is approved by Shareholders under section 200E.

- 6 In this context, AGL has reviewed the contractual arrangements that apply to Michael Fraser when he ceases employment to determine whether an exemption applies or whether Shareholder approval should be obtained for any benefits to which he may become entitled at that time, including under the LTIP.
- 7 Having undertaken this review, to ensure AGL is able to provide Michael Fraser with the termination benefits that he is currently, or may become, entitled to in respect of SPRs granted to him under the LTIP for the financial years ending between 30 June 2009 and 30 June 2014, should his employment with AGL come to an end in the circumstances described in paragraph 15 below, AGL is seeking advance Shareholder approval for the purposes of sections 200B and 200E of the Corporations Act. It is intended that this approval will be valid in relation to all SPRs granted to Michael Fraser for those years if Michael Fraser ceases to be employed in the circumstances specified in paragraph 15 below.
- 8 If approval is granted, Michael Fraser will or may become entitled to receive the benefits arising under the LTIP described below, in addition to any other termination benefits that AGL may provide to him where permitted to do so under the Corporations Act.
- 9 If approval is not granted, AGL may be unable to allow vesting of Michael Fraser's SPRs under the LTIP on the cessation of his employment with AGL in the circumstances specified below. This may expose AGL to a substantial risk of claims by Michael Fraser for breach of contract or other legal action.
- Operation of the LTIP**
- 10 Under the LTIP, Michael Fraser and other eligible executives may be granted SPRs. An SPR is not a security and is not quoted or transferable. On vesting, each SPR is converted into one AGL Share at no cost to the holder.
- 11 Following feedback from Shareholders about the operation of the LTIP, the Board reviewed and amended the LTIP, with effect from the financial year ended 30 June 2010, to greater align its operation with the performance of AGL. For this reason, the SPRs granted to Michael Fraser for the financial year ended 30 June 2009 are subject to different terms to those that apply to the SPRs granted or to be granted to him for the financial years ending between 30 June 2010 and 30 June 2014.
- 12 It is intended that the terms of the New LTIP will apply to grants of SPRs for the financial years ending between 30 June 2012 and 30 June 2014 (inclusive of both dates).
- 13 Details of the operation of the Old LTIP and the New LTIP are set out in the Remuneration Report in the AGL Annual Report 2011, a copy of which is available at www.agl.com.au. Annexure A to these Explanatory Notes also contains information about the operation of the New LTIP. In essence:
- (a) under the Old LTIP, SPRs will ordinarily only vest and be converted into one AGL Share per SPR (at no cost to Michael Fraser) if (and to the extent that) the applicable performance condition is met at the end of the measurement period starting on 1 October 2008 and ending on 23 September 2011 (being 30 calendar days after the announcement of AGL's annual results for the financial year ending 30 June 2011) or, where full vesting does not occur for that period, the measurement period starting on 1 October 2008 and ending on 21 September 2012 (being 30 calendar days after the announcement of AGL's annual results for the financial year ending 30 June 2012); and
 - (b) under the New LTIP, SPRs for each financial year ending between 30 June 2010 and 30 June 2014 will only be 'banked' for Michael Fraser (ie, recorded in one of his two notional share bank accounts) for the relevant financial year if (and to the extent that) AGL satisfies the applicable performance conditions for that financial year (as determined by the Board). On or about 1 September following the end of the relevant financial year, 40% of any SPRs 'banked' at that time will vest and be converted into one AGL Share per SPR (at no cost to Michael Fraser). The balance (if any) of each bank account at the end of a particular financial year is carried forward and may vest or be clawed back in future years, depending upon AGL's performance against the applicable performance conditions in those years.
- Treatment of SPRs on termination of employment**
- 14 If Michael Fraser ceases employment with AGL in the circumstances outlined in paragraph 15 below:
- (a) unvested SPRs granted to Michael Fraser under the Old LTIP for the financial year ended 30 June 2009 will vest if the performance conditions are met at the end of the TSR measurement period specified in paragraph 16 below or if the Board, in exceptional circumstances, waives the performance conditions; and
 - (b) to the extent that a notional share bank account held for Michael Fraser under the New LTIP has a positive balance (as a result of SPRs being banked because performance conditions have been met) for financial years ending on or after 30 June 2010, the number of SPRs recorded in the account will vest at the time of cessation of Michael Fraser's employment in the circumstances specified in paragraph 15 below.

15 The circumstances in which SPRs will vest on the basis set out in paragraph 14 above are:

- (a) death;
- (b) total and permanent disablement;
- (c) termination of his employment by AGL without cause (either with or without notice);
- (d) termination of his employment with AGL by Michael Fraser giving three months' notice after the occurrence of a fundamental change (on the basis provided for in Michael Fraser's employment contract);
- (e) redundancy;
- (f) retirement; or
- (g) cessation of his employment with AGL in such other circumstances as the Board in its absolute discretion may determine. The Board would only exercise this discretion in exceptional circumstances.

The circumstances described above were set out in the explanatory notes accompanying the 2008 Annual General Meeting. A copy of the explanatory notes accompanying the Notice of Meeting for the 2008 Annual General Meeting is available on the AGL website <http://www.agl.com.au/about/InvestorToolkit/Pages/GeneralMeetings.aspx>.

- 16 Where Michael Fraser ceases employment in any of the circumstances described above and continues to hold unvested SPRs under the Old LTIP in the year that this occurs, the measurement period for achievement of the applicable performance conditions will end in March or September of that year. This is when AGL will conduct an interim assessment of AGL's TSR performance against the TSR of the entities in the applicable comparator group. If Michael Fraser's employment ceases within four months of the last interim TSR measurement date, the measurement period will end on that previous interim TSR measurement date. If Michael Fraser's employment ceases at any other time, the measurement period will end on the next interim TSR measurement date in March or September (whichever is earlier) (the final TSR measurement date will be in September 2012 – see paragraph 13(a) above).
- 17 All unvested SPRs under the Old LTIP, and all banked SPRs under the New LTIP, will lapse if Michael Fraser ceases employment with AGL for any other reason. The treatment set out in paragraphs 14, 15 and 16 above is intended to apply in relation to SPRs granted or to be granted to Michael Fraser in respect of each financial year ending between 30 June 2009 and 30 June 2014 (inclusive of both dates).

Details of benefits for which Shareholder approval is sought

- 18 If Michael Fraser's employment ceases in any of the circumstances outlined above, the resulting vesting of his SPRs and their conversion into AGL Shares (at no cost to Michael Fraser) is likely to constitute AGL giving a termination benefit regulated by Part 2D.2 of the Corporations Act (as it operated immediately prior to 24 November 2009) to, or in respect of, Michael Fraser.
- 19 The following information about the value of any such benefits that may in future be provided to, or in respect of, Michael Fraser is provided for the purposes of section 200E of the Corporations Act:
- (a) The money value of any benefit constituted by the early vesting of SPRs granted to Michael Fraser under the Old LTIP, or banked for Michael Fraser under the New LTIP, and their conversion into AGL Shares, cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in subparagraph (c) below.
 - (b) The value of any such benefit given on cessation of Michael Fraser's employment will be calculated as equal to the aggregate value of all SPRs granted to Michael Fraser that vest, where the value of each SPR is determined as the closing market price on the ASX of an AGL Share on the day before the date of issue or transfer of AGL Shares on the vesting of the SPRs.
 - (c) The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance	Detail
<p>The total number of:</p> <ul style="list-style-type: none"> > unvested SPRs held by Michael Fraser under the Old LTIP; and > SPRs that are banked (ie, recorded in a notional share bank account) for Michael Fraser under the New LTIP, <p>at the time of cessation of his employment.</p> <p>For the New LTIP, this will (in turn) depend on the number of SPRs granted to Michael Fraser for each of the financial years ending on or after 30 June 2012, and AGL's performance against the performance conditions that apply to the grant of SPRs for each relevant financial year.</p>	<ul style="list-style-type: none"> > As set out in the Remuneration Report, Michael Fraser holds 107,639 SPRs that were granted under the Old LTIP for the financial year ended 30 June 2009. No further grants will be made to Michael Fraser under the Old LTIP. > As at 15 September 2011, the balances in the two notional share bank accounts held for Michael Fraser under the New LTIP were: <ul style="list-style-type: none"> > minus 22,986 SPRs (in Michael Fraser's account for the EBIT/Funds employed performance condition); and > 30,031 SPRs (in Michael Fraser's account for the TSR performance condition). > These figures show the total balance in those accounts after AGL's performance against the performance conditions for the financial year ended 30 June 2011 was determined, and following the vesting and conversion into AGL Shares, in early September 2011, of 40% of the SPRs then banked in Michael Fraser's notional share bank account for the TSR performance condition. > For the financial year ending 30 June 2012, Michael Fraser is entitled to receive a notional grant of the number of SPRs calculated by dividing \$2,080,000 (being his TFR for the year commencing 1 September) by the VWAP at which AGL Shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year. > For the financial years ending 30 June 2013 and 30 June 2014, Michael Fraser may be entitled to receive a notional grant of the number of SPRs calculated by dividing the long term incentive opportunity amount determined by the Board for the relevant financial year (which will not exceed the amount of Michael Fraser's TFR as at 30 June in the relevant financial year) by the VWAP at which AGL Shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year. Michael Fraser's TFR is reviewed at least annually having regard to his performance in the prior financial year and market conditions (among other things). As a result of this review, Michael Fraser's TFR may be increased from time to time, but may not be decreased without his consent. > The maximum number of SPRs that may ultimately be 'banked' for Michael Fraser (and therefore vest) under the New LTIP for each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 will then be determined by reference to AGL's performance against performance conditions determined by the Board from time to time. The current applicable performance conditions and the number of SPRs that are banked for specified levels of performance against these conditions are set out in the Remuneration Report. > For the financial years ending between 30 June 2012 and 30 June 2014, where AGL achieves the highest performance targets, the maximum number of SPRs that will be banked will be two times the number of SPRs notionally granted for the relevant financial year. > Information about the performance conditions for SPRs under the New LTIP, and the number of SPRs that are banked and vest at the end of each financial year, will be included in the AGL Annual Report for the relevant year. > The total number of SPRs that are banked for Michael Fraser under the New LTIP at the time of cessation of his employment will also depend on whether (and the extent to which) any SPRs banked for a prior financial year are subsequently clawed back (by deduction from his notional share bank account) as a result of AGL's performance against the performance conditions in a later year.

Matter, event or circumstance	Detail
<p>For invested SPRs granted to Michael Fraser under the Old LTIP, the number of those SPRs that vest. This will (in turn) depend on AGL's performance against the applicable performance conditions for the relevant measurement period (unless the performance condition is, in exceptional circumstances, waived by the Board).</p>	<ul style="list-style-type: none"> > The number of SPRs granted under the Old LTIP for the financial year ending 30 June 2009 that vest will be determined by reference to a performance condition which involves measuring AGL's TSR against the TSR of the entities in a comparator group of ASX listed companies over the relevant measurement period (unless the performance condition is, in exceptional circumstances, waived by the Board in its discretion). Where Michael Fraser's employment comes to an end in the circumstances specified in paragraph 15 above, the relevant measurement period will be from 1 October 2008 to either March or September in the year in which his employment ceases (as outlined in paragraph 16 above). > Further details of the performance conditions that apply to the 2009 SPRs are set out in the Remuneration Report.
<p>The closing market price of an AGL Share on the ASX trading day immediately before the date of issue or transfer of the AGL Shares on the vesting of the SPRs following Michael Fraser ceasing employment.</p>	

What happens if Shareholder approval is not obtained?

- 20 If Shareholder approval is not obtained, AGL may be unable to allow vesting of SPRs granted to Michael Fraser under the Old LTIP, or vesting of SPRs that have been banked for Michael Fraser under the New LTIP, if he ceases to hold the position of Managing Director and Chief Executive Officer (or any other relevant office or position of employment with AGL or any related body corporate of AGL) in the circumstances specified in paragraph 15 above. Failure to do so may expose AGL to a substantial risk of claims by Michael Fraser for breach of contract or other legal action.

Director's recommendation

The Directors (other than Michael Fraser) recommend that Shareholders vote in favour of the proposed resolution in Item 5. As Michael Fraser has a personal interest in the proposed resolution, he makes no recommendation as to how Shareholders should vote on the resolution.

ITEM 6

Approval of Termination Benefits for Stephen Mikkelsen and Jane Thomas

Purpose of resolution

- 1 The purpose of the proposed resolution in Item 6 is to ensure AGL is able to comply with the terms of its Service Contracts with Stephen Mikkelsen (Chief Financial Officer) and Jane Thomas (Group Head of People and Culture) and to provide the incentives established for them under the LTIP, by obtaining Shareholder approval under the Corporations Act to give certain benefits to Stephen Mikkelsen and Jane Thomas which they may be eligible to receive on termination of their employment in certain circumstances. The resolution does not propose or allow any variation to the terms of the existing Service Contracts for Stephen Mikkelsen or Jane Thomas.

Summary of why AGL is seeking Shareholder approval

- 2 As members of AGL's Executive Team, Stephen Mikkelsen and Jane Thomas are provided with a range of benefits in recognition of their service to AGL.
- 3 There is potential for certain benefits to be provided on termination of the employment of Stephen Mikkelsen or Jane Thomas in specified circumstances. For example, under the LTIP there is potential for SPRs granted to Stephen Mikkelsen or Jane Thomas to vest on termination of their employment in circumstances including death, total and permanent disablement and retirement (see paragraph 21 below for a full list of relevant circumstances).
- 4 The purpose of this resolution is to seek Shareholder approval, for the purposes of the Corporations Act, for certain benefits to be given to Stephen Mikkelsen and Jane Thomas on termination of their employment in the circumstances set out below.
- 5 The Directors (other than Michael Fraser) recommend that Shareholders vote in favour of the resolution. Without Shareholder approval, AGL may be unable to provide Stephen Mikkelsen and Jane Thomas with the benefits described below on cessation of their employment. This may expose AGL to a substantial risk of claims by Stephen Mikkelsen or Jane Thomas for breach of contract or other legal action.
- 6 A detailed explanation of the Shareholder approval AGL is seeking is set out below.

Detailed explanation of why AGL is seeking Shareholder approval

- 7 On 24 November 2009, significant changes were made to the provisions of the Corporations Act that deal with the circumstances in which Shareholder approval is required for termination benefits to be given by a company to directors and certain senior executives. However, certain 'grandfathering' provisions mean that the relevant provisions of the Corporations Act as they operated immediately prior to 24 November 2009 continue to apply to Stephen Mikkelsen and Jane Thomas. (In contrast, the relevant new Corporations Act provisions apply to some other members of the Executive Team – see the proposed resolution in Item 7).
- 8 Under those Corporations Act provisions, AGL may only give Stephen Mikkelsen and Jane Thomas a benefit in connection with them ceasing to hold their position with AGL (or any other relevant office or position in AGL or any related body corporate of AGL) if an exemption applies or it is approved by Shareholders under section 200E.
- 9 In this context, AGL has reviewed the contractual arrangements that apply to Stephen Mikkelsen and Jane Thomas when they cease employment to determine whether an exemption applies or whether Shareholder approval should be obtained for any benefits to which they may become entitled at that time.

- 10 Having undertaken this review, to ensure AGL is able to provide Stephen Mikkelsen and Jane Thomas with their benefits on termination, AGL is seeking advance Shareholder approval for the purposes of sections 200B and 200E of the Corporations Act in relation to the benefits described below.
- 11 If approval is granted, Stephen Mikkelsen and Jane Thomas will or may become entitled to receive the relevant benefits described below, in addition to any other termination benefits that AGL may provide to them where permitted to do so under the Corporations Act.
- 12 If approval is not granted, AGL may be unable to provide Stephen Mikkelsen or Jane Thomas with the benefits described below on the cessation of their employment with AGL in the circumstances specified below. This may expose AGL to a substantial risk of claims by Stephen Mikkelsen or Jane Thomas for breach of contract or other legal action.

Details of benefits for which Shareholder approval is sought

- 13 The categories of benefits for which AGL is seeking Shareholder approval in respect of Stephen Mikkelsen and Jane Thomas are:
 - (a) payments for past services; and
 - (b) the vesting of SPRs under the LTIP on termination of employment.

Payments for past services

- 14 Stephen Mikkelsen and Jane Thomas may each become entitled to a termination payment equal to 9 months' TFR where:
 - (a) AGL terminates the employment of Stephen Mikkelsen or Jane Thomas (as the case may be) by giving 3 months' notice, except that this payment will not be made if AGL terminates their employment:
 - (i) summarily for serious or wilful misconduct; or
 - (ii) with notice in circumstances of unsatisfactory performance; or
 - (b) Stephen Mikkelsen or Jane Thomas (as the case may be) terminates their employment in circumstances of material diminution of duties, status or responsibilities.
- 15 Any such termination payment would constitute a termination benefit regulated by the relevant old provisions of the Corporations Act and AGL is seeking advance Shareholder approval for these termination payments.
- 16 For the purposes of section 200E of the Corporations Act, important information about the value of any such termination payment that may be made in the future to Stephen Mikkelsen and Jane Thomas is set out in Annexure B to these Explanatory Notes under the heading 'Payments for past services' (see page 25).
- 17 Any payment for past services will be in addition to any payment in lieu of notice made to Stephen Mikkelsen or Jane Thomas. The maximum notice period that applies to them under their existing employment contracts in circumstances where they may receive a payment for past services is 3 months.

LTIP entitlements on termination of employment

- 18 Stephen Mikkelsen and Jane Thomas participate in the Old LTIP for the financial year ending 30 June 2009 and the New LTIP for the subsequent financial years to which this Item 6 relates (see paragraphs 11 – 13 of the Explanatory Notes to the proposed resolution in Item 5 for a brief explanation of the Old LTIP and New LTIP).
- 19 Details about the operation of the Old LTIP and the New LTIP are set out in the Remuneration Report in the AGL Annual Report 2011, a copy of which is available at www.agl.com.au. Annexure A to these Explanatory Notes also contains information about the operation of the New LTIP.
- 20 If Stephen Mikkelsen or Jane Thomas ceases employment with AGL in the circumstances outlined in paragraph 21 below:
- unvested SPRs granted to Stephen Mikkelsen or Jane Thomas under the Old LTIP for the financial year ended 30 June 2009 will vest if (and to the extent that) the applicable performance conditions are met at the end of the TSR measurement period specified in paragraph 21 below or if the Board, in exceptional circumstances, waives the performance conditions; and
 - to the extent that a notional share bank account held for Stephen Mikkelsen or Jane Thomas under the New LTIP has a positive balance (as a result of SPRs being banked because performance conditions have been met) for financial years ending on or after 30 June 2010, the number of SPRs recorded in the account will vest at the time of cessation of Stephen Mikkelsen's or Jane Thomas' employment (as the case may be) in the circumstances specified in paragraph 21 below.
- 21 The circumstances in which Stephen Mikkelsen's or Jane Thomas' SPRs will vest on the basis set out in paragraph 20 above are:
- death;
 - total and permanent disablement;
 - redundancy;
 - retirement; or
 - cessation of employment with AGL in such other circumstances as the Board in its absolute discretion may determine. The Board would only exercise this discretion in exceptional circumstances.
- 22 Where Stephen Mikkelsen or Jane Thomas ceases employment in any of the circumstances described above and continues to hold unvested SPRs under the Old LTIP in the year that this occurs, the measurement period for achievement of the applicable performance conditions will end in March or September of that year. This is when AGL will conduct an interim assessment of AGL's TSR performance against the TSR of the entities in the applicable comparator group. The applicable interim measurement date will be determined in the same way as for Michael Fraser, as outlined in paragraph 16 above in the Explanatory Notes to the proposed resolution in Item 5.
- 23 All unvested SPRs under the Old LTIP and banked SPRs under the New LTIP will lapse if Stephen Mikkelsen or Jane Thomas ceases employment with AGL for any other reason. The treatment set out in paragraphs 20, 21 and 22 above is intended to apply in relation to SPRs granted or to be granted to Stephen Mikkelsen or Jane Thomas in respect of each financial year ending between 30 June 2009 and 30 June 2014 (inclusive of both dates).
- 24 If Stephen Mikkelsen's or Jane Thomas' employment ceases in any of the circumstances outlined in paragraph 21 above, the resulting vesting of their SPRs and the conversion of those SPRs into AGL Shares (at no cost to them) may constitute AGL giving a termination benefit regulated by the old provisions of Part 2D.2 of the Corporations Act to, or in respect of, Stephen Mikkelsen or Jane Thomas (as the case may be).
- 25 In this context, AGL is seeking advance Shareholder approval, for the purposes of the Corporations Act, of the potential vesting of SPRs granted to Stephen Mikkelsen and Jane Thomas under the LTIP for the financial years ending between 30 June 2009 and 30 June 2014 (inclusive of both dates) on termination of their employment in the circumstances specified in paragraph 21 above.
- 26 For the purposes of section 200E of the Corporations Act, important information about the value of any such benefits that may in future be provided to Stephen Mikkelsen and Jane Thomas under the LTIP is set out in Annexure B to these Explanatory Notes under the heading '*LTIP entitlements on termination of employment*' (see page 25).

What happens if Shareholder approval is not obtained?

- 27 If Shareholder approval is not obtained, AGL may be unable to provide the benefits described above if Stephen Mikkelsen or Jane Thomas ceases to hold a relevant office or position of employment with AGL or any related body corporate of AGL in the circumstances specified above. Failure to do so may expose AGL to a substantial risk of claims by Stephen Mikkelsen or Jane Thomas for breach of contract or other legal action.

Directors' Recommendation

The Directors of AGL (other than Michael Fraser) recommend that Shareholders vote in favour of the proposed resolution in Item 6.

ITEM 7

Approval of Termination Benefits for Anthony Fowler, Paul McWilliams and Michael Moraza

Purpose of resolution

- 1 The purpose of the proposed resolution in Item 7 is to ensure AGL is able to comply with the terms of its Service Contracts with each of Anthony Fowler (Group General Manager, Merchant Energy), Paul McWilliams (Company Secretary and Group Head of Corporate Services) and Michael Moraza (Group General Manager, Upstream Gas) and to provide the incentives established for them under the LTIP, by obtaining Shareholder approval under the Corporations Act to provide certain benefits which they may be eligible to receive on termination of their employment in certain circumstances. The resolution does not propose or allow any variation to the terms of the existing Service Contracts for Anthony Fowler, Paul McWilliams or Michael Moraza.

Summary of why AGL is seeking Shareholder approval

- 2 As members of AGL's Executive Team, Anthony Fowler, Paul McWilliams and Michael Moraza are provided with a range of benefits in recognition of their service to AGL.
- 3 There is potential for certain benefits to be provided on termination of their employment in specified circumstances. For example, under the LTIP there is potential for SPRs granted to Anthony Fowler, Paul McWilliams or Michael Moraza to vest on termination of their employment in circumstances including death, total and permanent disablement and retirement (see paragraph 29 below for a full list of relevant circumstances).
- 4 The purpose of this resolution is to seek Shareholder approval, for the purposes of the Corporations Act, for certain benefits to be given to Anthony Fowler, Paul McWilliams and Michael Moraza on termination of their employment in the circumstances set out below.
- 5 The Directors (other than Michael Fraser) recommend that Shareholders vote in favour of the resolution. Without Shareholder approval, AGL may be unable to provide Anthony Fowler, Paul McWilliams and Michael Moraza with the benefits described below on cessation of their employment. This may expose AGL to a substantial risk of claims by Anthony Fowler, Paul McWilliams or Michael Moraza for breach of contract or other legal action.
- 6 A detailed explanation of the Shareholder approval AGL is seeking is set out below.

Detailed explanation of why AGL is seeking Shareholder approval

- 7 On 24 November 2009, significant changes were made to the provisions of the Corporations Act that deal with the circumstances in which Shareholder approval is required for termination benefits to be given by a company to directors and certain senior executives. The new Corporations Act provisions apply to Anthony Fowler, Paul McWilliams and Michael Moraza. (Certain 'grandfathering' provisions mean that the relevant provisions of the Corporations Act as they operated immediately prior to 24 November 2009 continue to apply to some other senior executives – see the proposed resolutions in Items 5 and 6).
- 8 Under those Corporations Act provisions, AGL may only give Anthony Fowler, Paul McWilliams or Michael Moraza a benefit in connection with them ceasing to hold their position with AGL (or any other relevant office or position in AGL or any related body corporate of AGL) if an exemption applies or it is approved by Shareholders under section 200E.
- 9 One of the main differences between the relevant old and new provisions of the Corporations Act is that the new provisions greatly reduce the termination benefits that AGL can provide to Anthony Fowler, Paul McWilliams or Michael Moraza without Shareholder approval. Specifically, the new provisions significantly reduce the aggregate value of termination payments that can be made by AGL or any relevant superannuation fund without Shareholder approval (in general terms, to a maximum of up to one year's average base salary from a maximum of up to 7 years' average remuneration under the old provisions).
- 10 In this context, AGL has reviewed the contractual arrangements that apply to Anthony Fowler, Paul McWilliams and Michael Moraza when they cease employment to determine whether an exemption applies or whether Shareholder approval should be obtained for any benefits to which they may become entitled at that time.
- 11 Having undertaken this review, to ensure AGL and any relevant superannuation fund is able to provide Anthony Fowler, Paul McWilliams and Michael Moraza with their benefits on termination, AGL is seeking advance Shareholder approval for the purposes of sections 200B and 200E of the Corporations Act in relation to the benefits described below.
- 12 If approval is granted, each of Anthony Fowler, Paul McWilliams and Michael Moraza will or may become entitled to receive the relevant benefits described below, in addition to any other termination benefits that AGL may provide to them where permitted to do so under the Corporations Act.
- 13 If approval is not granted, AGL may be unable to provide Anthony Fowler, Paul McWilliams or Michael Moraza with the benefits described below on the cessation of their employment with AGL in the circumstances specified below. This may expose AGL to a substantial risk of claims by Anthony Fowler, Paul McWilliams or Michael Moraza for breach of contract or other legal action.

Details of benefits for which Shareholder approval is sought

- 14 The categories of benefits for which AGL is seeking Shareholder approval in respect of Anthony Fowler, Paul McWilliams and Michael Moraza are:
- (a) payments in lieu of notice;
 - (b) payments for past services;
 - (c) superannuation benefits – for Anthony Fowler and Paul McWilliams (Michael Moraza is not included for the reasons referred to in paragraph 24 below); and
 - (d) the vesting of SPRs under the LTIP on termination of employment.

Payments in lieu of notice

- 15 In line with usual employment practice:
- (a) AGL may terminate the employment of Anthony Fowler, Paul McWilliams or Michael Moraza by giving a specified period of notice or by making a payment in lieu of some or all of that notice period; and
 - (b) each of them may resign by giving a specified period of notice and AGL may elect to make them a payment in lieu of some or all of their notice period.
- 16 Making a payment in lieu of notice to Anthony Fowler, Paul McWilliams or Michael Moraza would constitute a termination benefit regulated by the relevant new provisions of the Corporations Act. AGL is seeking advance Shareholder approval to permit it to make payments in lieu of notice to each of Anthony Fowler, Paul McWilliams and Michael Moraza on the termination of their employment by AGL, or by the relevant executive, in the circumstances specified in paragraph 17(c) (see the first row of the table).
- 17 The following information about the value of any such payment that may in future be made to Anthony Fowler, Paul McWilliams or Michael Moraza is provided for the purposes of section 200E of the Corporations Act:
- (a) The money value of any payment in lieu of notice cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in subparagraph (c) below.
 - (b) The value of each such payment will be calculated as equal to the amount (before tax) of the TFR that would have been payable by AGL to the relevant executive, for the period in respect of which the payment in lieu of notice is being made, if the executive had remained in employment for that period on the terms and conditions of employment applying immediately prior to the date of cessation of their employment.
 - (c) The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Explanatory Notes

Matter, event or circumstance	Detail														
<p>The notice period to which the relevant executive is entitled or subject under their employment contract in the relevant circumstances.</p>	<p>Under their current employment contracts, the notice periods for Anthony Fowler, Paul McWilliams and Michael Moraza are as set out below. In circumstances of serious or wilful misconduct, AGL is not required to give notice and these periods therefore would not apply.</p> <table border="1" data-bbox="501 459 1441 1086"> <thead> <tr> <th data-bbox="501 459 718 533">Name</th> <th data-bbox="718 459 1077 533">Notice period for termination by AGL</th> <th data-bbox="1077 459 1441 533">Notice period for resignation by executive</th> </tr> </thead> <tbody> <tr> <td data-bbox="501 533 718 683">Anthony Fowler</td> <td data-bbox="718 533 1077 683">3 months' notice</td> <td data-bbox="1077 533 1441 683">6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)</td> </tr> <tr> <td data-bbox="501 683 718 873">Paul McWilliams</td> <td data-bbox="718 683 1077 873">6 months' notice in circumstances of unsatisfactory performance 3 months' notice in all other circumstances</td> <td data-bbox="1077 683 1441 873">6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)</td> </tr> <tr> <td data-bbox="501 873 718 1086">Michael Moraza</td> <td data-bbox="718 873 1077 1086">Not less than 3 months' notice in circumstances of ongoing incapacity or illness 3 months' notice in all other circumstances</td> <td data-bbox="1077 873 1441 1086">3 months' notice (or, in circumstances of material diminution of his authority and status or reduction in the scope of his duties, not less than 1 month)</td> </tr> </tbody> </table>			Name	Notice period for termination by AGL	Notice period for resignation by executive	Anthony Fowler	3 months' notice	6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)	Paul McWilliams	6 months' notice in circumstances of unsatisfactory performance 3 months' notice in all other circumstances	6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)	Michael Moraza	Not less than 3 months' notice in circumstances of ongoing incapacity or illness 3 months' notice in all other circumstances	3 months' notice (or, in circumstances of material diminution of his authority and status or reduction in the scope of his duties, not less than 1 month)
Name	Notice period for termination by AGL	Notice period for resignation by executive													
Anthony Fowler	3 months' notice	6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)													
Paul McWilliams	6 months' notice in circumstances of unsatisfactory performance 3 months' notice in all other circumstances	6 months' notice (or, in circumstances of material diminution of his duties, status or responsibilities, 3 months)													
Michael Moraza	Not less than 3 months' notice in circumstances of ongoing incapacity or illness 3 months' notice in all other circumstances	3 months' notice (or, in circumstances of material diminution of his authority and status or reduction in the scope of his duties, not less than 1 month)													
<p>The TFR to which the relevant executive is entitled under their terms and conditions of employment immediately prior to the date of cessation of their employment.</p>	<p>Information about the TFR for each of Anthony Fowler, Paul McWilliams and Michael Moraza is set out in Annexure B to these Explanatory Notes, under the heading 'Payments for past services' (see page 25).</p>														
<p>The period (if any) for which AGL decides to make a payment in lieu of notice.</p>	<p>Under the employment contract with each of Anthony Fowler, Paul McWilliams and Michael Moraza, AGL may elect to make a payment in lieu of notice for all or some of the applicable notice period.</p>														

Payments for past services

- 18 Anthony Fowler, Paul McWilliams and Michael Moraza may become entitled to a termination payment equal to 9 months' TFR as follows:
- (a) in relation to Anthony Fowler and Paul McWilliams, where:
 - (i) AGL terminates the employment of Anthony Fowler or Paul McWilliams (as the case may be) by giving 3 months' notice (except that this payment will not be made if AGL terminates their employment summarily for serious or wilful misconduct or AGL terminates Paul McWilliams's employment with notice in circumstances of unsatisfactory performance); or
 - (ii) Anthony Fowler or Paul McWilliams terminates their employment in circumstances of material diminution of duties, status or responsibilities; and
 - (b) in relation to Michael Moraza, where his employment is terminated (including where Michael Moraza gives not less than one month notice if there is a material diminution of his authority and status or reduction in the scope of his duties), except in the following circumstances:
 - (i) AGL terminates Michael Moraza's employment without notice (in the circumstances – including of misconduct – provided for in Michael Moraza's employment contract); or
 - (ii) Michael Moraza terminates his employment by giving three months' notice for any reason (other than as a result of a material diminution of his authority or status or reduction in scope of his duties as described above).
- 19 Any such termination payment would constitute a termination benefit regulated by the relevant new provisions of the Corporations Act and AGL is seeking advance Shareholder approval for these termination payments.
- 20 For the purposes of section 200E of the Corporations Act, important information about the value of any such termination payment that may be made in future to Anthony Fowler, Paul McWilliams or Michael Moraza is set out in Annexure B to these Explanatory Notes under the heading 'Payments for past services' (see page 25).
- 21 Any payment for past services will be in addition to any payment in lieu of notice made to Anthony Fowler, Paul McWilliams or Michael Moraza. Details of the notice periods applicable to them are set out in paragraph 17(c) above.
- ### Superannuation benefits
- 22 AGL makes compulsory superannuation contributions required by Australian law (currently at a rate of 9% subject to an annual cap of \$15,775) on behalf of executives (including Anthony Fowler and Paul McWilliams) into their nominated superannuation funds so as not to incur the superannuation guarantee charge. Additional superannuation contributions are also currently made by AGL at the request of a number of executives including Anthony Fowler and Paul McWilliams on a salary sacrifice basis.
- 23 Payment by a superannuation fund of all or part of an executive's accrued superannuation benefits (by way of a lump sum or pension) could (at least to the extent that they are referable to the contributions made by AGL or a related body corporate in respect of the executive or by, or on behalf of, the executive) be regarded as a benefit provided in connection with their retirement from a relevant office, and may therefore be regulated by the Corporations Act.
- 24 AGL is seeking advance Shareholder approval for the future payment by any Australian complying superannuation fund of the accrued superannuation benefits of Anthony Fowler and Paul McWilliams, respectively. AGL is not seeking Shareholder approval for Michael Moraza as he is a member of a defined benefits superannuation fund, to which a different regime applies.
- 25 The following information about the value of the superannuation payments that may in future be made in respect of each of Anthony Fowler and Paul McWilliams is provided for the purposes of section 200E of the Corporations Act:
- (a) The money value of any such payments cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in subparagraph (c) below.
 - (b) The value of each such payment will be calculated as being equal to the amount of the benefit (before tax) to which the relevant executive (or their estate, legal personal representative or other nominated beneficiary) is entitled under the governing rules of the superannuation fund making the payment. For example, where the relevant executive is entitled to a lump sum benefit from an accumulation fund, the value of the payment will be equal to the balance of the account or accounts held in respect of the executive in the fund less any fees, charges and expenses payable on payment of the benefit. Taxes may also be required to be withheld by the fund on payment of the benefit. Typically, the value of the payment (before tax) would be referable to the total of all contributions made by AGL (or any related body corporate) in respect of the relevant executive, and all contributions made by the executive or on their behalf, to the relevant fund (or to a fund from which any of the benefit has been transferred or rolled over) and any additional amounts that may be credited to the executive's account by the trustee of the fund at the request of AGL (or a related body corporate), adjusted to reflect any earnings or capital growth or loss attributable to those contributions, less any fees, charges and expenses deducted by the fund in respect of the executive's relevant superannuation account, and plus the amount of any insurance proceeds paid to the fund in respect of the relevant executive.
 - (c) The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance

The total amount of superannuation contributions made by AGL or a related body corporate in respect of the relevant executive for each year (or part year) of service with AGL or a related body corporate. This will, in turn, depend on:

- > the rate at which AGL or a related body corporate makes and has made superannuation contributions in respect of the relevant executive and his or her base salary for each year of service;
- > the total amount (if any) of contributions made by AGL or a related body corporate for the relevant executive under a 'salary sacrifice' arrangement – that is, in lieu of base salary or other remuneration that the executive would otherwise have been entitled to be paid in cash; and
- > the total period (or periods) during which the relevant executive is an employee of AGL or a related body corporate and superannuation contributions are made for the executive.

The total contributions made in respect of the relevant executive to the relevant superannuation fund by the executive or any person other than AGL or a related body corporate.

The investment performance of the relevant superannuation fund (and of any fund from which any of the relevant executive's benefit has been transferred or rolled over) over the period during which the relevant executive remains a member of the relevant fund. This will, in turn, be affected by the investment strategy of the fund (and, where member investment choice is offered, the investment option chosen by the relevant executive), the range and type of assets in which the relevant executive's assets are invested, movements in the value of those assets over that period, investment fees and charges, and general market and economic conditions.

The fees, costs and expenses deducted from the relevant executive's account in the relevant fund (and in any fund from which any of their benefit has been transferred or rolled over).

The nature of any insurance policies held by the trustee of the fund referable to the relevant executive and the circumstances insured under, and other terms applicable to, such policies.

The amount of any taxes in respect of the fund deducted from the relevant executive's account in the fund (and any fund from which their superannuation benefit has been transferred).

The circumstances giving rise to a payment of superannuation benefits. For example, the death or total and permanent incapacity of the relevant executive resulting in the payment of insurance by the fund.

Depending on the governing rules of the particular fund, whether AGL or a related body corporate requests the trustee of the fund to increase the executive's benefit by crediting an additional amount to the executive's account, and the amount of any such increase.

The manner in which the governing rules of the fund provide for calculation of the relevant superannuation benefit.

LTIP entitlements on termination of employment

- 26 Anthony Fowler, Paul McWilliams and Michael Moraza participate in the Old LTIP for the financial year ending 30 June 2009 and the New LTIP for the subsequent financial years to which this Item 7 relates (see paragraphs 11 – 13 of the Explanatory Notes to the proposed resolution in Item 5 for a brief explanation of the Old LTIP and New LTIP).
- 27 Details about the operation of the Old LTIP and the New LTIP are set out in the Remuneration Report in the AGL Annual Report 2011, a copy of which is available at www.agl.com.au. Annexure A to these Explanatory Notes also contains information about the operation of the New LTIP.
- 28 If Anthony Fowler, Paul McWilliams or Michael Moraza ceases employment with AGL in the circumstances outlined in paragraph 29 below:
- (a) unvested SPRs granted to the relevant executive under the Old LTIP for the financial year ended 30 June 2009 will vest if (and to the extent that) the applicable performance conditions are met at the end of the TSR measurement period specified in paragraph 30 below or if the Board, in exceptional circumstances, waives the performance conditions; and
 - (b) to the extent that a notional share bank account held by the relevant executive under the New LTIP has a positive balance (as a result of SPRs being banked because performance conditions have been met) for financial years ending on or after 30 June 2010, the number of SPRs recorded in the account will vest at the time of cessation of the executive's employment in the circumstances specified in paragraph 29 below.

29 The circumstances in which Anthony Fowler's, Paul McWilliams' and Michael Moraza's SPRs will vest on the basis set out in paragraph 28 above are:

- (a) death;
- (b) total and permanent disablement;
- (c) redundancy;
- (d) retirement; or
- (e) cessation of employment with AGL in such other circumstances as the Board in its absolute discretion may determine. The Board would only exercise this discretion in exceptional circumstances.

30 Where Anthony Fowler, Paul McWilliams or Michael Moraza ceases employment in any of the circumstances described above and continues to hold unvested SPRs under the Old LTIP in the year that this occurs, the measurement period for achievement of the applicable performance conditions will end in March or September of that year. This is when AGL will conduct an interim assessment of AGL's TSR performance against the TSR of the entities in the applicable comparator group. The applicable interim measurement date will be determined in the same way as for Michael Fraser, as outlined in paragraph 16 above in the Explanatory Notes to the proposed resolution in Item 5.

31 All unvested SPRs under the Old LTIP and banked SPRs under the New LTIP will lapse if Anthony Fowler, Paul McWilliams or Michael Moraza ceases employment with AGL for any other reason. The treatment set out in paragraphs 28, 29 and 30 above is intended to apply in relation to SPRs granted or to be granted to Anthony Fowler, Paul McWilliams or Michael Moraza in respect of each financial year ending between 30 June 2009 and 30 June 2014 (inclusive of both dates).

32 If Anthony Fowler's, Paul McWilliams' or Michael Moraza's employment ceases in any of the circumstances outlined in paragraph 29 above, the resulting vesting of their SPRs and the conversion of those SPRs into AGL Shares (at no cost to them) may constitute AGL giving a termination benefit regulated by the new provisions of Part 2D.2 of the Corporations Act to, or in respect of, Anthony Fowler, Paul McWilliams or Michael Moraza (as the case may be).

33 In this context, AGL is seeking advance Shareholder approval for the purposes of the Corporations Act of the potential vesting of SPRs granted to Anthony Fowler, Paul McWilliams and Michael Moraza under the LTIP for the financial years ending between 30 June 2009 and 30 June 2014 (inclusive of both dates) on termination of their employment in the circumstances specified in paragraph 29 above.

34 For the purposes of section 200E of the Corporations Act, important additional information about the value of any such benefits that may in future be provided to, or in respect of, Anthony Fowler, Paul McWilliams or Michael Moraza is set out in Annexure B to these Explanatory Notes under the heading '*LTIP entitlements on termination of employment*' (see page 25).

What happens if Shareholder approval is not obtained?

35 If Shareholder approval is not obtained, AGL may be unable to provide the benefits described above if Anthony Fowler, Paul McWilliams or Michael Moraza ceases to hold a relevant office or position of employment with AGL or any related body

corporate of AGL in the circumstances specified above. Failure to do so may expose AGL to a substantial risk of claims by Anthony Fowler, Paul McWilliams or Michael Moraza for breach of contract or other legal action.

Director's recommendation

The Directors of AGL (other than Michael Fraser) recommend that Shareholders vote in favour of the proposed resolution in Item 7.

ITEM 8

Adoption of new Constitution

- 1 Since AGL adopted its Constitution in 2006 there have been a number of developments in law, corporate and commercial practice and corporate governance principles for ASX listed companies. It is proposed to alter AGL's current Constitution to reflect some of these developments as well as insert takeover approval provisions which require that a proportional takeover bid be approved by a majority of shareholders before it may proceed.
- 2 The Board recommends that AGL adopt a new Constitution which reflects these matters rather than make each of the recommended amendments to the existing Constitution.
- 3 A copy of AGL's existing Constitution and the proposed new Constitution with changes to the existing Constitution highlighted for ease of reference are available on AGL's website www.agl.com.au. Copies are also available for inspection at AGL's registered office at Level 22, 101 Miller Street, North Sydney, New South Wales 2060 and at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.
- 4 The key proposed changes are summarised below:

Proportional takeover approval provisions – Clause 12

- 5 The Corporations Act permits a company to include in its constitution provisions called "Takeover Approval Provisions" which require that a proportional takeover bid be approved by a majority of shareholders before it may proceed. A proportional takeover bid is a bid in respect of a specified proportion, being less than 100%, of each shareholder's shares.
- 6 The takeover approval provisions are contained in clause 12 of the proposed new Constitution. These provisions are similar to the takeover approval provisions which were contained in AGL's Constitution when AGL was initially listed. If this resolution is approved the takeover approval provisions will have effect for three years from the date of adoption of the new Constitution unless renewed by Shareholders by special resolution.

The Corporations Act requires AGL to provide Shareholders with an explanation of the proposed takeover approval provisions so that Shareholders may make an informed decision on whether to support or oppose the insertion of these provisions. That explanation is set out below.

(a) What is a proportional takeover bid?

A proportional takeover bid is a takeover offer sent to all shareholders of a company, but only in respect of a specified portion of each shareholder's shares. Accordingly, if a shareholder accepts the offer under a proportional takeover bid, the shareholder will only dispose of the specified portion of their shares in the company and retain the balance of the shares. The specified portion must be the same for each shareholder's shares.

(b) Effect of the provisions to be included

If a proportional takeover bid is made to shareholders of AGL, the proportional takeover provisions will require the Board to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover offer.

That meeting must be held at least 14 days before the offers under the proportional takeover bid close.

The resolution will be taken to have been passed if a simple majority of shares voted at the meeting (at least 50%), excluding the shares of the bidder and its associates, vote in favour of the resolution. The Directors will breach the Corporations Act if they fail to ensure that an approving resolution is voted on. However, if no approving resolution is voted on before the end of the 14th day before the close of the offer, the resolution approving the proportional takeover bid will be deemed to have been passed. Where the resolution approving the bid is passed or deemed to have been passed, transfers of shares resulting from acceptances of the offer will be registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and AGL's Constitution. If the approving resolution is rejected, then in accordance with the Corporations Act, the bid will be deemed to be withdrawn and transfers that would have resulted from acceptance of the proportional takeover bid will not be registered.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for three years after the date of adoption of the provisions. The provisions may be renewed, but only by a special resolution.

(c) Reasons for proposing the resolution

The Directors consider that Shareholders should have the opportunity to approve the insertion of the proposed takeover approval provisions in AGL's Constitution. Without these provisions, a proportional takeover bid for AGL may result in effective control of AGL passing without Shareholders having the opportunity to dispose of all of their shares to the bidder. Accordingly, Shareholders could be at risk of control of AGL passing to the bidder without payment of an adequate control premium for all their shares while leaving them as part of a minority interest in AGL.

The proposed takeover approval provisions deal with this possibility by providing that if a proportional takeover bid is made for AGL Shares, Shareholders must vote on whether or not a proportional takeover bid should be permitted to proceed. The bidder and its associates may not vote on the matter and accordingly cannot influence the outcome.

The benefit of the provisions is that Shareholders are able to decide collectively whether the proportional bid is acceptable in principle, which may help ensure that any proportional bid is appropriately priced.

(d) No knowledge of present acquisition proposals

As at the date on which these Explanatory Notes are prepared, no Director is aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in AGL.

(e) Potential advantages and disadvantages for the Directors and Shareholders of AGL

The insertion of the proposed takeover approval provisions will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid. Without such provisions, the Directors are dependent upon their perception

of the interests and views of Shareholders. Other than this advantage, the Directors consider that the insertion of the proposed takeover approval provisions has no potential advantages or potential disadvantages for them as they remain free to make a recommendation on whether a proportional takeover bid should be accepted or rejected.

The Directors consider that the insertion of the proposed takeover approval provisions will benefit all Shareholders in that all Shareholders will have an opportunity to consider a proportional takeover bid and to vote on it before the bid may proceed. Accordingly, Shareholders will be able to prevent a proportional takeover bid proceeding if a sufficient number of Shareholders consider that control of AGL should not be permitted to pass under the bid. The provisions may also help shareholders avoid being locked in as a minority with one majority shareholder and may assist in ensuring that any proportional takeover bid is adequately priced.

There are some possible disadvantages to Shareholders of the insertion of the proposed takeover approval provisions. The insertion of takeover approval provisions may have the effect of discouraging proportional takeover bids and reducing their chances of success. These matters may reduce the opportunities which Shareholders may have to sell all or some of their shares at a premium to persons seeking control of AGL and may reduce any takeover speculation element in the price of AGL Shares. The proposed takeover approval provisions may also be considered an additional restriction on the ability of individual Shareholders to deal freely in their AGL Shares.

The Directors consider that the possible advantages outweigh the possible disadvantages and accordingly consider that the insertion of the proposed takeover approval provisions is in the interests of shareholders.

(f) Directors' recommendation

The Directors consider that it is in the interests of Shareholders to have the right to approve a proportional takeover bid before it can proceed and accordingly unanimously recommend that Shareholders vote in favour of the approval of the proportional takeover provisions. Each Director intends to vote all AGL Shares controlled by him or her in favour of the resolution.

If this resolution is approved, the proportional takeover provisions will be inserted into the Constitution and will take effect from the close of the meeting.

The Directors unanimously recommend that Shareholders vote in favour of the insertion of the proposed proportional takeover approval provisions in the Constitution.

General Conduct at General Meetings – Clause 36

7 It is proposed to alter clause 36 to clarify the Chairman's powers at general meetings and to provide that the Chairman's decisions on matters relating to the conduct of or the procedures to be adopted at a general meeting is final.

Postponement and adjournment – Clause 37

8 It is proposed to insert a new clause 37.1 which empowers Directors to change the venue for a general meeting or cancel a general meeting if they consider that the meeting has become unnecessary or impractical or that a change is necessary in the interests of conducting the meeting efficiently. However this power will not apply to a meeting that is requested by members or a meeting that is not called by a Directors' resolution.

- 9 It is also proposed to alter the Constitution by giving the Chairman power to adjourn a meeting as he considers necessary, without seeking the approval of Shareholders. This power is contained in clause 37.2. Under the current Constitution the Chairman must seek the consent of Shareholders to adjourn a meeting unless it is impractical to do so.

Entitlement to vote – Clause 43

- 10 Clause 43.1 has been amended so that it is clear that the voting rights of Shareholders both on a show of hands and on a poll are subject to any restrictions imposed by the Corporations Act.

Votes by Proxy – Clause 47

- 11 Clause 47.6 of the current Constitution has been amended to make it clear that in the case of a directed proxy, if a proxy, who is not the Chairman does not attend the meeting, or does not vote on a resolution then on a poll the proxy will be redirected to the Chairman who must vote as directed. This amendment is designed to ensure that AGL's Constitution is aligned with a recent amendment to the Corporations Act.

No vacancy rule – Clause 53

- 12 Clause 53.3 of the Constitution has been amended to make it clear that the Director's right to determine a maximum number of directors which is less than the maximum number specified by AGL's Constitution is subject to the provisions of the Corporations Act. Under the recent amendments to the Corporations Act, Directors are not able to make such a determination unless the proposal has been approved by Shareholders.

Dividends – Clauses 83, 86, 93 and 95

- 13 The Corporations Act has been amended by the introduction of a new test for the payment of dividends. In short, the former 'profits test' has been replaced by a new test under which a company may pay a dividend if:
- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
 - (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
 - (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.
- 14 The proposed alterations to the Constitution are designed to ensure that AGL's Constitution is aligned with the provisions of the Corporations Act concerning the circumstances in which a dividend may be paid.

Unclaimed Dividends – Clause 94

- 15 It is proposed to alter clause 94 of the Constitution to give AGL the right to reinvest unclaimed dividends in AGL Shares.

If the special resolution approving the adoption of the new Constitution is passed, the new Constitution will take effect from the close of the Annual General Meeting.

Directors' Recommendation

The Directors unanimously recommend that the alterations to the Constitution be approved.

Questions from Shareholders

The Company aims to ensure that Annual General Meetings and the AGL Annual Report 2011 meet Shareholders' expectations. Your views are essential to this.

If you would like further information on AGL, or would like to ask a question of AGL or the Auditor at this AGM, you may lodge your questions online by visiting AGL's Share Registry website www.linkmarketservices.com.au or by completing the enclosed form and returning it in the enclosed reply paid envelope.

Questions for the AGM (including written questions to the Auditor) must be received at any of the addresses below by 5.00pm on Friday, 21 October 2011.

The Chairman of the Meeting will answer as many of the frequently asked questions as possible.

The AGM will be webcast live at www.agl.com.au and a copy of the Chairman's address to the meeting will be available on AGL's website.

In accordance with the Corporations Act, Shareholders will also be given a reasonable opportunity at the Meeting to ask:

- > questions about, or make comments on, the management of AGL and the Remuneration Report; and
- > the Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by AGL and the independence of the Auditor.

If you would like to make a suggestion or comment on the Annual Report, please advise AGL in one of the following ways (this will allow us to incorporate your views into the content and design of future Annual Reports):

- > **Online** at AGL's Share Registry website www.linkmarketservices.com.au.
- > **Write** to AGL's Share Registry or Company Secretary by completing the enclosed form and sending it to the Share Registry in the enclosed reply paid envelope to:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

- > or **post** to:

Company Secretary
AGL Energy Limited
Locked Bag 1837
St Leonards NSW 2065

- > or **fax** to:

the AGL Share Registry on 02 9287 0309.

Annexure A

Summary of Material Terms of the AGL Long Term Incentive Plan Eligibility

The Managing Director, executive employees who report directly to the Managing Director, employees in key strategic operational roles designated by the Managing Director as eligible to participate and any other employee who the Managing Director determines to be eligible to participate, are eligible to participate in the LTIP.

Participation

The Company's Board has an absolute discretion to invite any eligible employee to participate in the LTIP.

Awards of Share Performance Rights

Awards to eligible employees under the LTIP take the form of SPRs. An SPR is an entitlement to one AGL Share. It does not carry dividend or voting rights. Each SPR gives a participant the right, subject to the satisfaction of applicable performance conditions, to acquire an AGL Share for no consideration. The Board has an absolute discretion to determine the number of SPRs awarded to a participant and the performance conditions which must be satisfied before those SPRs can vest and the period over which the SPRs vest. SPR awards under the LTIP can be positive, if a performance condition is met, and negative if a performance condition is not met.

Performance Conditions

The performance conditions applicable to SPRs awarded under the LTIP are determined from time to time by the Board in its absolute discretion. At the present time AGL uses two performance conditions as performance measures. These are annual total shareholder return and annual growth in earnings before interest and tax divided by funds employed. Each performance measure has a 50% weighting. These performance measures are explained in the Remuneration Report.

Operation of LTIP and Share Banking System

At the commencement of each financial year LTIP participants are notionally granted SPRs having regard to their TFR, incentive entitlement and the AGL Share price. The notional grant is split 50/50 between each performance measure and credited to separate notional share bank accounts which are established for the participant for this purpose. The notional grant of SPRs is tested against each performance hurdle at the end of each financial year and after testing SPRs are either deposited into or deducted from the notional accounts depending upon whether the performance measure has been satisfied or not. On or about 1 September after the end of each financial year 40% of any positive notional account balance is vested and distributed to the participants as AGL Shares. The balance of the participant's notional share bank account whether positive or negative is carried forward to the following financial year. The Remuneration Report contains detailed information about the operation of the LTIP.

Issue or purchase of AGL Shares

When a distribution of SPRs is made from a participant's notional account to a participant, AGL must issue or procure the purchase and transfer to the participant of a number of AGL Shares equivalent to the number of SPRs granted to the participant.

Vesting

If a participant in the LTIP ceases employment with AGL in specified circumstances including as a result of redundancy, retirement, total or permanent disablement, death or in such other circumstances as the Board may determine, the positive balance of SPRs held in the participant's notional share bank accounts will vest and the participant will be entitled to have issued or purchased and transferred to him or her a number of AGL Shares equal to the number of SPRs in question.

Upon a change of control of AGL occurring the positive balance of SPRs held in a participant's notional share bank account will automatically vest and the participant will be entitled to have issued or purchased and transferred to him or her a number of AGL Shares equal to the number of SPRs in question.

Subject to the terms of any Service Contract with a participant, all SPRs of a participant recorded in a notional share bank account of a participant will lapse if the participant ceases employment with an AGL group company for reasons other than those described above, including without limitation by resignation (other than retirement), termination for serious and wilful misconduct and termination by AGL for any reason other than redundancy (unless the Board determines otherwise in its discretion). The terms of Michael Fraser's Service Contract provide for lapse of his banked SPRs only where Michael Fraser ceases employment in circumstances other than those specified in paragraph 15 to the Explanatory Notes for the proposed resolution in Item 5.

Adjustments and participation rights

SPRs do not carry any dividend or voting rights, or rights to participate in new issues of shares or other securities to the holders of shares. However the number of AGL Shares the subject of the SPRs will be increased to take into account the effect of any bonus issue, rights issue or capital return by AGL. In the event of any other reorganisation of AGL's share capital, the number of AGL Shares the subject of the SPRs will be determined by applying the provisions of the ASX Listing Rules which are applicable at that time to options in respect of any such reorganisation.

Administration

The Board is responsible for the administration of the LTIP.

Variation

Subject to the terms of any Service Contract with a participant, the Board may amend, waive or modify the LTIP in its discretion. However, no amendment may have the effect of derogating from any existing entitlement of a participant without the consent of that participant.

ANNEXURE B

This Annexure sets out important additional information relevant to the proposed resolutions in Items 6 and 7. This information should be read in conjunction with the Explanatory Notes to those proposed resolutions, set out on pages 13 to 21.

This additional information is provided for the purposes of section 200E of the Corporations Act.

In this Annexure, the reference to an 'Executive' is to any of Anthony Fowler, Stephen Mikkelsen, Paul McWilliams, Michael Moraza and Jane Thomas.

Payments for past services

- 1 The money value of any payment for past services that may be paid to an Executive cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in paragraph 3 below.
- 2 The value of each such payment will be calculated as equal to the amount (before tax) of TFR that would have been payable by AGL to the relevant Executive for a nine month period if the Executive had remained in employment for that period on the terms and conditions of employment applying immediately prior to the date of cessation of his or her employment.
- 3 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance	Detail
The TFR to which the relevant Executive is entitled under his or her terms and conditions of employment immediately prior to the date of cessation of his or her employment.	<ul style="list-style-type: none"> > TFR includes an Executive's base salary, the amount of any superannuation contributions paid to a complying superannuation fund on the relevant Executive's behalf and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. > The amount of TFR is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance, expertise, skills and experience. > Effective 1 September 2011, the maximum TFR for the Executive Team (excluding Michael Fraser) is up to \$780,000 per year. > The TFR for each Executive is reviewed at least annually having regard to the Executive's performance in the prior financial year and market conditions (among other things). As a result of these reviews, each Executive's TFR may be increased from time to time, but may not be decreased without the Executive's consent. Generally, any TFR increase for an Executive will take effect on 1 September.

LTIP entitlements on termination of employment

- 4 The money value of any benefit constituted by the early vesting of SPRs granted to the relevant Executive under the Old LTIP, or banked under the New LTIP, and their conversion into AGL Shares cannot currently be ascertained because this value depends on the future matters, events and circumstances outlined in subparagraph 6 below.
- 5 The value of any such benefit given to the relevant Executive on cessation of their employment will be calculated as equal to the aggregate value of all SPRs that vest to the Executive, where the value of each SPR is determined as the closing market price on the ASX of an AGL Share on the day before the date of issue or transfer of AGL Shares on the vesting of the SPRs.
- 6 The matters, events and circumstances that will, or are likely to, affect the calculation of that value are as follows:

Matter, event or circumstance	Detail																				
<p>The total number of:</p> <ul style="list-style-type: none"> > unvested SPRs held by the Executive under the Old LTIP; and > SPRs that are banked (ie, recorded in a notional share bank account) for the Executive under the New LTIP, <p>at the time of cessation of their employment.</p> <p>For the New LTIP, this will (in turn) depend on the number of SPRs granted to the Executive for each of the financial years ending on or after 30 June 2012, and AGL's performance against the performance conditions that apply to the grant of SPRs for each relevant financial year.</p>	<ul style="list-style-type: none"> > Each Executive holds the following SPRs that were granted under the Old LTIP for the financial year ended 30 June 2009: <ul style="list-style-type: none"> > 5,209 for Mr Fowler > 14,000 for Mr Mikkelsen > 7,639 for Mr Moraza > 3,132 for Mr McWilliams > 4,480 for Ms Thomas > No further grants will be made to the Executives under the Old LTIP. > As at 15 September 2011, the total balance in the two notional share bank accounts held for each of the Executives under the New LTIP was: 																				
	<table border="1"> <thead> <tr> <th data-bbox="501 766 804 869">Name</th> <th data-bbox="804 766 1123 869">Account for TSR performance condition</th> <th data-bbox="1123 766 1441 869">Account for EBIT/ Funds-employed performance condition</th> </tr> </thead> <tbody> <tr> <td data-bbox="501 869 804 931">Mr Fowler</td> <td data-bbox="804 869 1123 931">640</td> <td data-bbox="1123 869 1441 931">minus 4,552</td> </tr> <tr> <td data-bbox="501 931 804 994">Mr Mikkelsen</td> <td data-bbox="804 931 1123 994">3,370</td> <td data-bbox="1123 931 1441 994">minus 5,369</td> </tr> <tr> <td data-bbox="501 994 804 1057">Mr Moraza</td> <td data-bbox="804 994 1123 1057">3,734</td> <td data-bbox="1123 994 1441 1057">minus 3,915</td> </tr> <tr> <td data-bbox="501 1057 804 1120">Mr McWilliams</td> <td data-bbox="804 1057 1123 1120">754</td> <td data-bbox="1123 1057 1441 1120">minus 1,807</td> </tr> <tr> <td data-bbox="501 1120 804 1155">Ms Thomas</td> <td data-bbox="804 1120 1123 1155">1,574</td> <td data-bbox="1123 1120 1441 1155">minus 3,657</td> </tr> </tbody> </table>			Name	Account for TSR performance condition	Account for EBIT/ Funds-employed performance condition	Mr Fowler	640	minus 4,552	Mr Mikkelsen	3,370	minus 5,369	Mr Moraza	3,734	minus 3,915	Mr McWilliams	754	minus 1,807	Ms Thomas	1,574	minus 3,657
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Mr McWilliams	754	minus 1,807																			
Ms Thomas	1,574	minus 3,657																			
	<ul style="list-style-type: none"> > These figures show the total balance in those accounts after AGL's performance against the performance conditions for the financial year ended 30 June 2011 was determined, and following the vesting and conversion into AGL Shares, in early September 2011, of 40% of the SPRs then banked in each relevant Executive's notional share bank account for the TSR performance condition. > For the financial year ending 30 June 2012, each Executive is entitled to receive a notional grant of the number of SPRs calculated by dividing their long term incentive opportunity amount determined by the Board by the VWAP at which AGL Shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year. The long term incentive opportunity amount is determined by reference to a specified percentage of TFR. The maximum relevant percentage for the Executive Team (excluding Mr Fraser) for the financial year ending 30 June 2012 is up to 50%. Effective 1 September 2011, the maximum TFR for the Executive Team (excluding Michael Fraser) is up to \$780,000 per year. > For the financial years ending between 30 June 2013 and 30 June 2014, the Executives may be entitled to receive a notional grant of the number of SPRs calculated by dividing their long term incentive opportunity amount determined by the Board for the relevant financial year (which will not exceed the amount of the relevant Executive's TFR as at 30 June in the relevant financial year) by the VWAP at which AGL Shares traded on ASX during the 30 calendar days up to and including 30 June of the preceding financial year. 																				

Matter, event or circumstance	Detail
	<ul style="list-style-type: none"> <li data-bbox="592 347 1500 548">> The maximum number of SPRs that may ultimately be 'banked' for an Executive (and therefore vest) under the New LTIP for each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 will then be determined by reference to AGL's performance against performance conditions determined by the Board from time to time. The current applicable performance conditions and the number of SPRs that are banked for specified levels of performance against these conditions are set out in the Remuneration Report. <li data-bbox="592 566 1500 683">> For the financial years ending between 30 June 2012 and 30 June 2014, where AGL achieves the highest performance targets, the maximum number of SPRs that will be banked for any Executive will be two times the number of SPRs notionally granted for the relevant financial year. <li data-bbox="592 701 1500 757">> Information about the performance conditions for SPRs under the New LTIP will be included in the AGL Annual Report for the relevant year. <li data-bbox="592 775 1500 918">> The total number of SPRs that are banked for an Executive under the New LTIP at the time of cessation of their employment will also depend on whether (and the extent to which) any SPRs banked for a prior financial year are subsequently clawed back (by deductions from the relevant Executive's notional share bank account) as a result of AGL's performance against the performance conditions in a later year.
<p data-bbox="167 945 531 1234">For invested SPRs granted to an Executive under the Old LTIP, the number of those SPRs that vest. This will (in turn) depend on AGL's performance against the applicable performance conditions for the relevant measurement period (unless the performance condition is, in exceptional circumstances, waived by the Board).</p>	<ul style="list-style-type: none"> <li data-bbox="592 945 1500 1093">> The number of SPRs granted under the Old LTIP for the financial year ending 30 June 2009 that vest will be determined by reference to a performance condition which involves measuring AGL's TSR against the TSR of the entities in a comparator group of ASX listed companies over the relevant measurement period (unless the performance condition is, in exceptional circumstances, waived by the Board in its discretion). <li data-bbox="592 1111 1500 1160">> Further details of the performance conditions that apply to the 2009 SPRs are set out in the Remuneration Report.
<p data-bbox="167 1265 531 1433">The closing market price of an AGL Share on the ASX trading day immediately before the date of issue or transfer of the AGL Shares on the vesting of the SPRs following the Executive ceasing employment.</p>	





By mail:
AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1800 824 513 **Overseas:** +61 2 8280 7115

SHAREHOLDER VOTING FORM

PLEASE MARK EITHER STEP 1 OR STEP 2

I/We being a Shareholder of AGL Energy Limited (AGL) and entitled to attend and vote hereby:

STEP 1 → VOTE DIRECTLY	OR	STEP 2 → APPOINT A PROXY
<input type="checkbox"/> elect to lodge my/our vote(s) directly (mark box)		<input type="checkbox"/> OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered Shareholder) you are appointing as your proxy below <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
<p>i in relation to the Annual General Meeting of AGL to be held at 10:30am on Thursday, 27 October 2011, and at any adjournment or postponement of the Meeting. You should mark either 'for' or 'against' for each item.</p>		<p>or failing the person/body corporate named, or if no person/body corporate is named, the Chair of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of AGL to be held at 10:30am on Thursday, 27 October 2011, at Grand Hyatt Hotel, 123 Collins Street, Melbourne, Victoria and at any adjournment or postponement of the Meeting.</p>

Voting Directions will only be valid and accepted by AGL if they are signed and received no later than 48 hours before the Meeting.

Direction to Chair for Remuneration Report: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair of the Meeting becomes my/our proxy by default) in relation to Item 2 (To adopt the Remuneration Report) but I/we have not marked either the For or Against box opposite that item, I/we nevertheless hereby direct the Chair of the Meeting to vote in favour of the resolution on Item 2 even though Item 2 is connected directly or indirectly with the remuneration of a member of the key management personnel of AGL and even though the chair is a member of the key management personnel of AGL.

Chair authorised to exercise proxies on remuneration related matters: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of Items 4, 5, 6 and 7 even though each of those Items is connected directly or indirectly with the remuneration of a member of the key management personnel of AGL and even though the chair is a member of the key management personnel of AGL.

Chair to vote undirected proxies in favour: I/we acknowledge that the Chair of the Meeting intends to vote undirected proxies in favour of Items 3, 4, 5, 6, 7 and 8.

Please read the voting instructions overleaf before marking any boxes with an **X**

i **Board recommendation:** The Board recommends shareholders vote in favour of each item of business.

STEP 3 → VOTING DIRECTIONS					
Resolutions	For	Against		For	Against
2 To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of termination benefits for Michael Fraser	<input type="checkbox"/>	<input type="checkbox"/>
3(a) Re-election of Mr Jeremy Maycock	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of termination benefits for Stephen Mikkelsen and Jane Thomas	<input type="checkbox"/>	<input type="checkbox"/>
3(b) Re-election of Ms Sandra McPhee	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of termination benefits for Anthony Fowler, Paul McWilliams and Michael Moraza	<input type="checkbox"/>	<input type="checkbox"/>
3(c) Re-election of Ms Belinda Hutchinson	<input type="checkbox"/>	<input type="checkbox"/>	8 Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>
4 Grant of performance rights to Michael Fraser	<input type="checkbox"/>	<input type="checkbox"/>			

i **PLEASE NOTE:** If you have appointed the Chair of the Meeting as your proxy (or the Chair of the Meeting becomes your proxy by default), you can direct the Chair of the Meeting to vote for or against the resolution on Item 2 (To adopt the Remuneration Report) by marking the appropriate box opposite Item 2. However, note that under STEP 2, if the Chair of the Meeting is your proxy and you do not mark any of the boxes opposite Item 2, you are directing the Chair of the Meeting to vote in favour of the resolution on that item.

STEP 4 → SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED		
Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the Shareholder. If a joint holding, either Shareholder may sign. If signed by the Shareholder's attorney, the Power of Attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS VOTING FORM

Your Name and Address

This is your name and address as it appears on AGL's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Voting under Step 1 - Vote Directly

If you ticked the box under Step 1 you are indicating that you wish to vote directly. Please only mark either 'for' or 'against' for each item.

If no direction is given on all of the items, or if you complete both box Step 1 and box Step 2, your vote may be passed to the Chair of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the voting form the total number of votes in each of the categories 'for' and 'against' and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chair's decision as to whether a direct vote is valid is conclusive.

Voting under Step 2 - Appoint a Proxy

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 2. If the person you wish to appoint as your proxy is someone other than the Chair of the Meeting please write the name of that person in Step 2. If you leave this section blank, or your named proxy does not attend the Meeting, the Chair of the Meeting will be your proxy. A proxy need not be a Shareholder of AGL. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses except if your proxy is the Chair voting on Item 2. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Shareholder Voting Form may be obtained by telephoning AGL's share registry or you may copy this form.

To appoint a second proxy you must:

- on each of the first Shareholder Voting Form and the second Shareholder Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either Shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from AGL's share registry.

Lodgement of a Shareholder Voting Form

This Shareholder Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Tuesday, 25 October 2011**, being not later than 48 hours before the commencement of the Meeting. Any Shareholder Voting Form received after that time will not be valid for the scheduled Meeting.

Shareholder Voting Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the voting form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the voting form).



by mail:

AGL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the AGM, please bring this form with you.
This will assist in registering your attendance.



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Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



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AREAS OF INTEREST TO SHAREHOLDERS

Your concerns as Shareholders are important to us. Please use this form to submit any questions about AGL Energy Limited (AGL) that you would like us to respond to at AGL's 2011 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the Meeting, as outlined in the accompanying Notice of Meeting and Explanatory Notes. If your question is for AGL's Auditor it should be relevant to the content of the Auditor's Report, or the conduct of the audit of the Financial Report.

Questions may be submitted in writing using this form or online at www.linkmarketservices.com.au. All questions must be received by AGL's share registrar, Link Market Services Limited, by 5.00pm on Thursday, 20th October 2011.

During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised Shareholder topics as possible and, where appropriate, will give a representative of AGL's Auditor, the opportunity to answer written questions submitted to the Auditor. However, there may not be sufficient time available at the Meeting to address all topics raised. Please note that individual responses will not be sent to Shareholders.

Question(s)

1. Question is for the Chairman or Auditor

2. Question is for the Chairman or Auditor

3. Question is for the Chairman or Auditor
