Vote Bulletin – AGL Energy Limited

Meeting Type – Annual

Meeting Date – 11/15/2022

Key Issues – Contested Election

Vote Decisions – State Street Global Advisors voted FOR the Climate Transition Action Plan and FOR two of the shareholder nominated directors.

Management Resolutions

Item	Item Description	Management Recommendation	SSGA Vote
3	Climate Transition Action Plan	FOR	FOR
5a	Elect Mark William Grimsey Twidell as Director	FOR	FOR
5b	Elect Kerry Elizabeth Schott as Director	AGAINST	AGAINST
5c	Elect John Carl Pollaers as Director	AGAINST	AGAINST
5d	Elect Christine Francis Holman as Director	AGAINST	FOR

Background

Over the past year, State Street Global Advisors conducted several engagements with AGL Energy Limited (AGL) to better understand the company's proposed demerger, climate transition plan, and the contested 2022 Annual General Meeting (AGM). In Q2 2021, AGL Energy announced its demerger proposal to separate the company's retail and coal-focused generation businesses. In Q1 2022, Brookfield in partnership with Grok Ventures issued a take private bid and shared plans to accelerate the closure of AGL's coal-fired power stations. AGL rejected the bid and Grok Ventures launched a campaign against the demerger. AGL later withdrew its proposal and the Chairman, two non-executive directors, and CEO/MD resigned. Ahead of AGL's 2022 AGM, the board appointed a new Chair and one new director to the board. Galipea Partnership, an entity associated with Grok Ventures, nominated four additional directors to the board, one of which the AGL board recommended supporting.

Item 3: Climate Transition Action Plan

We assess climate transition plans on a case-by-case basis in line with our Disclosure Expectations for Effective Climate Transition Plans. We also consider several factors including but not limited to: market and industry trends, alignment with relevant reporting frameworks, performance relative to peers, our relevant guidance, including our Guidance on Climate-related Disclosures, and dialogues with company management, boards, and other stakeholders. Since Q3 2021, we conducted over a dozen engagements with AGL and other relevant stakeholders regarding the company's climate-related disclosure and climate transition plans pre and post the proposed demerger. We communicated our expectations to AGL and shared feedback on improving disclosure on the decarbonization strategy and related capital allocation plans, strengthening interim GHG emissions reduction targets, and Scope 3 reduction efforts.

The company published its updated Climate Transition Action Plan (CTAP) in September 2022 and demonstrated responsiveness to our feedback and to investors more broadly. AGL announced the acceleration of coal asset closures in line with a well below 2°C pathway and committed to short and medium-term Scope 1 and 2 GHG targets. The company also adopted goals related to increasing renewables capacity and green revenues. Given the improved overall alignment with our disclosure expectations and the company responsiveness year-over-year, we voted FOR item 3. We have identified areas of further disclosure improvements such as detail on capital allocation plans, disclosure on Just Transition including addressing impacts to the workforce, community and other stakeholders, and Scope 3 reduction efforts, and will continue our ongoing dialogue with AGL in these areas.

The dissidents and other market participants identified concerns with the lack of 1.5°C alignment in AGL's CTAP. While the ultimate destination to net zero is clear, aligning Scope 1, 2, and 3 emissions with a 1.5°C scenario is a complex challenge for companies in carbon-intensive sectors. The energy transition will require tremendous actions from both the private and public sectors and is dependent on macro-economic factors influenced by energy supply and demand, regulation, fiscal policies and technological innovation, among others. As a fiduciary and long-term investor, we recognize the importance of achieving an orderly transition. An unsuccessful transition could cause significant economic and social disruption, raising concerns around the need for a just transition, with a corresponding effect on financial returns. These challenges were identified in AGL's scenario planning and discussed in the CTAP. We did not feel that the dissidents provided sufficient detail on an alternative strategy for AGL aligned with a 1.5°C outcome at this stage.

Items 5a-5d: Director Elections

Leading up to the 2022 AGM, we engaged with the AGL board, Grok Ventures, and other stakeholders as well as the dissident nominees to discuss their qualifications. Our views were primarily informed by these dialogues, the materials provided by both parties, and our own insights and research.

We recognized the dissident's concerns regarding the leadership changes following the withdrawal of the demerger, AGL's performance, and the robustness of the company's climate transition efforts over the past few years. Amid the ongoing global energy market challenges, evolving regulatory environment in Australia, changing customer preferences, and emerging technology innovation, we agreed on the importance of ensuring that the AGL board represents the necessary skills and experience to effectively lead AGL's new strategic direction. We also acknowledged AGL's responsiveness to stakeholders in appointing one dissident recommended director to the board earlier this year as well as supporting a dissident nominee at the general meeting. Further, we were encouraged by the improvement in the company's CTAP and responsiveness to our feedback as discussed above.

In determining which candidates were best fit to serve on the AGL board we considered the company's operations, performance, and strategy and weighed these against the backgrounds and skills of each board candidate. We assessed the current mix of skills and experience represented on the board as well as the priority skills identified by AGL which included: 1) ASX listed experience, including experience with mergers and acquisitions (M&A) and 2) customer, digital retail and emerging technologies expertise. We also considered AGL's views on the appropriate size of the board and the ability for the board to nominate any new directors.

Ultimately, we felt it was most appropriate to support two dissident nominees, including one that was recommended by management, who best aligned with the priority skills identified by AGL and could contribute additive experience. We felt that the management opposed dissident director who we supported could provide a diverse perspective including knowledge of customer preferences and M&A, technology integration, digital, and ASX-listed director experience which would be additive to the board.

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