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Company	Origin Energy
Code	ORG
Meeting	AGM
Date	20 October 2021
Venue	Virtual
Monitor	Lewis Gomes and Mike Batchelor

Number attendees at meeting	109 shareholders, 6 proxy holders and 291 guests
Number of holdings represented by ASA	470
Value of proxies	$18.26 million (as at 20 October 2021)
Number of shares represented by ASA	3.525 million (equivalent to 17th largest shareholder)
Market capitalisation	$9.12 billion (as at 20 October 2021)
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chairman Scott Perkins and Chair of Remuneration and People Committee Steven Sargent

Origin presents optimistic outlook

Opening Addresses

This year's AGM was again conducted as a virtual meeting using the Lumi platform. The meeting was generally low key with an initial Welcome to Country video followed by a presentation from the Chairman, Scott Perkins, and a presentation by the CEO, Frank Calabria. There were a few slides and videos to support these presentations.

The Chairman, who replaced long-serving Chairman Gordon Cairns after the last AGM, presented an optimistic outlook for Origin Energy, notwithstanding the considerable headwinds it faced over FY21. He noted that the two segments of the business, namely Energy Markets and Integrated Gas, both performed well operationally but that the former suffered significantly due to the downward trend in wholesale electricity prices from the impact of low-cost renewable energy sources. Integrated Gas had also been affected by low market prices during the early months of the year but a recent uplift in prices due to global supply and demand imbalances has improved the outlook. He spoke of the solid cashflow which was used to reduce debt, pay dividends and invest in the business. He forecast a positive year ahead for Integrated Gas with free cashflow exceeding $1 billion while Energy Markets is expected to remain challenged but with improvements in wholesale prices expected from FY23.

The Chairman noted the considerable benefits arising from the deployment of its Kraken customer platform and observed the company's investment in Octopus Energy, which owns the Kraken platform, has increased 3 fold since its acquisition of a 20% shareholding in the UK-based company several years ago.

The Chairman reinforced Origin's commitment to the Paris climate change initiatives, advising that the company will halve its Scope 1 and 2 emissions by 2032, mainly through reductions and efficiencies in the usage of Eraring Power Station and its scheduled closure in 2032, and will reduce its Scope 3 emissions by 25% by 2032 by working pro-actively with its mainly overseas customers of LNG. Origin aims to be a net zero emitter of Scope 1 and 2 emissions by 2050. The Chairman also addressed and defended its engagement with local indigenous groups within the Beetaloo Basin gas exploration area and the care it takes with its drilling and exploration programme. The Chairman noted that no final decision has been made on bringing the Beetaloo high grade gas deposits to market and won't be until further field results and market outlook considerations are available.

The Chairman defended the company's involvement with industry associations as being opportunities for advocating stronger climate change commitments and actions. He stressed the view that LNG will be the transition fuel of choice for some time as it partially replaces the use of coal for power generation.

The CEO spoke of the actions taken by the company to address safety and Covid-related issues, including leave support to staff and greater focus on health and wellbeing initiatives. He summarised the financial and operational outcomes for the past year and updated the outlook for FY22 and FY23. He noted that production costs for APLNG have reduced by two thirds from the levels of 3 years ago and further cost savings have been identified. He also spoke of Origin's investment in hydrogen as a possible future energy source along with other low or no emission fuels. He reiterated the need for reforms in the Australian energy markets to allow for capacity and availability payments for the necessary base load power sources that provide stability and reliability to the network.

Resolution 1 – Financial Statements

While not requiring a vote, the Chairman invited questions from shareholders. The ASA queried the future opportunities within the Energy Markets given the headwinds of low wholesale prices and the Chairman reiterated his confidence that the expected strong growth in the use of electricity and Origin's digital development will secure a good future for this business. The ASA also asked about the high levels of impairments in FY21 and whether there will be further impairments in FY22 to which the Chairman declined to give a response. On a further ASA question on the impacts of deferred tax payments on Integrated Gas, the Chairman advised that these impairments have no impact on cash flow and may, in future years, enhance available franking credits to shareholders.

There were a range of questions on the prospects for nuclear power generation (no interest), the prospects for the Tri-Star claim against Origin (could not add to what is in the Annual Report) and the future for gas (already addressed). There were questions about the pace of development of the Beetaloo gas basin (generally on track) but many more expressing opposition to the project and its prospective use of fracking (respectfully rejected or answered).

A questioner asked about the increase in audit fees in FY21 and the Chairman advised that there was an increased scope of work. The writer notes that a similar question was raised at the FY20 AGM at which the then Chairman explained that a new auditor had been appointed and that the scope of work had increased due to accounting standards.

Resolutions 2 to 6 – Re-elections and elections of directors

Three new directors were up for election, being Alana Atlas, Mick McCormack and Joan Withers. The ASA queried the relevance of the experience of Ms Atlas and Ms Withers to the businesses of Origin to which the Chairman responded that they each had broad ranges of industry and governance experience that complemented the Board's other directors. All 3 were elected with strong support at 98.5%, 99.8% and 99.2% of cast votes respectively. The ASA voted for all 3 directors notwithstanding its questioning of two of them.

Existing directors Scott Perkins and Steven Sargent were nominated for re-election and both were strongly endorsed at 97.4% and 99.4% of cast votes respectively.

Resolution 7 – Remuneration Report for FY21

The Chairman spoke of the need to attract and reward good people and noted that reduced emission targets were now included in variable award determinations. The ASA questioned the concept of Restricted Share Rights which account for half of the Long Term Incentive Plan and which are only subject to Board discretion and duration of employment while the remaining 50% are based on an objective relative TSR measure. The Chairman stated that full vesting of the RSR's was expected but would be subject to Board discretion in the event of adverse circumstances.

The resolution was passed with 96.2% of cast votes in favour.

Resolutions 8 and 9 – Grant of Securities to the CEO and Renewal of Potential Termination Benefits

Both of these resolutions are explained in the Notice of Meeting and attracted little or no questioning. Voting FOR each resolution was 84.0% and 98.5% of cast votes respectively.

Resolution 10(a) – Requisition to Amend the Company's Constitution

This resolution was raised by small groups of shareholders seeking a change to the company's constitution to enable special interest groups to raise ordinary resolutions at AGM's that may influence Origin's business operations. There were 3 contingent resolutions pertaining to Beetaloo and another 2 resolutions pertaining to climate change lobbying and capital expenditure. The Board of Origin did not endorse the special resolution nor any of the subsequent conditional resolutions and neither did the ASA.

The resolution was lost with 93.1% of cast votes AGAINST the matter. As a consequence of this vote, Resolutions 10(b) to 10(f) were not put to the meeting.

Material Event following AGM

On 22 October 2021, some 2 days after the AGM, Origin announced that it agreed to sell a 10% shareholding in APLNG to the global energy investor, EIG, for $2.12 billion. This will reduce Origin's share of APLNG from 37.5% to 27.5%.

Based on a transaction completion of 31 December 2021, the net proceeds of the sale are expected to be $2.0 billion after adjustments and transaction costs. Origin stated that:

- The proceeds of the sale will provide "further flexibility to deliver returns to shareholders and pay down debt while allowing Origin to accelerate investment in growth opportunities".
- Origins guidance for cashflow is unchanged as the dilution in shareholding is offset by an improved commodity price outlook.
- The sales proceeds are expected to be broadly in line with the carrying value.
- No tax is expected to be payable because of the transaction.

A brief review of the financial statements tabled at the AGM shows that a 10% holding sold for $2.12 billion values Origin's remaining 27.5% holding at a nominal value of $5.83 billion (or $7.95 billion total prior to sale). From the financial statements Table A1, Origin carries a Net Asset of $7.315 billion on its balance sheet although Table B2.2 in APLNG's statement of financial position shows Origin's investment in APLNG at $6.532 billion after impairment expenses, costs and *MRCPS elimination* (refer to Annual Report for definition of MRCPS expense).

Either way, there would seem to be some upside to Origin's APLNG carrying value and Origin's statement that the proceeds were "broadly in line with the carrying value" would seem, at face value, to be conservative. For shareholders, Origin could be clearer in what it intends to do with the proceeds, and the ASA would be concerned should it, flush with cash, embark on any new, expensive and higher-risk growth opportunities at the expense of paying down debt or returning funds to shareholders. Interestingly, on the day of the announcement, Origin's share price rose by 3.86% but other oil & gas (O&G) stocks such as Santos and Woodside also rose by similar percentages as the O&G sector has been experiencing some strong tailwinds due to global energy shortages. That is, the market apparently sees little immediate upside for Origin from the sale.