

AGL Energy Limited

People and Performance Committee Charter



1. Purpose

- 1.1. 1.1 The primary function of the People and Performance Committee (“the Committee”) is to assist the Board in fulfilling its responsibilities to Shareholders, customers, employees and the broader community through the appropriate recruitment, retention and remuneration of Directors, senior managers and other employees with the capabilities necessary to promote AGL.
- 1.2. The Committee will have oversight of and review of:
- › Maintaining a Board which comprises individuals best able to discharge the responsibilities of Directors having regard to the execution of AGL’s strategy and to the highest standards of corporate governance;
 - › Reviewing the performance and remuneration of the Board and remuneration of senior management; and
 - › Reviewing and ratifying AGL’s remuneration and employment policies, procedures and programs designed to:
 - › meet long-term people needs through effective talent management and succession planning.
 - › achieve clear alignment between the needs and requirements of key stakeholder groups (ie customers, Shareholders and communities) and the objectives and values of AGL’s employees.
 - › promote excellent performance by implementing appropriate remuneration policies, and other policies to keep employees committed and motivated.
 - › promote AGL as an employer of choice.
 - › comply with relevant legislation and corporate governance principles on remuneration practices and employment policies.
 - › provide fair remuneration and other benefits to all employees.
- 1.3. The Committee will primarily fulfil these responsibilities by carrying out the activities outlined in Section 5 of this Charter.



2. Membership

- 2.1. The membership of the Committee shall be as determined by the Board but shall comprise at least 3 members of the Board. Each member will be independent which means they will be free from any interest, business or other relationship which could, or could reasonably be perceived to, materially compromise the Director's ability to act in the best interests of AGL.
- 2.2. Committee members shall be appointed for a term of 3 years. Existing members can be reappointed for a further term of 3 years.
- 2.3. The Chairman shall be determined by the Board from time to time. Should the Chairman be absent from any meeting, the members of the Committee present shall appoint one of those to be Chair of that meeting.
- 2.4. The duties and responsibilities of a member of the Committee are in addition to those set out in the Board Charter for a member of the Board of Directors.

3. Meetings

- 3.1. The Committee shall meet at least twice a year, and more frequently if required as determined by the Chairman.
- 3.2. Any Director may attend Committee meetings.
- 3.3. In addition to members of the People and Performance Committee, such senior managers or external parties as the Chairman and members of that Committee think fit may be invited to attend meetings.
- 3.4. The Chief Executive Officer ("CEO") of AGL shall normally be invited to attend Committee meetings, but will have no voting rights and must not be present during discussions on the terms of his own employment.
- 3.5. The Secretary of the Committee will be the Group Head of People and Culture or his/her designated representative.
- 3.6. The agenda and supporting documentation will be circulated to Committee members within a reasonable period in advance of each meeting.
- 3.7. The Secretary of the Committee will circulate minutes of meetings to members of the Committee and the Board (including the names of those present and in attendance).
- 3.8. A quorum of any meeting will be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Reporting

- 4.1. The Committee will regularly update the Board about Committee activities and make appropriate recommendations. The Chairman of the Committee will report to the Board, at the Board meeting next following a meeting of that Committee, on any matters under consideration by it within the Charter.
- 4.2. At the discretion of the Chairman and members of the Committee, any relevant matters deemed to be of major importance shall be referred to the Board for its attention.
- 4.3. The Committee will prepare any reports required by law or listing rules or requested by the Board including relevant remuneration and corporate governance sections of the annual report and other shareholder documents.
- 4.4. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

5. Responsibilities

- 5.1. The Committee shall be responsible for making recommendations to the Board as follows:

Recommendations relating to Board composition and performance responsibilities:

- › The skills required to discharge competently the Board's duties and maintain an appropriate balance of skills, knowledge and experience having regard to AGL's operating performance, financial position, strategic issues and commercial changes including specific qualities or skills the Committee believes are necessary for one or more Directors to possess.
- › Director tenure, Board composition, strategic function and size. This is to be considered having regard to AGL's Constitution, which requires that the Board comprise not fewer than 3 and not more than 10 Directors at any time, and to the Board Charter which requires that a majority of the Board shall be independent directors.
- › The process for evaluation of Board, Committee and individual Director performance and effectiveness and assessing performance.

Recommendations in relation to Board appointments:

- › Development of selection criteria to be used to determine potential candidates for appointment to the Board.
- › Appointments to fill a casual vacancy or as additions to the Board. Such recommendations should have appropriate regard to how the skills, experience and other qualities of a recommended appointee will balance and complement the mix of skills, experience and other qualities of existing Directors.
- › Appointment and removal of Directors for consideration at a General Meeting of Shareholders.

Recommendations in relation to Board succession planning

- › Developing succession plans for non-executive Directors, taking into account the challenges and opportunities facing AGL, and the skills and experience likely to be required in the future.



Recommendations in relation to Director Remuneration policy:

- › Rewarding Directors responsibly and fairly for their individual contributions to enhancing AGL's performance.

Recommendations in relation to CEO:

- › Setting and reviewing short and long-term performance objectives for the CEO and evaluating his contribution and effectiveness.
- › Rewarding the CEO responsibly and fairly for his contribution to enhancing AGL's performance.
- › The recruitment, retention and termination policies and procedures for the CEO.

Recommendations in relation to Executive Team:

- › Reviewing the CEO's recommendations on Executive Team terms of employment and remuneration with a view to designing remuneration packages which are linked to short and long-term performance objectives.
- › Reviewing the CEO's recommendations on succession plans for Executive Team positions within AGL.
- › Maintaining a balance of skills, knowledge and experience across the Executive Team, through reviewing recommended structures, new appointments and assessing ongoing leadership development.
- › Reviewing the recruitment, retention and termination policies and procedures for the members of the Executive Team.

Recommendations in relation to incentive plans:

- › Reviewing guidelines for incentive plans.

Recommendations in relation to superannuation:

- › Reviewing superannuation arrangements.

Recommendations in relation to AGL employment policy issues:

- › Providing counsel and guidance to the business in relation to talent, succession planning and performance management.
- › Monitoring remuneration policies and practices (including incentive policies) so there is an appropriate link between performance and reward.
- › Monitoring remuneration policies and practices (including incentive policies) with a view to attracting, retaining and motivating people who create value for Shareholders and who uphold and develop the culture of AGL.



6. Other Matters

- 6.1. This charter should be reviewed and updated at least every two years and changes required should be recommended to the Board for approval.
- 6.2. The Committee should annually review its own performance.
- 6.3. To the extent the Committee deems necessary, it may, at AGL's expense, retain legal, accounting or other advisors.
- 6.4. The Committee is authorised to seek any information it requires from any employee of AGL in order to perform its duties.

Approved by the Board in June 2008