

# AGL Energy Limited

## RISK MANAGEMENT POLICY

AGL Energy Limited (**AGL Energy**) is committed to ensuring that an integrated risk management programme is applied throughout the company. Management and staff are responsible to the board for the management of risk as a part of their corporate governance obligations. Accordingly, the following policy sets out the expectations of AGL Energy for risk management within the AGL Energy Group.

### **Policy Statement**

AGL Energy will ensure that the organisational culture and processes facilitate and reward our ability to identify potential hazards and opportunities created by risk. AGL Energy is committed to the effective management and treatment of risk in order to achieve the organisations' desired outcomes and objectives. The management of risk is the responsibility of all AGL Energy directors, officers and employees.

### **Policy Objectives**

1. To ensure that AGL Energy's culture and processes encourage the identification, assessment and treatment of risks that may affect the company's ability to achieve its stated vision and objectives.
2. To ensure that in managing our risks, AGL Energy fully complies with all relevant legislation, standards, regulations and contractual obligations and gives appropriate recognition to community requirements/expectations, and that any changes to the relevant legislation, regulations and community requirements are appropriately and promptly promulgated throughout the AGL Energy businesses.
3. To ensure that AGL Energy has a consistent and effective approach to risk management.
4. To ensure that where a structured compliance management program is considered to be the most appropriate risk treatment process, that such programs are consistent in their approach and that effective monitoring and reporting of performance against those programs is regularly conducted.
5. To continuously improve our risk management and compliance performance.

### **Risk Management Responsibilities**

1. AGL Energy will be guided by the risk management standards and methodologies recommended by the Australian and New Zealand Risk Management Standard AS/NZS 4360:1999. The generic guide contained in the Standard for the establishment and implementation of AGL Energy's risk management program, involving development of the risk management parameters and the identification, analysis, evaluation, treatment and ongoing monitoring and managing of risks, will be applied with modifications appropriate to AGL Energy's specific circumstances.

2. It is the responsibility of all AGL Energy employees and contractors to be alert to and report, to their immediate leader or supervisor, any real or perceived risks to the health, safety and working environment of themselves, their colleagues, customers or the general public. The Life Guard program provides the mechanism for reporting such risks.
3. It is the responsibility of all AGL Energy employees and contractors to be alert to and report, to their immediate leader or supervisor, any real or perceived risks that may significantly or materially affect the profitability, performance or reputation of AGL Energy, OR that may leave the AGL Energy exposed to legal or regulatory action. This includes potential loss or damage to our assets and/or legal liabilities to third parties.
4. It is the responsibility of all AGL Energy employees and contractors to ensure that compliance standards and requirements are fully and clearly communicated to all relevant persons with whom AGL Energy does business either internally or externally.
5. It is the responsibility of all AGL Energy employees and contractors to ensure that AGL Energy complies with all legislative, regulatory and Company policies and requirements and that where formal programs exist to monitor such compliance, all necessary action and documentation is performed promptly and diligently.
6. Having identified a particular risk to the organisation, it is management's responsibility to assess that risk and where necessary take appropriate action to eliminate, reduce or transfer that risk (eg via insurance), to the extent possible, while taking into account the costs of doing so. While in many instances such action will be as simple as fixing the problem/issue immediately, there will be other instances where the risk or its management is complex, crosses divisional boundaries, is potentially recurring or requires 'specialist' attention. It is the responsibility of management to pass all such risk issues through to either the identified 'specialist' or to their respective Group General Manager.
7. Where considered necessary and appropriate by the Group General Manager/Group Manager, a structured compliance program, modelled on the AS3806 'Compliance Programs' is to be developed in order to identify compliance requirements, promulgate those requirements to the business and most importantly, monitor compliance against the relevant legislation, regulation, contractual or Company requirement.  
It is important to note that a 'structured' program is not necessarily a large, complex and costly program, it is one in which commitment, policy, management responsibility, sufficient resource, monitoring and continuous improvement are all present.
8. Senior AGL Energy management will monitor compliance, investigate breaches, recommend and approve improvement opportunities, develop/monitor action plans and support/assist in the continuous development of improved risk management and compliance processes.

9. This Risk Management Policy is supported by and linked to, specific AGL Energy's policies and standards as issued from time to time. These policies and standards include, but are not limited to:

- Health, Safety & Environment Policy
- Legislative Compliance Policy
- Equal Employment Opportunity Policy
- Accounting Policies and Procedures
- Treasury Policy
- Energy Trading Policy
- Our Values
- Winning Energy Company initiatives
- Corporate Code of Conduct

10. The Audit and Risk Management Committee is responsible for approving the AGL Energy's Risk Management Policy and framework for identifying, assessing and managing risk. The Committee is also responsible for reviewing and updating the AGL Energy's risk profile, monitoring the effectiveness of the risk management framework and reviewing at least annually the implementation of the AGL Energy's risk management policy and framework.

For any queries or concerns regarding risk and/or risk management please contact the Manager Group Audit and Risk Management for advice and/or direction.

**Paul Anthony**

Managing Director

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