

AGL ENERGY LIMITED

BOARD CHARTER

1. PURPOSE

- 1.1 The purpose of this Charter is to specify how AGL is governed so as to promote AGL and protect the interests of shareholders, employees, customers and the communities in which AGL operates.

The Board is responsible for the governance of AGL. This Charter sets out the role and responsibilities of the Board, which responsibilities are delegated to committees of the Board or to management, as well as the membership and the operation of the Board.

2. ROLE AND RESPONSIBILITIES OF BOARD

- 2.1 The role of the Board is to provide overall strategic guidance for AGL and effective oversight of AGL's management. The Board will monitor AGL's compliance with its Constitution, from which the Board derives its authority to act, and with all legal and regulatory requirements.

To achieve this role, the Board has reserved to itself the following specific responsibilities:

Strategy

The Board is responsible for:

- overseeing the development of AGL's corporate strategy through constructive engagement with senior management;
- reviewing and approving strategic plans and performance objectives consistent with AGL's strategy and reviewing the assumptions and rationale underlying the strategic plans and performance objectives; and
- monitoring implementation of plans to give effect to AGL's strategy.

Oversight of management

The Board is responsible for:

- the appointment and, if appropriate, removal of the Chief Executive Officer ("CEO");
- ratifying the appointment and, if appropriate, removal of the Chief Financial Officer and the Company Secretary;
- approving succession plans for key individuals;
- monitoring performance of the Executive Team and implementation of strategy against measurable and qualitative indicators, encouraging enhanced effectiveness and ensuring that appropriate resources are available;
- approving the remuneration policies and procedures in respect of the Executive Team; and
- providing advice and counsel to management.

Shareholders

The Board is responsible for:

- reviewing the effectiveness of communication with Shareholders;
- facilitating the effective exercise of Shareholders' rights;
- reporting to Shareholders in accordance with the requirements of the Corporations Act or other relevant law;
- reviewing and approving significant announcements made by AGL to the Australian Securities Exchange; and
- approving and monitoring compliance with policies to satisfy AGL's continuous disclosure obligations.

Other stakeholders

The Board is responsible for:

- approving and monitoring compliance with policies governing AGL's relationship with other stakeholders and the communities in which AGL operates; and
- approving and monitoring compliance with environmental, employment and occupational, health and safety policies.

Ethics

The Board is responsible for:

- actively promoting ethical and responsible decision-making;
- approving and maintaining a Code of Conduct to guide its Directors, employees and contractors in the practices necessary to maintain confidence in AGL's integrity; and
- monitoring the effectiveness of the system of accountability for unethical practices.

Oversight of financial, operational and capital management

The Board is responsible for:

- reviewing and approving annual and half-yearly financial reports;
- monitoring financial and operating results on an ongoing basis;
- overseeing AGL's accounting and financial management systems;
- reviewing, approving and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and material commitments;
- approving decisions affecting AGL's capital, including capital structure and major financing arrangements; and
- determining AGL's dividend policy and declaring dividends.

Auditors

Having regard to the recommendations of the Audit and Risk Management Committee, the Board is responsible for:

- making recommendations to Shareholders for the appointment and removal of external Auditors including the remuneration and terms of appointment of the Auditors;
- select and appoint external Auditors on an interim basis when a vacancy occurs in the office of Auditor.

Compliance and risk management

The Board is responsible for approving, reviewing, ratifying and monitoring:

- AGL's control and accountability systems and reviewing reporting under those systems;
- a system for identifying, assessing, monitoring and managing material risk throughout AGL, and informing investors of material changes to AGL's risk profile;
- systems of internal compliance, risk management and control, and systems of legal compliance that govern AGL's operations; and
- written policies, codes and procedures governing compliance, risk oversight and management.

3. ROLE AND RESPONSIBILITIES OF CHAIRPERSON, CEO AND COMPANY SECRETARY

- 3.1 The Chairperson is an independent and non-executive Director appointed by the Board.

The Chairperson is responsible for:

- leading the Board in reviewing and discussing Board matters;
- chairing Board meetings and shareholder meetings;
- managing the efficient organisation and conduct of the Board's function;
- briefing all Directors in relation to issues arising at Board meetings;
- facilitating effective contribution by all Directors and monitoring Board performance;
- overseeing that membership of the Board is skilled and appropriate for AGL's needs;
- promoting constructive relations between Board members and between the Board and management;
- reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board;
- overseeing the implementation of policies and procedures to renew the composition of the Board;
- overseeing the implementation of policies and procedures to annually review Board performance; and

- maintaining liaison with major shareholders and reporting their views back to the Board.

3.2 The CEO leads AGL's Executive Team and is accountable to the Board for AGL's overall management and performance. The CEO manages AGL in accordance with the strategy, business plans and policies approved by the Board.

The CEO's performance will be regularly evaluated against the achievement of agreed performance measures.

3.3 The Company Secretary acts as secretary of the Board, attending all meetings of the Board as required. The Company Secretary is accountable to the Board through the Chairperson on all corporate governance matters.

The Company Secretary is responsible for:

- organising Board meetings and Director attendance;
- monitoring compliance with Board policy and procedures;
- coordinating the completion and dispatch of the Board agenda and briefing materials;
- preparing minutes of meetings and resolutions of the Board and taking these to the Chairperson for approval and circulation;
- circulating minutes from Committee meetings to the Board; and
- AGL's compliance with its requirements under the Corporations Act regarding registered office, annual returns and notices to be lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange.

4 . DELEGATIONS OF AUTHORITY

4.1 Under AGL's Constitution, the Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board. Standing committees established by the Board will adopt charters setting out the authority, responsibilities, membership and operation of the committee.

There are currently four standing committees:

- the Audit and Risk Management Committee;
- the People and Performance Committee;
- the Safety, Sustainability and Corporate Responsibility Committee; and
- the Nominations Committee.

AGL may establish other committees from time to time to consider other matters of special importance.

4.2 The Board has delegated to the CEO the authority to manage AGL's day to day affairs and the authority to control AGL's affairs in relation to all matters other than those responsibilities reserved by the Board to itself in this Charter. Specific limits on the authority delegated to the CEO are set out in the Delegated Authorities Manual approved by the Board.

The Board may impose further specific limits on CEO delegations. These delegations of authority will be maintained by the Company Secretary and will be reviewed by the Board as appropriate from time to time.

- 4.3 The CEO has authority to sub-delegate to the Executive Team.

5. MEMBERSHIP

- 5.1 The Chairperson of the Board will be elected by the Directors and must be an independent non-executive Director.

The Directors will determine the Board size and composition, subject to the limits established by AGL's Constitution. AGL's Constitution provides for a minimum of three Directors and a maximum of ten Directors (until Shareholders resolve to change these limits). The Managing Director is an executive Director and the CEO of AGL.

The number of Directors and the composition of the Board must at all times be appropriate to achieve efficient decision-making.

- 5.2 The Company will seek to have Directors with an appropriate range of skills, experience and expertise and an understanding of, and competence to deal with, current and emerging issues of the business. AGL's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.
- 5.3 The process of selection and appointment of new Directors to the Board is that when a vacancy arises, the People and Performance Committee will consider candidates with appropriate skills, experience and expertise. Candidates with the skills, experience and expertise that best complement the Board's effectiveness will be recommended to the Board. When the Board considers that a suitable candidate has been found, that person is appointed by the Board to fill a casual vacancy in accordance with AGL's Constitution, but must stand for election by Shareholders at the next Annual General Meeting.
- 5.4 Non-executive Directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors will be expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.
- 5.5 Directors must retire from office in accordance with AGL's Constitution. Retiring Directors may be eligible for re-election. Before each Annual General Meeting, the Chairperson will assess the performance of any Director standing for re-election and the Board (excluding the Director standing for re-election) will determine its recommendation to shareholders on the re-election of the Director. The Board (excluding the Chairperson) will conduct the review of the Chairperson where the Chairperson is standing for re-election.
- 5.6 A Director is considered independent by AGL if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning AGL.

A Director who:

- is a substantial AGL Shareholder or an officer of, or otherwise associated directly with, a substantial AGL Shareholder;

- within the last three years has been employed in an executive capacity by AGL, or any of AGL's related bodies corporate;
- within the last three years, has been a principal of a material professional adviser or material consultant to AGL or any of AGL's related bodies corporate;
- is a material supplier to, or customer of, AGL or any of AGL's related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with AGL or any of AGL's related bodies corporate other than as a Director or Shareholder of AGL;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests; or
- has any interest, or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests,

will not be independent unless the Board is satisfied on reasonable grounds that the Director is independent despite the existence of one or more of these circumstances.

The Board will regularly assess the independence of each Director in light of the interests disclosed by them. Each independent Director must provide the Board with all relevant information for this. The outcome of this assessment will be reflected in the corporate governance section of the Annual Report.

5.7 Directors must at all times act in accordance with legal and statutory requirements, and discharge all their duties as directors.

Directors must:

- discharge their duties in good faith and in AGL's best interests and for a proper purpose;
- act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a director of a major company;
- avoid conflicts of interest except in those circumstances permitted by the Corporations Act;
- not make improper use of information gained through their position as a Director;
- not take improper advantage of their position as a Director;
- notify other Directors of a material personal interest when a conflict arises;
- make reasonable enquiries if relying on information or advice provided by others;
- undertake any necessary inquiries in respect of delegates;
- give AGL or Australian Securities Exchange Limited all the information required by the Corporations Act; and
- not permit AGL to engage in insolvent trading.

- 5.8 Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings and are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The Chairperson of each committee will report back on committee meetings to the Board at the next full Board meeting.

6. BOARD PROCESS

- 6.1 All Board meetings will be conducted in accordance with AGL's Constitution and the Corporations Act. The Board will meet formally at least eight times per annum and will also meet whenever necessary to deal with urgent matters which might arise between scheduled meetings. Part of each scheduled meeting shall be set aside to allow the Directors to meet in private session (with only the non-executive Directors present) to discuss management issues or other matters of a particularly sensitive nature.
- 6.2 Directors have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the Directors. Individual Directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.
- 6.3 Directors are committed to collective decision making and shall endeavour to arrive at a consensus decision on all matters requiring Board approval. Where a consensus decision is unable to be made, the decision of the Board shall be determined by a majority of votes of the Directors present at the meeting and voting and, subject to the Corporations Act, each Director has one vote. Subject to the ASX Listing Rules and AGL's Constitution, in the case of an equality of votes, the Chairperson of a Directors' meeting has a casting vote in addition to his or her deliberative vote.
- 6.4 Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.
- 6.5 Directors are generally expected to attend, to be adequately prepared for, and to participate in each Board meeting.
- 6.6 Senior members of management may attend Board meetings at the Board's request to present reports on, or seek approvals within, their areas of responsibility. The Board may invite external advisers to attend Board meetings where necessary or desirable.
- 6.7 The Board may conduct meetings by telephone or videoconference.
- 6.8 The Board collectively, and each Director individually, has the right to seek independent professional advice at AGL's expense to help them carry out their responsibilities.
- 6.9 All Directors shall have unfettered access to any AGL records and information they consider necessary to fulfil their responsibilities. Directors shall also have access to the Company Secretary and other members of the Executive Team to seek additional information concerning AGL's business. Directors shall receive regular detailed financial and operational reports and may request management to provide elaboration or explanation of those reports at any time.

7 . REVIEW AND PUBLICATION OF CHARTER

- 7.1 The Board is responsible for reviewing this Charter every two years. The Charter may be amended by resolution of the Board.
- 7.2 The Charter is available on AGL's website.

Approved by the Board - June 2010 (amended January 2011)