



Risk Management Policy
AGL Energy Limited
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1. About this Document

This Policy is a formal representation of AGL Energy Limited's ("AGL") commitment to Risk Management and has been approved by the AGL Board.

This Policy is also supported by the AGL Risk Management & Assessment Framework which provides guidance with regard to the processes that underpin effective and consistent risk management.

2. Policy Statement

AGL is committed to ensuring that risk management practices are entrenched into all business processes and operations to drive consistent, effective and accountable action, decision making and management practice.

AGL's fundamental, underlying risk principles are consistent with ISO 31000 (Risk Management – Principles & Guidelines); and, the COSO standard for Enterprise Risk Management.

3. Purpose

This policy sets out the objectives and accountabilities for the management of risk within AGL.

The AGL Risk Management Policy and AGL Risk Management & Assessment Framework are two key documents that together formalise and set out AGL's Risk Framework.



4. AGL Risk Context

AGL recognises that risk is dynamic and is inherent in all external and internal operating environments and is committed to managing all risks effectively. Effective risk management is a means for achieving competitive advantage and is pivotal to enabling the ongoing growth and success of our business.

AGL is a recognised leader in the Retail and Merchant energy markets. We appreciate that to continue to strengthen our position we need to understand the opportunities and challenges our business is faced with, now and into the future.

The environment in which AGL operates has changed significantly over the past decade, predominantly as a result of privatisation, the introduction of competitive markets, industry consolidation and integration along the value chain. This in turn has resulted in considerable change to internal operations, including our risk profile.

As our operating environment continues to be transformed, embedding risk management principles and practices into strategy development and day to day business processes is critical to achieving robust and proactive commercial outcomes – a balance between mitigating threats and exploiting opportunity; creating and protecting value.

Just as risk is inherent in our operations, risk management is also inherent in all decision making and management processes. Risk management is essential to good corporate governance and is a fundamental component of good management practice.

This policy sets out the objectives and accountabilities for the management of risk within AGL such that it is structured, consistent and effective.

5. Scope

This Policy is applicable to all AGL businesses; all levels within the organisation, all types and consequence categories. This Policy applies to AGL, its directors, and all its employees and contractors.

Through the remainder of this Policy, AGL's directors, employees and contractors are referred to collectively as "employees".

6. Objectives

Effective risk management within AGL has a number of objectives:

- > Promote an enterprise wide approach by integrating risk management processes with:
 - » business strategy; project management; process and decision making;
 - » audit, insurance and specialist risk functions; and
 - » compliance and general governance functions.
- > Promote consistency and transparency in methodology, assessment and management processes.



- > Promote proactive recognition of external factors and anticipate uncertainties that may affect the achievement of strategy.
- > Sponsor confidence in operations, management decisions and certainty regarding expected outcomes.
- > Protect the interests of AGL shareholders.
- > Provide assurance to counterparts, customers, employees and the community.
- > Sponsor innovation and maximise value from assets, ventures and opportunities.
- > Recognise that risk is embedded in all our activities and that the underlying risk appetite is key to effective decision making.
- > Provide appropriate, consistent and transparent ownership and accountability around risk mitigation.
- > Enable the design and implementation of controls that:
 - » are structured to promote effective realisation of objectives;
 - » provide appropriate assurance; and
 - » are cost effective.
- > Recognise that timely and accurate monitoring, review, communication and reporting of risk is critical to:
 - » providing early warning mechanisms for the effective management of risk occurrences and consequences;
 - » providing assurance to management, the Board and shareholders;
 - » providing a solid platform for growth; and
 - » generating and maintaining a sound corporate history.



7. Accountabilities

AGL Board

The Board has ultimate responsibility for overseeing the performance of AGL, including monitoring of risk management and internal control systems.

To assist it in discharging its responsibilities the Board has established the Audit and Risk Management Committee (**ARMC**).

AGL Audit and Risk Management Committee

In accordance with its Charter, the ARMC is responsible for maintaining and overseeing a sound system of internal controls based on the adoption by the Board of a risk-based approach to the identification, assessment, monitoring and management of risks that are significant to the fulfilment of AGL's business objectives.

More specifically, the ARMC is required to:

- > Review and approve AGL's risk management policy and framework for identifying, assessing, monitoring and managing risk;
- > Regularly review AGL's updated risk profile;
- > Monitor the effectiveness of the risk management framework and the system of internal control. As part of monitoring and assessing the effectiveness of the system of internal control, regularly receive and review reports on internal control;
- > Review at least annually, AGL's implementation of the risk management policy and framework; and
- > Review the adequacy of AGL's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of AGL's principal insurers.

Group Audit

Group Audit is an independent appraisal function established to provide assurance to the Board, the ARMC and the Executive Team about the adequacy and effectiveness of existing internal controls.

More specifically, Group Audit is responsible for:

- > Developing and implementing an annual audit plan having regard to AGL's material risks;
- > Reviewing the effectiveness of AGL's risk management policy and risk management processes; and
- > Notifying Group Risk of new and emerging risks identified in the course of implementing the audit plan and, where necessary, modifying the audit plan to take account of the impact of new risks.



Group Risk & Compliance

Group Risk & Compliance is responsible for:

- > Identification and reporting of AGL Tier 1 Risks;
- > Promoting and facilitating a standardised approach to effective risk and compliance management;
- > Assisting the business to understand and manage risk and compliance and facilitating the integration of AGL's approved processes for managing risk and compliance within the business;
- > Reporting to the ARMC no less frequently than quarterly on risk and compliance issues;
- > Reporting to the Executive Team regularly on material risks and issues;
- > Supporting the business in identifying and implementing risk and compliance management improvement processes;
- > Keeping abreast of factors in the internal and external environments that may affect the achievement by AGL of its strategic objectives and/or operating targets;
- > Maintaining and reviewing the AGL Risk Management and Compliance Frameworks (including relevant policies and processes).

Management

All Management is responsible for:

- > Promoting AGL's Risk Policy, Framework and expectations for the management of risk;
- > Provision and support of appropriate resources to manage risk in accordance with the Policy & Framework;
- > Escalating risks, issues and opportunities in accordance with the Risk Management & Assessment Framework;
- > The design and implementation of cost effective risk management and internal control systems in accordance with the guidelines to manage risk, encourage efficiencies and take advantage of opportunities;
- > Continuous monitoring and reporting of the effectiveness of risk controls;
- > Monitoring compliance, investigating breaches, recommending and/or approving improvement opportunities.

Employees

It is the responsibility of all AGL employees and contractors to:

- > Report to their immediate leader or supervisor, any real or perceived risks that become apparent and may significantly affect AGL's:
 - o Commercial viability;
 - o Profitability;
 - o Assets;
 - o Business continuity;
 - o Customers;



- Regulatory and/or legal obligations;
 - Reputation; and/or
 - People and/ or their safety.
- > Report to their immediate leader or supervisor, any real or perceived risks that AGL's operations may significantly affect the broader:
 - Environment; and/or
 - Community.
- > Look for opportunities to improve operational efficiencies and optimise outcomes.

8. Risk Management Requirements

- > Each area of the business is accountable for managing risks and must maintain a register of risks relating to material risk exposures;
- > Risk registers will be based on the outcomes of thorough risk identification and assessment processes and in accordance with the AGL Risk Management & Assessment Framework;
- > Review of risk registers are to be conducted regularly (dependent on business requirements) and reporting and escalations should occur in accordance with the AGL Risk Management & Assessment Framework;
- > Enterprise risk identification, assessment and profiling will be conducted at least once per year.

9. Related & Supporting Policies

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

- > AGL Risk Management & Assessment Framework
- > Corporate Code of Conduct
- > Compliance Policy and Program
- > Wholesale Energy Risk Management Policy
- > Wholesale Energy Risk Management Framework
- > Health, Safety & Environment Policy
- > Accounting Policies and Procedures
- > Treasury Policy
- > Equal Employment Opportunity Policy
- > Lifeguard



10. Reviewing and Maintaining The Policy

This Policy is administered by Group Risk & Compliance. The Policy is to be reviewed every two years. Changes to the Policy require Board approval.

11. Glossary of Terms

Descriptor	Definition
ARMC	Audit and Risk Management Committee
Compliance Function	The specialist function responsible for establishing, maintaining and administering a compliance program for the relevant compliance requirement (i.e. Energy Regulation; Lifeguard; Wholesale Energy Risk Management)
Risk	The effect of uncertainty on objectives
Risk Appetite	The approach to assess and eventually pursue, retain, take or turn away from risk
Risk Management	Coordinated activities to direct and control an organisation with regard to risk
Risk Management Policy	A statement of the overall intentions and direction of an organisation related to risk management