

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

AGL Energy Limited

ABN / ARBN:

74 115 061 375

Financial year ended:

30 June 2019

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: [www.agl.com.au/CorporateGovernance](http://www.agl.com.au/CorporateGovernance)

The Corporate Governance Statement is accurate and up to date as at 8 August 2019 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 8 August 2019

Name of Director or Secretary authorising lodgement: John Fitzgerald, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>	
<p>1.1 A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 2-4 “Corporate Governance Framework” and “AGL’s Board” and page 11 “CEO and Executive Team”</p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management)</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 2-4 “Corporate Governance Framework” and “AGL’s Board” and page 11 “CEO and Executive Team”; and</p> <p><input checked="" type="checkbox"/> in our Board Charter, which is available on <a href="#">AGL’s website</a>.</p>
<p>1.2 A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 6-7 “Nomination and appointment” and the 2019 Notice of Meeting, which is available on <a href="#">AGL’s website</a></p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 6-7 “Nomination and appointment” and page 11 “CEO and Executive Team”</p>
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 12 “Company Secretaries”</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 15 "Diversity and Inclusion"</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Diversity &amp; Inclusion Policy, which is available on <a href="#">AGL's website</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 15-16 "Diversity and Inclusion"</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 16-17 "Diversity and Inclusion"; and</p> <p><input checked="" type="checkbox"/> on <a href="#">AGL's website</a></p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 7-8 "Performance evaluation" and page 8 "Evaluation of Board Committees"</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 7-8 "Performance evaluation" and page 8 "Evaluation of Board Committees"</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 11 "Performance evaluation"; and</p> <p><input checked="" type="checkbox"/> in our 2019 Annual Report (Remuneration Report), which is available on <a href="#">AGL's website</a>, on pages 58-81.</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 11 "Performance evaluation"; and</p> <p><input checked="" type="checkbox"/> in our 2019 Annual Report (Remuneration Report), which is available on <a href="#">AGL's website</a>, on pages 58-81.</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 8-10 "Board Committees"</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on <a href="#">AGL's website</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 10 "Nominations Committee"; and</p> <p><input checked="" type="checkbox"/> in AGL's 2019 Annual Report on page 33, which is available on <a href="#">AGL's website</a>.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 5-6 "Skills and capabilities"</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 5 "Independence"</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in AGL's 2019 Annual Report on pages 31-32, which is available on <a href="#">AGL's website</a></p>
2.4	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 5 "Independence"</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 2 "Corporate Governance Framework", page 4 "Responsibilities of the Chairperson" and page 5 "Independence"
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 7 "Building director capability"
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 18 "Code of Conduct"; and <input checked="" type="checkbox"/> on <a href="#">AGL's website</a>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>	
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 8-10 "Board Committees"</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on <a href="#">AGL's website</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in AGL's 2019 Annual Report on pages 31-33, which is available on <a href="#">AGL's website</a></p>
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 14 "Financial Reporting"</p>
<p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 14 "External auditor"</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 19 "Continuous Disclosure"; and <input checked="" type="checkbox"/> on <a href="#">AGL's website</a>
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="https://www.agl.com.au/about-agl/who-we-are/our-company/corporate-governance">https://www.agl.com.au/about-agl/who-we-are/our-company/corporate-governance</a>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 20, "Shareholder engagement"
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 20, "Shareholder engagement"
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 20, "Shareholder engagement"

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>	
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 8-10 "Board Committees"</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on <a href="#">AGL's website</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 10 "ARMC"</p> <p><input checked="" type="checkbox"/> in AGL's 2019 Annual Report on page 33, which is available on <a href="#">AGL's website</a></p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, page 13 "Roles of the Board and ARMC"</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 13 "Roles of the Board and ARMC"</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 13-14 "Internal audit"</p>

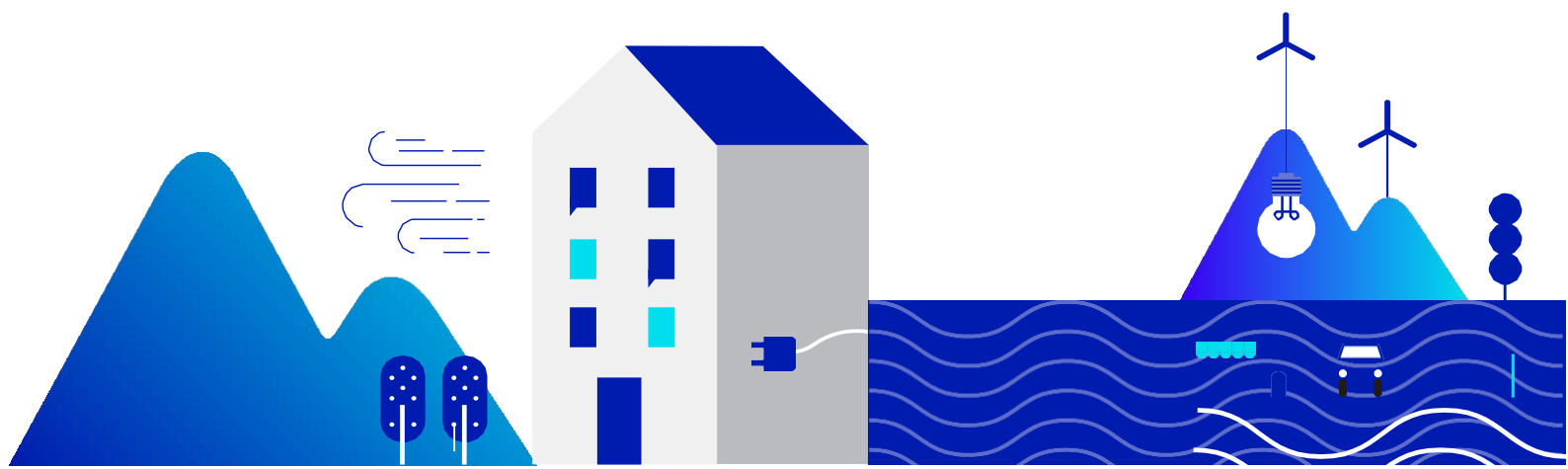


Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in AGL's 2019 Annual Report pages 8-9, which is available on <a href="#">AGL's website</a> .
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): <input checked="" type="checkbox"/> in our Corporate Governance Statement, pages 8 to 10 "Board Committees" ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> on <a href="#">AGL's website</a> ... and the information referred to in paragraphs (4) and (5): <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 10 "P&PC" <input type="checkbox"/> in AGL's 2019 Annual Report on page 33, which is available on <a href="#">AGL's website</a> .
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: <input checked="" type="checkbox"/> in AGL's 2019 Annual Report (Remuneration Report), which is available on <a href="#">AGL's website</a> , on pages 58-81.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement, page 19 "Dealings in AGL Shares"; and <input checked="" type="checkbox"/> AGL's Securities Dealing Policy, which is available on <a href="#">AGL's website</a>



# 2019 Corporate Governance Statement

AGL Energy Limited



## 2019 Corporate Governance Statement

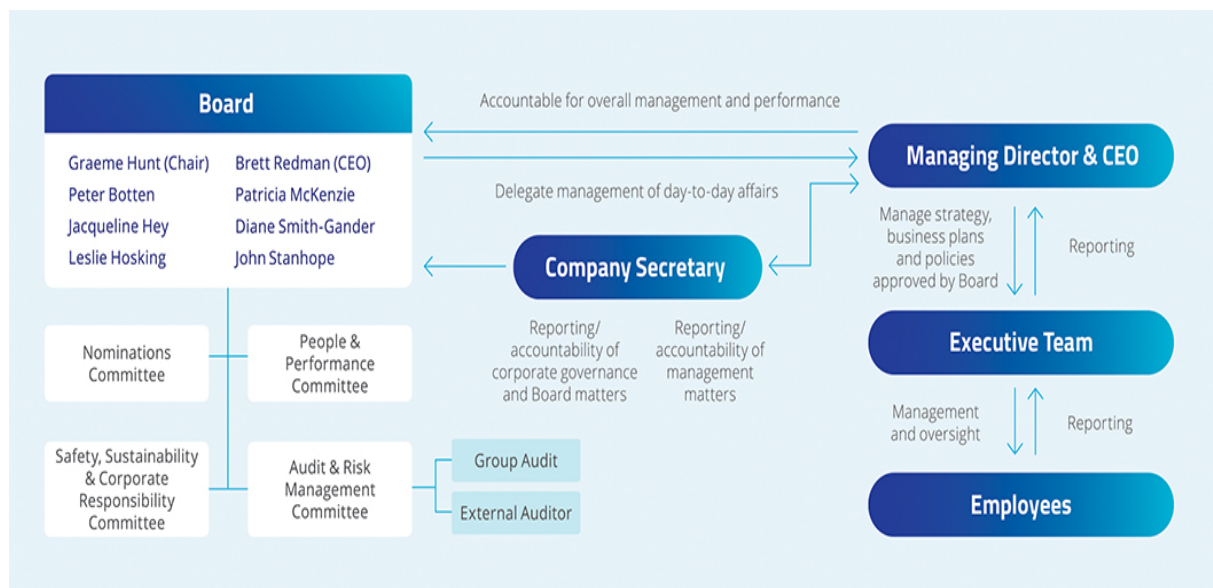
This corporate governance statement describes AGL’s corporate governance framework, policies and practices. This statement has been approved by the Board and is current as at 8 August 2019.

Throughout FY19, AGL’s corporate governance arrangements were consistent with the third edition of the Corporate Governance Principles and Recommendations (**ASX Principles**) published by the ASX Corporate Governance Council. Our Appendix 4G, which is a check list cross referencing the ASX Principles to the relevant disclosures in this corporate governance statement, the 2019 Annual Report and the AGL website, has been lodged with the ASX. AGL has updated its governance arrangements in a number of respects during FY19 so that they will be consistent with the fourth edition of the ASX Principles during FY20. Those updates are outlined in this statement.

## Corporate Governance Framework

AGL is committed to ensuring that its corporate governance framework, policies and practices reflect a high standard of corporate governance. Delivering on this commitment requires AGL to have a sound understanding of current governance requirements and practices, as well as being attuned to emerging governance trends and shifting stakeholder expectations. The AGL Board believes that best practice corporate governance standards support sustainable performance by AGL over time.

AGL’s governance framework is summarised below.



AGL has adopted a number of corporate governance policies and documents. The corporate governance policies and documents referred to in this Corporate Governance Statement are published on the [AGL website](#).

## AGL’s Values

AGL’s five core Values are set out below, which are disclosed on AGL’s website. These Values underpin AGL’s operations and the Board and senior management are cognisant of these core Values when making decisions for AGL, including in relation to its corporate governance policies and practices.

- **Care in every action**
- **Integrity always**
- **Better together**
- **Deliver your best**
- **Shape tomorrow**

AGL's Values were refreshed during FY19 following an extensive consultation process involving AGL's people, senior management and the Board. The updated Values, which were approved by the Board, will be integrated into AGL's ways of working during FY20. The AGL Values have also been embedded into our leadership framework and form the core foundation for how we evaluate performance and expect our leaders to behave.

The Executive Team is responsible for instilling AGL's Values across AGL and continually references and reinforces those Values with staff. Senior management oversees the provision of training to employees about AGL's Values.

The Board engages with senior management regularly to ensure that AGL's core Values align with the "lived experience" of the business. The Board recognises the need for continuous improvement in this area and is always looking for new ways to build its understanding of how AGL's Values are lived in practice (including, culture diagnostics and more detailed reporting on employee, customer and stakeholder feedback).

## **AGL's Board**

As at 8 August 2019, AGL's Board comprised seven non-executive Directors and AGL's Managing Director and Chief Executive Officer (CEO), Brett Redman. An overview of the qualifications, appointment date, experience and special responsibilities of each Director is set out on pages 31 and 32 of the 2019 Annual Report.

### **Roles and responsibilities of the Board**

The Board is responsible for the governance of AGL. The role of the Board is to safeguard AGL's interests and foster sustainable value creation while taking into account the reasonable interests of shareholders, employees, customers, the communities in which AGL operates and other relevant stakeholders.

The Board reviews and approves AGL's strategic direction and provides oversight of management. Additionally, the Board is responsible for guiding AGL's company culture by establishing the "tone from the top" and by monitoring the implementation of, and broader adherence to, AGL's core Values, policies and related processes. This includes monitoring AGL's approach to the management of both financial and non-financial risks, such as its exposure to environmental risks, safety risks and potential damage to AGL's reputation and the interests of broader stakeholders.

Responsibilities specifically reserved to the Board are set out in a formal [Board Charter](#), which the Board reviews at least every two years. The Board Charter was reviewed and updated during FY19.

The key roles and responsibilities reserved to the Board are:

- reviewing and approving AGL's strategic direction, its business plan and budget and significant strategic initiatives and plans;
- approving AGL's purpose and statement of values to clearly express the standards of behaviour expected of AGL people and assist AGL in meeting its purpose and strategic direction;
- monitoring and guiding the culture, reputation and standards of conduct of AGL to promote ethical and socially responsible behaviour in accordance with AGL's core Values;
- appointing and monitoring the performance of the CEO and, if appropriate, terminating the appointment of the CEO;

- approving AGL's remuneration framework and monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team and other key management roles;
- approving changes to the composition, structure and size of the Board and the formation and membership of Board Committees;
- approving significant announcements made by AGL to the ASX and other reports to shareholders in accordance with the Corporations Act and other relevant laws;
- approving and monitoring policies governing AGL's relationship with other stakeholders, including policies and compliance in relation to environmental, employment and work, health and safety matters;
- considering the social, ethical and environmental impact of AGL's activities and overseeing the system for managing compliance with AGL's sustainability policies and practices;
- monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing, approving, and monitoring compliance with, each of AGL's Code of Conduct, Whistleblower Policy and Anti-Bribery, Corruption and Fraud Policy;
- monitoring financial and operating results on an ongoing basis, including the effectiveness of AGL's accounting and financial management systems;
- approving decisions affecting AGL's capital, including determining AGL's dividend policy, the amount, nature and timing of dividends to be paid to shareholders and declaring dividends payable to shareholders;
- making recommendations to shareholders for the appointment and removal of the external auditor; and
- approving, and monitoring the adequacy of, AGL's risk management framework and risk appetite statement and monitoring the effectiveness of AGL's systems of internal compliance, risk management and control, and systems of legal compliance that govern AGL's operations.

The Corporate Governance Summary set out in AGL's 2019 Annual Report outlines the key areas of focus for the Board during FY19.

### **Responsibilities of the Chairperson**

Under [AGL's Constitution](#), the Board elects a Chairperson from amongst the non-executive Directors. This means that the roles of the Chairperson and the CEO are not exercised by the same individual. It is also a requirement of AGL's [Board Charter](#) that the Chairperson be independent.

The Chairperson presides over AGL's Board meetings and shareholder meetings. Some of the key responsibilities of the Chairperson include:

- leading the Board in reviewing and discussing Board matters;
- facilitating effective contributions by all Directors and monitoring Board performance;
- reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- maintaining a regular dialogue with the CEO, and being the principal communication channel between the Board and management.

Our current Chairperson is Graeme Hunt. The Board is satisfied that Graeme Hunt is, and has been throughout the year, an independent Director.

### **Board Meetings**

The Board met 20 times during the financial year. Directors' attendances are set out on page 33 of the 2019 Annual Report.

In addition to the Board considering strategic matters at each scheduled Board meeting, the Board holds two separate sessions each year to discuss AGL's strategy.

It is usual for the non-executive Directors to confer, without management being present, at the start of each scheduled Board meeting. Otherwise, the Executive Team are invited to participate in Board meetings as required.

## **Independence**

The Board regularly assesses the independence of each Director and has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent. As the CEO is an executive, he is not considered to be independent.

AGL considers a Director to be independent if the Director is independent of management and is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of AGL as a whole. When assessing the independence of a Director, the Board considers the matters potentially affecting the independent status of a Director as described in Box 2.3 of the ASX Principles. Materiality is assessed on a case by case basis by reference to each Director's individual circumstances rather than by applying general materiality thresholds. As at the date of this statement, there were no relationships or associations of the kind referred to in Box 2.3 of the ASX Principles in relation to AGL's non-executive Directors.

## **Board composition**

### ***Skills and capabilities***

AGL seeks to maintain a Board of Directors with a broad range of industry, financial and customer related experience relevant to overseeing a large vertically integrated energy business undergoing evolution and transformation. As well as the general skills expected of Directors, AGL seeks to maintain a Board which, at a minimum, collectively has:

- Gas and electricity experience with direct relevance to AGL's strategy;
- Experience with the management of complex operating assets;
- An understanding of corporate finance, trading and contemporary risk and compliance management;
- Experience in reviewing and executing organisational strategy and growth opportunities;
- An understanding of how to evolve products and services for retail customers in an increasingly digital world to drive customer advocacy and customer-led transformation;
- Experience with industries undergoing transformation, and the use of technology to support value creating evolution, particularly in a retail environment;
- Experience with large public company governance, including environmental and social governance and exposure to a range of political, regulatory and business environments;
- Experience with people and culture matters, including health & safety, community engagement, remuneration, succession and talent management; and
- Diversity of thinking and perspectives, including board leadership with respect to AGL achieving gender balance.

The relevant skills and experience base required both now and in the immediate future have been incorporated into a Board Skills Matrix, which is set out below. The Board Skills Matrix demonstrates the number of current Directors with a "developed" level of capability, meaning that a Director has a level of capability in a particular area that can be leveraged by the Board drawing upon the Director's prior experience.

The Board Skills Matrix was updated in FY19 to ensure that it remains aligned with AGL's needs and to reflect the retirement of Andy Vesey and Belinda Hutchinson in 2018 and the appointment of Brett Redman as CEO in January 2019 and Patricia McKenzie as a new non-executive Director in May 2019. The Board Skills Matrix was updated following an analysis of the skills and experience of each Director and an assessment of the current and future strategic direction, opportunities and challenges for AGL.



The Board uses the Board Skills Matrix as part of normal succession processes to assess the skills and experience that may be required on the Board in the future to support effective governance and the delivery of AGL's strategy, having regard to the ongoing transition of the energy sector. As noted in the 2018 Corporate Governance Statement, the Board identified that greater specialist experience in energy and industry transformation would complement the effective functioning of the Board, which assisted with the identification of Patricia McKenzie as an additional non-executive Director.

The Board considers that its current members have an appropriate mix of skills that enable the Board to discharge its responsibilities and deliver AGL's strategic objectives. Following the review in FY19, the Board identified that further skills and experience in the electricity sector and customer markets would complement the effective functioning of the Board in the future. The Board is taking steps to consider how those future requirements will be met.

Skills required	Description	Board	SSCR	AMRC	P&PC
Gas experience	Knowledge of the supply, storage and transportation aspects of Australia's gas markets, including trading, contracting and wholesale pricing.	6/8	2/4	3/4	3/4
Operations / asset management	Having led or overseen the management of complex operating assets which require the leadership of a large, skilled workforce.	8/8	4/4	4/4	4/4
Risk management and compliance	A working knowledge of contemporary risk and compliance management practices. Experience managing business risks and controls and the activities necessary to effectively manage and mitigate risk.	8/8	4/4	4/4	4/4
Technology / industry transformation	Experience and insights from industries that have been through significant technology/digital disruption or transformation. Experience with new and emerging technologies.	6/8	3/4	3/4	2/4
Strategy and growth	Experience developing strategic objectives and driving growth opportunities in large, complex organisations.	8/8	4/4	4/4	4/4
Electricity experience	Knowledge of the essential elements of the National Electricity Market (NEM), including trading, contracting and wholesale and retail pricing. A knowledge of the generation market (renewables, coal and gas) as well as downstream retail and commercial and industrial market dynamics.	5/8	1/4	3/4	2/4
Corporate finance	Experience leading or overseeing the corporate finance function within a large business or investment banking environment. Experience dealing with a range of funding sources and capital structuring models and financial accounting and reporting.	8/8	4/4	4/4	4/4
Customer and retail	Knowledge of customer segmentation models and how to influence customer behaviour in an increasingly digital world. This experience would ideally come from a retail environment, however business-to-business sales in the commercial or industrial environment is also highly relevant.	6/8	3/4	2/4	3/4
Large public company / governance	Experience as a Director of public company Board(s) within the ASX100. Particularly relevant are businesses with an exposure to complex political, regulatory and business environments with a strong track record of environmental and social governance and significant people and performance structures.	8/8	4/4	4/4	4/4

## Nomination and appointment

The Nominations Committee oversees matters related to the composition of the Board, including arrangements for the selection and appointment of new Directors. When considering the appointment of a new Director, the Committee typically engages the services of an executive recruitment firm to assist in identifying suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks (including due-diligence of a person's character, experience, education, criminal record and bankruptcy status) before the Board makes an offer to a preferred candidate.

Newly appointed Directors must stand for appointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with material information about each Director standing for election or re-election, including details of their relevant skills, independence, experience, other directorships and whether the Board supports the election or re-election of the Director. Directors seeking election are also given the opportunity to address the AGM and to answer questions from shareholders at the AGM.

New Directors receive a formal letter of appointment that sets out his or her duties, responsibilities, rights and remuneration entitlements, together with an induction pack.

These processes have been followed in relation to the appointment of Patricia McKenzie, who was appointed to the Board on 1 May 2019.

## **Board effectiveness**

### ***Building director capability***

The formal letter of appointment and induction pack provided to newly appointed Directors contains detailed information to allow the new Director to gain an understanding of:

- AGL, its operations and governance systems;
- the rights, duties and responsibilities of Directors;
- the role of each Board Committee;
- the roles and responsibilities of the Executive Team; and
- AGL's financial, strategic, and operational risk management position.

New Directors also undertake an induction program that includes a program of meetings with members of AGL's Executive Team and visits to AGL's main operational sites.

Directors also undertake a program of ongoing Director education, including presentations on a range of topics generally relevant to AGL's business activities, including compliance training and presentations by external industry and subject matter specialists. This year, Directors were given the opportunity to have discussions with a range of external presenters, including politicians, energy regulators and experts on stakeholder engagement, culture, data and financial markets. The Board also had a formal compliance session on competition and consumer law.

During FY19, the Safety, Sustainability & Corporate Responsibility Committee also visited:

- AGL's power stations at Loy Yang and Macquarie; and
- the proposed site of AGL's LNG facility at Crib Point.

## **Performance evaluation**

The Board regularly reviews its own performance and the performance of individual Directors. A formal review of the performance of the Board is also conducted each year.

The review conducted during the 2018 financial year was facilitated by an independent consultant with experience in conducting Board performance reviews.

The Board review conducted during FY19 was undertaken internally. The Chairman, with the assistance of the Company Secretary, met with each Director individually to discuss a series of agreed questions, including whether the recommendations highlighted by the independent consultant in FY18 had been effectively implemented during FY19.

The Chairman also discussed the performance of individual directors and provided relevant feedback. The Chair of the Audit & Risk Management Committee reviewed the performance of the Chairman, following consultation with the other non-executive Directors.

The FY19 review concluded that:

- the recommendations from the FY18 Board review had been effectively addressed during FY19; and
- the Board is functioning effectively, however areas for continuous improvement were identified, including additional sessions between Board and management to promote further alignment in light of changes to management during FY19, deeper understanding of the key issues impacting AGL and emerging risks and opportunities including further focus on issues that impact AGL's reputation, social licence and customer responsiveness.



The results of the review were discussed in detail at a subsequent Board meeting. The Board has identified actions to implement the improvements that were identified as part of the review process.

## Board Committees

The Board has established four Committees as follows:

- Audit & Risk Management Committee (ARMC);
- Nominations Committee;
- People & Performance Committee (P&PC); and
- Safety, Sustainability & Corporate Responsibility Committee (SSCR). At the end of FY19, the Board agreed that the name of the SSCR should be changed to the Safety, Customer & Corporate Responsibility Committee to reflect the increasing focus of the Committee on customer issues. This change will take effect in September 2019.

Each Committee's roles and responsibilities and membership requirements are set out in its [Charter](#). Details of the number of Committee meetings held and each Director's attendance at those meetings are set out on page 33 of the 2019 Annual Report. An overview of the roles and responsibilities, composition and membership of each Committee as at 8 August 2019 is set out in the table on the following page. Each Committee reports to the Board and makes recommendations to the full Board for its consideration as appropriate.

The Corporate Governance Summary set out in AGL's 2019 Annual Report outlines the key areas of focus for the Board Committees during FY19.

## Evaluation of Board Committees

The Charters for each of the Board Committees require that each Committee annually review its own performance. During FY19, in addition to the formal Board Review process, each Board Committee set aside time at one of its meetings to review and discuss the Committee's performance over the past 12 months. Each Committee considered, together with relevant members from management, whether the Committee had achieved its objectives for the financial year and reviewed the effectiveness of the Committee and how its members had worked together, including with management.

Following this review, each Committee was satisfied that it had been effective in performing its responsibilities under its Charter. Each Committee identified areas for improvement, including ways to further strengthen governance, accountability and culture within AGL and identified matters that should be prioritised during the following year. Each Committee also considered ways it could increase communication with senior management and have access to additional education and external speakers to ensure each Committee is kept fully informed of relevant matters in the business, including emerging issues and trends.

	ARMC	Nominations Committee	P&PC	SSCR Committee
<b>Roles and Responsibilities</b>	<p>The ARMC assists the Board to fulfil its responsibilities through the effective identification, assessment, monitoring and management of risks and compliance with legal and regulatory requirements.</p> <p>The ARMC's primary responsibilities include overseeing and reviewing the following matters:</p> <ul style="list-style-type: none"> <li>• in relation to <b>audit</b>: <ul style="list-style-type: none"> <li>○ the integrity of the financial statements and financial reporting systems of AGL and its related bodies corporate;</li> <li>○ external audit engagement, including the external auditor's qualifications, performance, independence and fees;</li> <li>○ the independence, objectivity and performance of AGL's internal audit function; and</li> <li>○ the integrity of the AGL Group's corporate reporting (including oversight of the AGL Group's regulatory and statutory reporting requirements) and financial controls.</li> </ul> </li> <li>• in relation to <b>risk management</b>: <ul style="list-style-type: none"> <li>○ reviewing and recommending AGL's Risk Appetite Statement and material strategic risks ('Tier 1' risks) to the Board for approval;</li> <li>○ reviewing and monitoring the implementation of policies and procedures for identifying, assessing, monitoring and managing risks (including financial and non-financial risks, contemporary and emerging risks);</li> <li>○ considering whether AGL has any material exposure to climate change risk by reference to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures, and reviewing any disclosures to be made by AGL in relation to climate change risk;</li> <li>○ reviewing any material incident involving fraud or a breakdown of AGL's risk controls and reflect on the 'lessons learned';</li> <li>○ ensuring there is clear accountability for, and effective closure of, relevant issues; and</li> <li>○ overseeing the policies and procedures for ensuring AGL Group's compliance with relevant regulatory and legal requirements.</li> </ul> </li> </ul>	<p>The Committee assists the Board fulfil its responsibilities to shareholders through making recommendations to the Board in relation to the optimal composition of the Board.</p> <p>The Committee is responsible for:</p> <ul style="list-style-type: none"> <li>• Director independence;</li> <li>• Composition of the Board, including reviewing the appropriate mix of skills, knowledge, experience, independence and diversity to enable the Board to discharge its responsibilities effectively having regard to AGL's operational, financial and strategic objectives;</li> <li>• reviewing the structure, size and composition of the Board and Board Committees;</li> <li>• developing and implementing a process for evaluating Board, Committee and individual Director performance;</li> <li>• developing selection criteria for the appointment of new Directors and overseeing arrangements for the effective appointment, election, re-election and retirement of Directors; and</li> <li>• developing succession plans for Directors so that an appropriate balance of skills, knowledge, experience, independence and diversity is maintained.</li> </ul>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>• makes recommendations to the Board as to whether AGL's remuneration practices and framework align with its core Values, risk appetite and supports the desired company culture;</li> <li>• is responsible for reviewing the performance and remuneration of senior management and reviewing and approving AGL's remuneration framework and employment policies, procedures and programs.</li> <li>• makes recommendations to the Board in relation to: <ul style="list-style-type: none"> <li>○ remuneration of Directors;</li> <li>○ remuneration, recruitment, retention and termination policies applicable to AGL's senior management;</li> <li>○ talent management and succession planning for key management roles;</li> <li>○ guidelines for incentive plans, particularly as they relate to the executives;</li> <li>○ measurable objectives for diversity;</li> <li>○ superannuation arrangements for AGL employees; and</li> <li>○ employment policy matters.</li> </ul> </li> </ul>	<p>The primary function of the Committee is to:</p> <ul style="list-style-type: none"> <li>• review and oversee, on behalf of the Board, the development and implementation of policies and procedures that enable AGL to operate its business safely, ethically, responsibly and sustainably;</li> <li>• assist the Board in monitoring the decisions and actions of management in achieving AGL's objective to be a safe, ethical, responsible and sustainable organisation;</li> <li>• review and monitor the adequacy and effectiveness of AGL's Health, Safety and Environment (HSE) management systems, including the adequacy of resources and processes for identifying, assessing and seeking to avoid or minimise HSE risks; and</li> <li>• review HSE risks and issues and action plans in place to minimise current risks and prevent incidents.</li> </ul>

	ARMC	Nominations Committee	P&PC	SSCR Committee
<b>Composition</b>	<p>Composition requirements of the Committee include:</p> <ul style="list-style-type: none"> <li>there must be at least 3 members;</li> <li>all members must be independent non-executive Directors;</li> <li>the Chair must be a member of the Committee who is not Chair of the Board; and</li> <li>all Committee members must have a working familiarity with basic accounting and finance practices with at least one member having financial expertise (i.e. as a qualified accountant or other financial professional) and the members between them must have a sufficient understanding of the industry in which AGL operates.</li> </ul>	<p>Composition requirements of the Committee include:</p> <ul style="list-style-type: none"> <li>the Committee comprises all independent non-executive Directors of AGL unless the Board determines otherwise; and</li> <li>the Chair is the Chair of the Board.</li> </ul>	<p>Composition requirements of the Committee include:</p> <ul style="list-style-type: none"> <li>there must be at least 3 members;</li> <li>all members must be independent non-executive Directors; and</li> <li>the Chair must be a member of the Committee who is not Chair of the Board.</li> </ul>	<p>Composition requirements of the Committee include:</p> <ul style="list-style-type: none"> <li>there must be at least 3 members, which must include at least one member from each of the P&amp;PC and ARMC to allow for effective coordination and communication between the Committees;</li> <li>all members must be independent non-executive Directors; and</li> <li>the Chair must be a member of the Committee who is not Chair of the Board.</li> </ul>
<b>Membership</b>	<p>John Stanhope (Chair) Jacqueline Hey Les Hosking Patricia McKenzie (from 21.5.19)</p>	<p>Graeme Hunt (Chair) Peter Botten Jacqueline Hey Les Hosking Diane Smith-Gander John Stanhope Patricia McKenzie (from 21.5.19)</p>	<p>Diane Smith-Gander (Chair) Peter Botten (from 12.12.18) John Stanhope Patricia McKenzie (from 21.5.19)</p>	<p>Jacqueline Hey (Chair) Peter Botten Diane Smith-Gander Les Hosking</p>
<b>Consultation</b>	<p>Any non-executive Director may attend ARMC meetings. The CEO, CFO, Company Secretary, Assistant Company Secretary, General Manager Group Audit, General Manager Group Finance, General Manager Group Risk Compliance and Insurance and the external auditor attend ARMC meetings at the discretion of the ARMC. The ARMC also meets privately with the General Manager, Group Audit and General Manager, Group Risk, Compliance &amp; Insurance at each meeting.</p> <p>The ARMC meets privately with the external auditor at each meeting on general matters concerning the external audit and other related matters, including the half-year and full-year financial reports.</p>		<p>Any non-executive Director may attend P&amp;PC meetings.</p> <p>The CEO, Chief People Officer and General Manager, Remuneration and Benefits, attend meetings of the P&amp;PC by invitation when required to report on and discuss senior management performance, remuneration and related matters, but are not present at meetings when their own performance or remuneration is discussed.</p>	<p>Any non-executive Director may attend SSCR Committee meetings.</p> <p>The CEO, Company Secretary and other management representatives attend SSCR Committee meetings at the discretion of the Committee.</p>

## **AGL's Executive Team**

### **CEO and Executive Team**

The Board has delegated to the CEO, Brett Redman, the authority to manage AGL's day-to-day affairs and the authority to manage AGL's affairs in relation to all matters, other than those responsibilities reserved by the Board to itself, including in the Board Charter.

The CEO's role includes:

- leading AGL's Executive Team;
- accounting to the Board for AGL's overall management and performance; and
- management of AGL in accordance with the strategy, business plans and policies approved by the Board.

The CEO has authority to sub-delegate to the Executive Team. The Executive Team comprises the CEO and senior managers who report directly to the CEO.

Specific limits on the authority delegated to the CEO and the Executive Team are set out in a Delegations of Authority Policy approved by the Board.

Each member of AGL's Executive Team (including the CEO) is employed under a Service Agreement that sets out the terms on which the Executive is employed including details of the Executive's duties, responsibilities, rights and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either AGL or the Executive, including details of notice periods and the amounts payable to the Executive as a consequence of the termination by AGL of the Executive's employment.

When considering the appointment of a new Executive, AGL carries out appropriate reference checks (including due-diligence in respect of the candidate's character, experience, education, criminal record and bankruptcy status) before AGL makes an offer of employment to the candidate.

While Executive Team members have individual accountability for their respective business functions, the Executive Team has collective accountability for management of risk across AGL. This is supported by, among other things, regular results and priorities meetings where emerging risks and key decisions affecting the business are discussed and agreed by Executive Team members.

The CEO and other members of the Executive Team regularly attend Board and Committee meetings to report on and discuss key issues and the existing and emerging risks of the business.

### **Remuneration**

The Remuneration Report on pages 58 to 81 of the 2019 Annual Report sets out AGL's policies and practices for remunerating non-executive Directors and executives. The arrangements that apply to the CEO and Executive Team are different to those of non-executive Directors.

### **Performance evaluation**

The Board reviews the CEO's performance annually against agreed performance objectives and other relevant factors. The CEO undertakes a similar exercise in relation to the Executive Team. Executive Team performance evaluations were conducted for the financial year ended 30 June 2019 in accordance with this process. Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report on pages 58 to 81 of the 2019 Annual Report.

### **Company Secretaries**

The Board is responsible for the appointment of AGL's Company Secretaries. AGL has appointed two Company Secretaries.

AGL's General Counsel and Company Secretary, John Fitzgerald, acts as secretary of the Board and each Board Committee, attending all meetings of the Board and Board Committees as required. John Fitzgerald fulfils other management responsibilities in addition to company secretarial duties in his role as General Counsel. The formal reporting line of John Fitzgerald is to the CEO.

Melinda Hunter is responsible for the day-to-day operations of the Company Secretariat function and attends meetings of the Board and Board Committees as required.

The Company Secretaries are accountable to the Board through the Chairperson on all corporate governance matters and all matters to do with the proper functioning of the Board.

## Risk Management framework and financial reporting

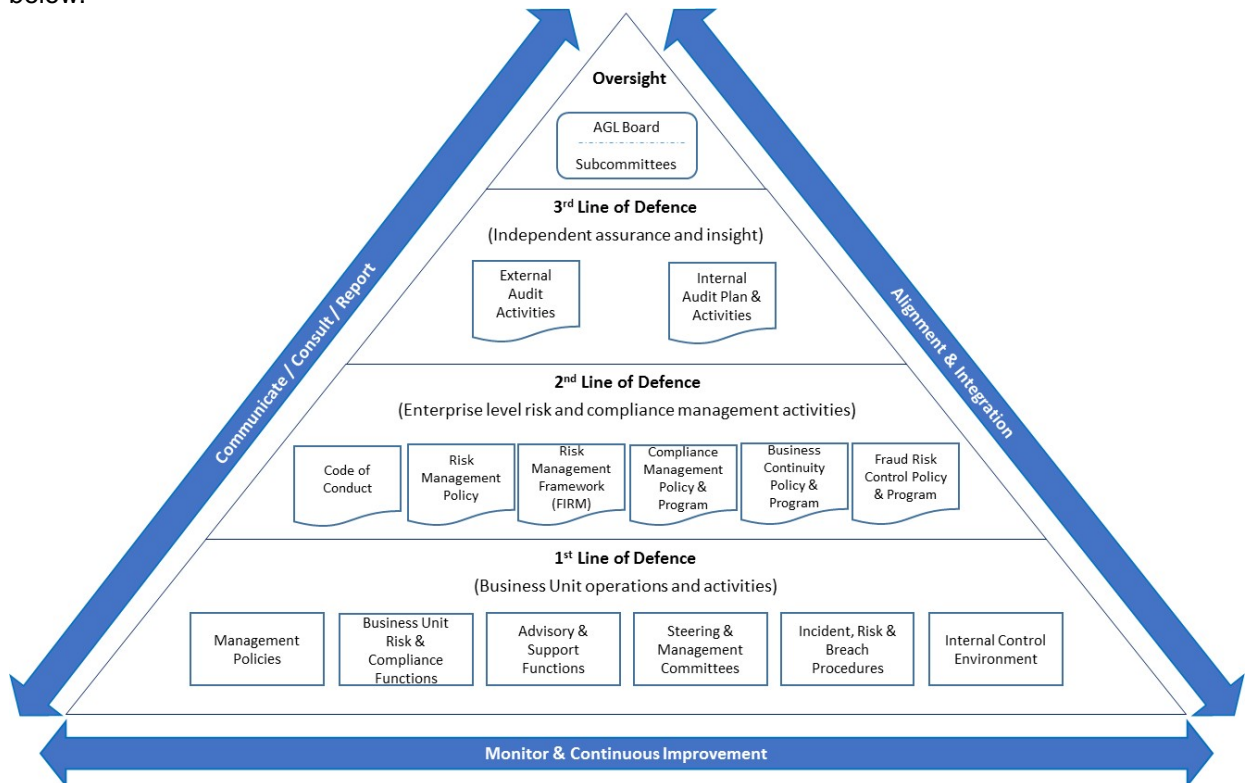
### Risk management framework

AGL faces a wide variety of risks due to the nature of its operations. Details of AGL's strategic risks, including AGL's economic, environmental and social sustainability risks and how these risks are managed, are set out on pages 8 and 9 of the 2019 Annual Report.

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

The Board has adopted a [Risk Management Policy](#) that sets out AGL's objectives for risk management and clearly articulates the responsibilities of all AGL personnel in relation to the management of financial and non-financial risks. AGL has also adopted a Statement of Risk Appetite, which is approved by the Board and overseen by the ARMC.

AGL seeks to embed risk management principles and practices into strategy development and day-to-day business processes to achieve robust and responsible commercial outcomes. AGL's Risk Management model is based on the 'three lines of defence' and is illustrated in the diagram below.



AGL systematically examines all operational and financial activities to identify material risk exposures using an enterprise-wide risk program aligned with ISO31000, the international standard for risk management. This program is supported by:

- AGL's Risk Management Policy; and
- AGL's Risk Management & Assessment Standard, the objectives of which are to provide guidance to AGL employees on how to conduct risk assessments, ensure consistency and simplicity in approach to risk identification, evaluation and management, and establish a common 'risk' language across the business.

AGL has implemented a number of other policies that directly or indirectly serve to mitigate and manage risk (including the [Securities Dealing Policy](#) and the [Market Disclosure Policy](#)). AGL also has in place a number of business unit and/or site based policies and procedures to allow for the safe and reliable operation of power generation plants and other operating assets.

### **Roles of the Board and ARMC**

The Board is responsible for approving and monitoring the implementation of policies governing AGL's systems of internal compliance, risk management and control.

The ARMC, among other things, reviews and recommends AGL's risk management policies and material strategic risks ('Tier 1 Risks') to the Board for approval and reviews and monitors the implementation of policies and procedures for identifying, assessing, monitoring and managing risk.

The ARMC receives presentations from management on AGL's material strategic risks (both financial and non-financial) and the controls in place to mitigate or manage those risks at each meeting. The ARMC and the Board annually reviews AGL's strategic risks and the risk management framework to ensure that it continues to be sound and operate effectively and within the risk appetite set by the Board. In addition, the ARMC has assumed responsibility for overseeing the issues, incidents and risks identified by management in the quarterly Group Audit, compliance and risk reports, and ensuring there is clear accountability for, and effective closure of, relevant issues. During FY19, the Board reviewed and approved AGL's risk management framework and found that the framework was sound and effectively operating within the risk appetite set by the Board.

The ARMC receives regular presentations from management throughout the year on specific risk topics, for example IT security, plant readiness for peak period operations, treasury and wholesale markets operations, competition and consumer law compliance and insurance. The ARMC also has responsibility for approving the internal audit plan submitted annually by Group Audit. The internal audit plan is primarily based on an assessment of AGL's material strategic risk exposures and covers financial, operational and reputational risk areas.

### **Internal audit**

Group Audit is AGL's internal audit function, which provides assurance over the governance, risk management and internal control frameworks of AGL. Group Audit provides the Board and senior management with an independent and objective evaluation of the adequacy and effectiveness of management's control over risk. Group Audit's responsibilities include providing regular reports to the ARMC and raising any significant issues with the ARMC, including how each issue is to be addressed and the period for the issue to be closed out. Any overdue actions identified by Group Audit are also reported to the ARMC.

The General Manager, Group Audit has a direct reporting line to the Chair of the ARMC and an administrative reporting line to the General Counsel & Company Secretary. Group Audit is governed by a Charter which is approved by the ARMC that sets out the purpose, role, scope and high level standards for the function of the ARMC.



Group Audit delivers its objectives through accessing the professional skills and capabilities of:

- trained audit professionals who are part of the Group Audit function;
- other professionals within AGL's business with specific skills and experience; and
- services provided by external consultants in respect of specialist technical or operational areas.

### **Financial Reporting**

The Board receives reports from management about AGL's financial condition and operational results at each scheduled Board meeting.

The ARMC reviews and discusses with management and the external auditors the half-yearly and annual financial reports, including the disclosures made in those reports and recommends to the Board whether the financial reports should be approved.

In circumstances where AGL's auditor has not been required to review a periodic corporate report, AGL conducts an internal verification exercise (with assistance from third party professional services firms where appropriate) to ensure that such reports are materially accurate, balanced and provide investors with appropriate information to make informed investment decisions.

Before the Board approves the financial statements for a financial period (including the full year and half-year), the CEO and CFO provide declarations to the Board that, in their opinion, the financial records of AGL have been properly maintained and that the financial statements comply with the Accounting Standards and give a true and fair view of the financial position and performance of AGL. They also provide confirmation that these opinions have been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

### **External auditor**

The role of the external auditor is to provide an independent opinion that AGL's financial reports are true and fair and comply with applicable regulations.

AGL's external auditor is Deloitte who attends the AGM. Shareholders have the opportunity to ask the auditor written questions in advance of the AGM or to ask questions at the AGM relevant to the audit.

AGL's [Auditor Independence Policy](#) contains details of the procedures for the selection, appointment, independence and performance of the external auditor.

Under the Auditor Independence Policy, the external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role.

Reports on the provision of auditing and related services are provided to the ARMC on a regular basis. The ARMC and the Board concluded that non-audit services provided during FY19 did not compromise the external auditor's independence requirements under the Corporations Act.

The performance of the external auditor is discussed by the ARMC following completion of the full year financial statements. The Chairperson of the ARMC subsequently meets with the external auditor to discuss recommendations for improvements to the conduct of the audit.

## Diversity and Inclusion

AGL's [Diversity and Inclusion Policy](#) describes AGL's approach to diversity and inclusion and how these attributes are to be embedded in AGL workplaces. In this context, diversity can refer to demographic characteristics such as age, gender, sexual orientation, identity, religion or national or social origin and personal characteristics such as disability, medical condition, pregnancy and other individual characteristics.

The Policy includes specific provisions regarding gender diversity and the positive correlation between increased representation of women on company boards and in senior management positions and the achievement of better financial performance, higher employee retention rates and enhanced corporate image and reputation.

AGL has established a Diversity & Inclusion Council to support the achievement of a diverse workforce and an inclusive workplace culture. The Council is chaired by Brett Redman, AGL's CEO, and during FY19 comprised 14 other leaders from across AGL's major businesses, geographies and representing different diversity interests.

The People & Performance Committee recommends measurable objectives for achieving gender diversity to the Board for adoption each year and receives regular reports on the progress in achieving those objectives.

The gender diversity objectives for FY20 are:

- at least three directors of each gender will continue to be represented on the Board – given the size of AGL's Board, this equates to not less than 30% of each gender being represented on the Board;
- at least 50% representation of women in the Senior Leadership Pipeline (SLP) by 30 June 2022<sup>1</sup>;
- 34% representation of females in the workforce generally by 30 June 2020;
- 50% representation of females in the SLP (excluding Group Operations) by 30 June 2020; and
- representation of females in the Group Operations SLP improve from 7% to 9% by 30 June 2020.

AGL's progress in achieving these objectives will be reported in the 2020 Corporate Governance Statement.

Set out below is a summary of AGL's gender diversity objectives for FY19 and progress made in achieving those objectives.

	<b>FY19 Diversity Objective</b>	<b>Progress made</b>
<b>1</b>	At least 50% representation of women in the Senior Leadership Pipeline by 30 June 2022	The percentage of women in the Senior Leadership Pipeline as at 30 June 2019 was 38.3%.
<b>2</b>	At least 3 directors of each gender will be represented on the Board	As at the date of this statement, the target has been achieved with 3 women on the Board and 5 men on the Board.

<sup>1</sup> The Senior Leadership Pipeline includes all persons in roles graded Level 12 and above under AGL's Position Framework. This represents approximately the top 15% of roles in AGL.



As at 30 June 2019, the proportion of women employed by the AGL Group (as compared to 30 June 2018) is as follows:

	FY18	FY19
<b>Female directors on the Board</b>	37.5%	37.5%
<b>Female employees in Executive Positions<sup>2</sup></b>	30%	20%
<b>Female employees in Enterprise Leadership Team<sup>3</sup></b>	48%	49%
<b>Female employees in Senior Leadership Pipeline</b>	42.2%	38.3%
<b>Female employees in the AGL Group</b>	33%	33%

AGL has supported a number of priority activities during FY19 to increase the proportion of women in SLP roles and across the AGL Group. Details of key activities are summarised below.

### **1. Increase transparency, planning and monitoring of the representation of women in leadership**

Although AGL's SLP is close to 40% women, AGL is committed to creating a further balanced, diverse and inclusive workforce. To achieve this, the representation of women in the SLP is closely monitored. Business units, where the representation of women in the SLP is less than 50%, developed and monitored their progress against business unit-specific Gender Equality Action Plans.

### **2. Focus on Women in Science, Technology, Engineering and Mathematics**

AGL is committed to help building the representation of women in Science, Technology, Engineering and Mathematics (**STEM**) related professions and 'non-traditional' roles. To achieve this, AGL is partnering with educational institutions to encourage female students from primary schools to tertiary institutions to pursue career pathways in STEM. AGL has also introduced a range of initiatives aimed at increasing the visibility of women working in STEM to raise awareness of, and provide specific support to, women working in STEM. An example is the 'Girls of IT' group launched on Yammer to provide advice and mentorship, and AGL's support of the 'Try a Trade' day.

### **3. Fostering a supportive workplace for our people who have caring responsibilities**

To support AGL's Flexible Work strategy and inclusive culture, AGL introduced Families at AGL during FY19. This program provides education and practical advice for our people in the important areas of families, career and wellbeing. Offered as webinars, podcasts, toolkits and workshops, the program supports the large proportion of our workforce who have caring responsibilities, including a focus on men who are primary carers. In line with AGL's commitment to supporting those with caring responsibilities, we offer one of the highest industry provisions of paid parental leave to our workforce.

<sup>2</sup> An AGL Executive is defined as the CEO and each direct report to the CEO. As at 30 June 2019, there were 10 Executives.

<sup>3</sup> The Enterprise Leadership Team includes the Executive Team and generally, each direct report to an Executive Team member.

#### **4. Increase support and advocacy for women in the recruitment process for senior roles**

AGL continues to maintain initiatives to enhance advocacy for women participating in job selection processes. For example, selection processes for senior roles require at least one woman on the shortlist, and a commitment to maintain any agreed flexible working arrangements for key talent who may transition into new roles. Where practicable, we seek to ensure interviews are conducted by a combination of women and men.

#### **5. Increase women's access to key leadership development programs**

Throughout FY19, AGL continued to offer leadership development programs, including Illuminate, for emerging female leaders. The Illuminate program combines group work, one-on-one coaching and workshops with each participant's leader to support the development of women into leadership roles.

The program is achieving very positive results with 100% of participants reporting increased confidence and resilience post program and the majority taking up broader roles or promotions within 12 months after completing the program. Development continues in 2019 with a cohort of 15 women involved in the Illuminate program.

#### **6. Employee-led initiatives to Connect, Grow and Advocate**

During FY19, we continued our work with AGL Equality, an employee network of women and men advocating for gender equality and who strive to empower women to achieve their career goals by providing opportunities to connect and grow. Each year, AGL Equality hosts a series of events celebrating International Women's Day. This year's theme #BalanceforBetter featured panel discussions, guest speakers at operational sites and an internal campaign promoting women in STEM, both in our workplace and broader community.

#### **7. Increase support and advocacy for women in same sex relationships**

AGL Shine is a diversity network, which drives a diverse and inclusive workplace culture in which our lesbian, gay, bisexual, transgender and intersex (LGBTI+) people feel included at work.

In FY19, AGL Shine co-founded the Rainbow Women's Network in Melbourne and Adelaide with a goal of improving the low visibility of same-sex attracted women in workplaces by creating opportunities for connection and mentorship.

# AGL's Key Corporate Governance Policies

## Code of Conduct

AGL has a [Code of Conduct](#) that applies to AGL and its Directors, employees and contractors (all of which are referred to as "our People" in the Code). This Code sets out the standards of responsibility and ethical conduct required of our People.

AGL's commitments under the Code are as follows:

- *We act with honesty.*
- *We observe the law, our obligations, voluntary commitments and internal standards.*
- *We value and maintain professionalism in all of our dealings.*
- *We respect confidentiality.*
- *We manage conflicts of interest.*
- *We look after our People.*
- *We recognise our responsibilities to our stakeholders.*
- *We uphold our values and behaviours outlined in the Code of Conduct.*

These commitments were considered and updated during FY19 to reflect, and drive behaviours aligned with, AGL's core Values.

Training on the Code of Conduct is part of the induction process for new AGL people. It is also a requirement that AGL people complete on-line refresher training about the Code of Conduct on an annual basis.

The Code of Conduct provides a mechanism to enable AGL people to report actual or suspected breaches, including an independent service to allow for anonymous reporting. An Ethics Panel oversees the application of the Code of Conduct in AGL, including overseeing the investigation of alleged breaches of the Code where appropriate, monitoring compliance and recommending amendments to the Board. The Ethics Panel comprises the General Counsel & Company Secretary, the EGM, People & Culture and the General Manager, Group Audit. The Ethics Panel met four times during the financial year ended 30 June 2019. Any material breaches of the Code of Conduct are reported to the Board and monitored until the relevant breach is considered closed.

## Whistleblowing

During FY19, AGL completed a review of its whistleblowing processes and the Board approved a new whistleblower policy to reflect new legislative requirements on whistleblowing, which is available on [AGL's website](#). A new third party whistleblower service provider was also appointed during FY19 to facilitate AGL's employees and other stakeholders speaking up regarding any concerns that AGL or its people are failing to meet ethical or legal commitments. Any material incidents reported under the whistleblower policy are reported to the Board.

## Anti-bribery and corruption

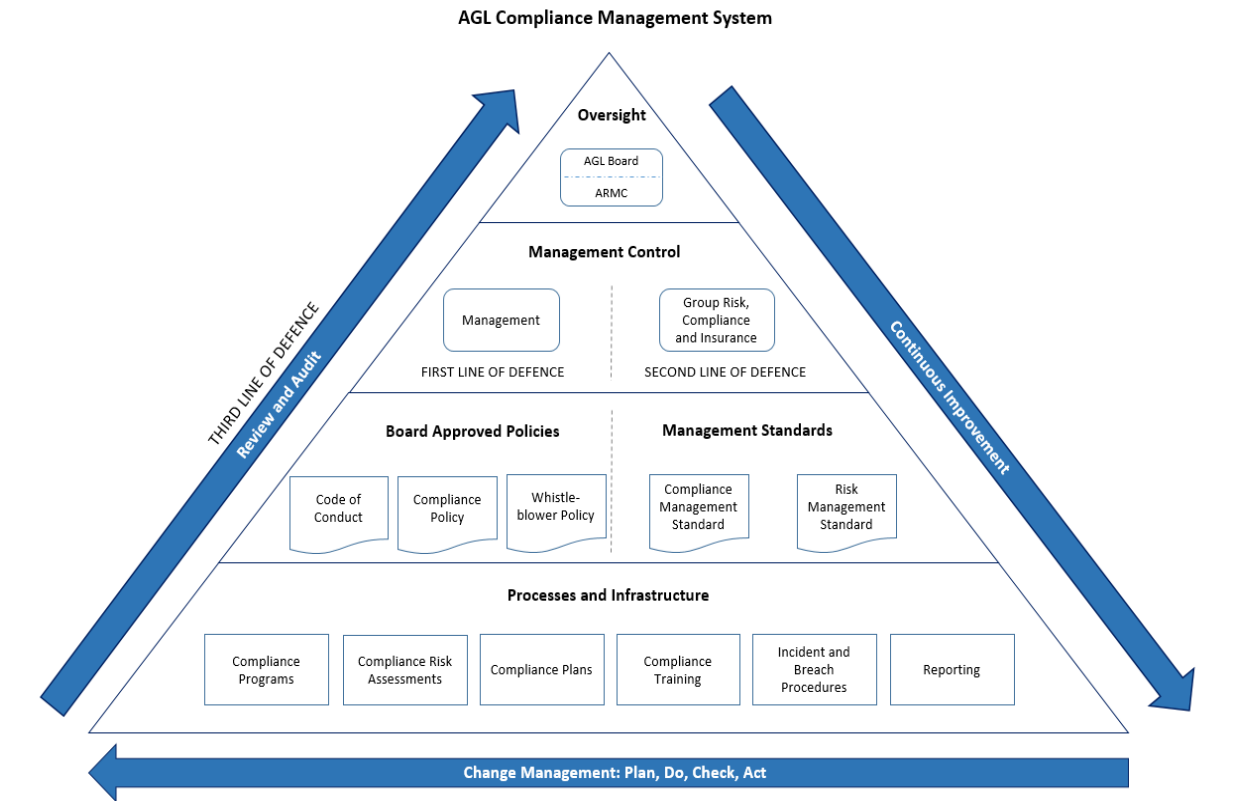
During FY19, AGL reviewed its anti-bribery and corruption processes and the Board approved a new Anti-Bribery, Corruption and Fraud Policy. The Policy provides that AGL does not tolerate any activities that cause, support, or conceal corruption or bribery in any form. A copy of the policy is available on [AGL's website](#). Any material breaches reported under the Anti-Bribery, Corruption and Fraud Policy are reported to the Board.

## Compliance Management Policy

AGL is committed to maintaining a culture of integrity, compliance and ethical behaviour that is underpinned by its Values and the AGL Code of Conduct. Building and maintaining a strong compliance culture is critical to achieving AGL's strategic, operational and commercial objectives.

AGL's Compliance Management Policy sets out AGL's compliance management objectives, its commitment to maintaining a culture of compliance and clearly articulates responsibilities of all AGL personnel in relation to compliance.

AGL's Compliance Management System is illustrated in the diagram below.



### Continuous Disclosure

AGL's [Market Disclosure Policy](#) describes AGL's continuous disclosure obligations and how they are managed by AGL.

AGL has established a Market Disclosure Committee comprising the CEO, the Company Secretary, the CFO and the General Manager, Capital Markets. The Committee is responsible for monitoring compliance with the Market Disclosure Policy including determining whether market sensitive information should be disclosed to the ASX. In addition, all members of the Executive Team provide a quarterly confirmation in relation to continuous disclosure compliance.

The Company Secretary reports to the Board at least quarterly on matters that were either notified or not notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available from AGL's [Media Centre](#).

### Dealings in AGL Shares

AGL's [Securities Dealings Policy](#) outlines when AGL employees may deal in AGL securities, or the securities of other companies.

The policy specifically prohibits AGL Directors, Executives and employees from using derivatives in relation to any unvested AGL securities that have been granted under any of AGL's equity-based remuneration schemes.

Derivatives may be used in relation to AGL securities that have vested, provided any dealing in those derivatives complies with the other requirements of AGL's Securities Dealings Policy.

## Shareholder engagement

AGL operates an investor relations program to facilitate effective two-way communications with investors. This program seeks to keep shareholders informed about AGL's activities and to listen to issues or concerns raised by shareholders.

AGL holds regular investor briefings and asset tours, webcasts these events (where practicable) and provides all materials, archived recordings and transcripts via its website. In October 2018, AGL held an investor site tour at the Loy Yang power station, which included detailed presentations on AGL Loy Yang, portfolio management, asset management and optionality.

As well as attending broker-sponsored conferences, AGL participates at several industry conferences throughout the year.

Copies of new and substantive investor or analyst presentations are lodged with the ASX ahead of the presentation and, where practicable, security holders are provided with the opportunity to participate in such presentations.

AGL also regularly engages with corporate governance advisory firms, shareholder representative bodies, institutional investors, proxy advisers and retail investor groups to understand market expectations on topics including governance, ESG and remuneration.

The Chairman of the Board and the Chair of the People & Performance Committee both participate in meetings with such organisations so the Board can be in a better position to receive direct feedback about the effectiveness of AGL's corporate governance arrangements.

Fundamental to AGL's investor relations program is the management of its continuous disclosure obligations, which facilitates all shareholders having access to important company information. In addition to lodging this information with the ASX, AGL uses its [website](#) to make available to shareholders information about the company and its activities. The [Investor Centre](#) on AGL's website contains a wide range of information relevant to shareholders including copies of past Annual Reports and ASX announcements and an Investor Calendar.

Shareholders may elect to receive all shareholder communications, including dividend statements and announcements by e-mail and may also communicate with AGL and the Share Registry electronically.

In relation to AGMs, shareholders are invited to submit questions before the meeting. This helps the company understand shareholder issues and concerns and address key areas of shareholder feedback. The Chairman also encourages shareholders at the AGM to ask questions and make comments about AGL's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his discretion, may refer a question to another Director, the CEO or a member of the Executive Team. All resolutions at the AGM are decided by a poll.

Shareholder meetings are webcast and analyst/media briefings in relation to half-year and full year financial results and other significant events can be heard by teleconference.

The AGL Share Register is managed and maintained by Link Market Services Limited. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the [Link Market Services investor centre](#) or by emailing [aglenergy@linkmarketservices.com.au](mailto:aglenergy@linkmarketservices.com.au)