

# Compliance Management Policy

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AGL Company Secretariat	
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## Document Revision History

Date	Version	Comment
19/04/2016	1	Complete revision in line with ISO 19600:2015 and review of the AGL Risk Management Policy so as to align in format, terminology and responsibilities.
05/03/2018	2	Minor revisions to update business information and align format and terminology with the Compliance Management Standard, updated in October 2017 (replacing the AGL Compliance Program dated November 2013),
23/06/2020	3	Minor revisions to the document to improve readability and to update some wording to better reflect the current compliance environment and AGL processes.



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## 1. Policy Statement

AGL Energy Limited (AGL) is committed to maintaining a culture of compliance and ethical behaviour that is underpinned by its purpose, values and the AGL Code of Conduct. Maintaining a strong compliance culture is critical to achieving AGL's strategic, operational and commercial objectives and is key for driving responsible conduct and behaviour throughout the organisation.

The purpose of this Policy is to set out AGL's compliance management objectives, its commitment to continually improve its compliance management system and to clearly articulate responsibilities of all AGL personnel in relation to compliance management.

This Policy is supported by the AGL Compliance Management Standard ('the Compliance Standard') which describes the requirements and processes necessary for AGL to meet its compliance objectives and to manage its compliance risks. This Policy and the Compliance Standard are key components of AGL's Compliance Management System (see **Appendix 1**).

## 2. Scope

This Policy applies to AGL, its directors and its employees, including employees working on fixed term contracts and other contracted labour (collectively referred to as 'Employees'). The roles and responsibilities that detail the scope and integrated nature of the Compliance Management System's operation are set-out in **Appendix 2**.

## 3. AGL Compliance Context

AGL is an integrated energy company, listed on the Australian Securities Exchange. AGL's core operations include the following:

- **Integrated Energy** is comprised of teams that provide trading, portfolio and operating functions. The operating functions are responsible for building, operating and maintaining AGL's diverse power generation portfolio. Trading and portfolio functions are responsible for managing the procurement and hedging of AGL's wholesale electricity and gas requirements, nominating gas, dispatching generation assets and managing the risk associated with those activities. The functions are also responsible for managing AGL's relationships with large commercial and industrial customers, the commercial management of the generation portfolio and wholesale pricing to support AGL's retail business.
- **Customer Markets** which is responsible for delivering products and services to our retail customers, including business and commercial customers.

As a publicly listed company, and given the broad nature of its business, AGL operates in a highly regulated environment which sees it subject to a wide range of compliance obligations. Accordingly, the compliance risk inherent in AGL's external and internal operating environments is complex and diverse.

AGL's compliance requirements (things we must do by law) and compliance commitments (things that we choose to do) include, but are not limited to:

- laws and regulations;



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- permits, licenses and other forms of authorisations;
  - orders, rules and guidance issued by regulatory agencies;
  - relevant industry codes and compulsory standards;
  - judgements of courts and administrative tribunals;
  - AGL's own organisational requirements including policies and procedures; and
  - obligations arising under contractual arrangements with third parties.

Penalties for non-compliance can include fines, increased regulatory oversight and external reporting requirements, increased regulation, enforceable undertakings, stop work orders and suspension or withdrawal of operating licences. In some instances, non-compliance could result in individual penalties, as well as penalties for AGL. Non-compliance can also damage AGL's reputation with external stakeholders.

## 4. Compliance Management Objectives

AGL's compliance management objectives include:

- Embedding compliance management into operational policies, processes and procedures across the organisation.
- Promoting a structured and consistent approach to compliance management which supports AGL's values and strategic priorities and integrates with organisational strategy and decision making, the risk management framework, assurance and general governance functions.
- Fostering a proactive compliance culture underpinned by sound compliance management processes and procedures, and strong leadership through the establishment of defined roles, responsibilities and performance expectations.
- Maintaining a state of compliance that adapts to AGL's evolving business and to changes in the regulatory environment. This includes identifying compliance risks associated with obligations, assessing their materiality, developing compliance plans and allocating resources for their treatment.
- Raising the level of awareness of our compliance obligations throughout the business by providing relevant compliance training, education and guidance.
- Designing, implementing and reviewing compliance controls that directly reference the risks associated with the compliance obligations.
- Providing timely and accurate monitoring, review and continual improvement of the Compliance Management System.

## 5. Compliance Management Approach

AGL is committed to maintaining and improving its Compliance Management System to meet the compliance objectives set out in section 4 of this Policy. This commitment is reflected in the following areas:



### **Compliance Awareness and Management**

AGL takes compliance seriously and expects all Employees to fulfill their compliance obligations. Each area of the business is accountable for managing key compliance risks and ensuring that Employees understand and are aware of their compliance obligations.

The Compliance Standard sets out the necessary structures and processes to achieve effective compliance management and to embed a compliance culture within the business.

### **Reporting and Complaints Handling**

AGL actively encourages the proactive reporting and remediation of compliance related complaints, breaches, incidents and issues through established compliance and breach reporting and complaints handling processes. Accordingly, AGL Employees are required to observe breach reporting and complaint handling processes relevant to the requirements of their employment responsibilities.

AGL has a Whistleblower Policy in place, which provides further guidance and support for reporting such matters.

### **Communication with External Parties**

AGL will cooperate with external regulators, to the extent possible, in relation to inquiries concerning AGL's Compliance Management System. Communication is only to occur via Employees who have the responsibility for managing relevant regulator relationships or who are authorised to communicate with such external parties.

### **Compliance Awareness - Education and Training**

AGL recognises that its compliance obligations should be fully understood by all those participating in the business and that education and training are fundamental to aid this understanding.

Group Risk Compliance and Insurance (GRCI) will have relevant input and oversight of AGL's compliance training program which has the primary aim of providing Employees with the necessary competencies to understand their compliance obligations and perform their roles effectively.

With the support of the business, it is incumbent on Employees to ensure that they have the necessary competencies to perform their roles.

### **Compliance Standard**

AGL will maintain a Compliance Standard which provides further detail and clarity on the roles and responsibilities, and the steps and processes needed to maintain compliance with AGL's obligations. The Compliance Standard will continue to be updated and revised, where necessary, when changes are made to AGL's Compliance Management System.

## **6. Non-Compliance with AGL's Obligations**

It is not acceptable for AGL Employees to knowingly, deliberately or recklessly breach AGL's compliance obligations, or act unethically in the course of performing, or advancing, AGL's business. To do so may result in termination of employment.



## 7. Related & Supporting Policies

This Policy is supported by, and interrelates with, other AGL policies and standards as issued from time to time.

## 8. Audit, Review and Administration of the Policy

### Audit

AGL's Internal Audit Team (Group Audit) provides oversight and governance over the Compliance Management System by periodically reviewing the continuing suitability and effectiveness of this Policy and the operationalisation of the system.

In addition to periodic reviews of the Compliance Management System, Group Audit may conduct ongoing audits to assess the effectiveness of compliance management throughout business units and to review how they are managing compliance obligations against the requirements of the Compliance Standard.

Findings and recommendations for improvement from these periodic reviews are reported to the Audit and Risk Management Committee (ARMC) for the ARMC to review and monitor the effectiveness of AGL's Compliance Management System.

In addition to the work done by Group Audit, an external independent party is engaged to review the Compliance Management System at least once every five years.

### Review and Administration of the Policy

The Policy is administered by GRCI and aligns with the principles and requirements set out in ISO 19600:2015 Compliance Management Systems and has been approved by the AGL Board of Directors ('Board').

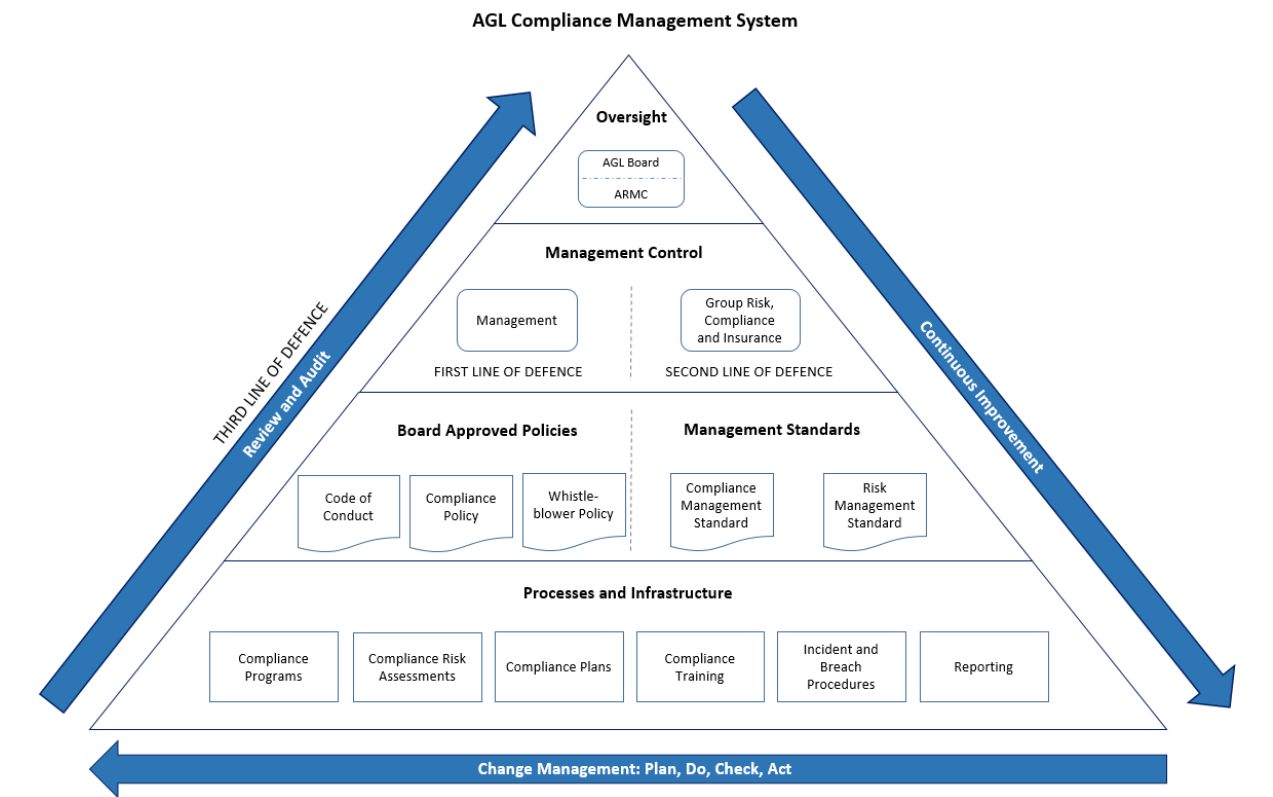
The Policy is to be reviewed every two years or in circumstances where there has been a material change to the Compliance Management System with all changes requiring the approval of the Board.

## 9. Glossary of Terms

Term	Description
<b>Compliance Management System</b>	A set of interrelated and interacting elements of an organisation with the purpose of establishing policies, objectives and processes to maintain compliance with the organisation's compliance obligations.
<b>Compliance Obligation</b>	A course of action or behaviour which the organisation is legally bound to do (e.g. law or regulation), or has committed to do (e.g. standards, codes, internal policies).
<b>Compliance Risk</b>	Effect of uncertainty on the ability to meet compliance objectives.

## Appendix 1: AGL's Compliance Management System

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







## Appendix 2: AGL Compliance Roles & Responsibilities

The roles and responsibilities set out in the table below show how AGL’s Compliance Management System

<p><b>AGL Board</b></p>	<p>The Board is responsible for:</p> <ul style="list-style-type: none"> <li>• approving, and monitoring the implementation of policies governing AGL’s systems of internal compliance, risk management and control; and</li> <li>• monitoring AGL’s compliance with obligations governing AGL’s operations.</li> </ul> <p>To assist it in discharging its responsibilities the Board has established the ARMC.</p>
<p><b>ARMC</b></p>	<p>The ARMC has been established to, among other things:</p> <ul style="list-style-type: none"> <li>• review, and recommend to the Board approval of, the Policy for managing compliance risk at AGL;</li> <li>• monitor the effectiveness of AGL’s compliance policies and procedures; and</li> <li>• monitor, and discuss with management, progress in responding to inquiries from regulatory authorities.</li> </ul> <p>The ARMC operates and reports within the terms of the ARMC Charter endorsed by the Board.</p>
<p><b>Chief Executive Officer and Executive Team</b></p>	<p>The Chief Executive Officer (CEO) is responsible for managing AGL in accordance with the strategy, business plans and policies approved by the Board, including this Policy.</p> <p>This includes responsibility for managing the implementation of AGL’s Compliance Management System and promoting a positive compliance culture within AGL.</p> <p>The Executive Team is accountable to the CEO for:</p> <ul style="list-style-type: none"> <li>• identifying, assessing, managing, reporting, reviewing and monitoring of compliance issues; and</li> <li>• ensuring that there are systems in place to maintain adherence to this Policy</li> </ul>
<p><b>Compliance Owners</b></p>	<p>Compliance Owners are responsible for compliance governance, including ownership of the corresponding compliance plan and facilitating assurance activity. This includes the identification of new or changed obligations.</p> <p>The Compliance Owner must report to a member of the Executive Team, but may appoint another employee within their leadership team to coordinate and report on compliance activities (including non-compliances and near misses) relevant to the material compliance obligations.</p> <p>Compliance Owners must provide a report, at least quarterly, to GRCI on the performance of their compliance obligations.</p>





<p><b>GRCI</b></p>	<p>GRCI has carriage of the AGL wide compliance function. GRCI reports to the Company Secretary and is independent from business operations in terms of its reporting line. It is responsible for:</p> <ul style="list-style-type: none"> <li>• facilitating the identification, monitoring and reporting on AGL Tier 1 Risks, which includes consideration of compliance risks;</li> <li>• promoting and facilitating a standardised approach to effective compliance management, including ongoing review and improvement of AGL's Compliance Management System;</li> <li>• assisting the business to identify, understand and manage compliance risk;</li> <li>• facilitating the integration of AGL's approved processes for managing risk and compliance within the business; and</li> </ul> <p>reporting to the ARMC at agreed intervals and no less frequently than quarterly on material risks and material compliance obligations.</p>
<p><b>Group Legal</b></p>	<p>Group Legal assists with the identification and interpretation of new and existing compliance obligations.</p>
<p><b>Group Audit</b></p>	<p>In accordance with its Charter, the role of Group Audit is to provide independent and objective assurance to the ARMC and senior management on the effectiveness of governance, risk management, and internal controls to support and assist AGL to achieve its strategic objectives. This is achieved by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of AGL's risk management, control and governance processes.</p> <p>Group Audit's activities include, but are not limited to, evaluating the systems established to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on AGL.</p>
<p><b>Employees</b></p>	<p>AGL's Employees are required to:</p> <ul style="list-style-type: none"> <li>• familiarise themselves with this Policy and other policies concerning compliance with obligations that are relevant to their workplace activities;</li> <li>• adhere to relevant legislation and their compliance obligations;</li> <li>• incorporate compliance management practices into their workplace activities;</li> <li>• report and escalate all compliance concerns, issues and breaches as required by the Compliance Standard; and</li> <li>• undertake training in accordance with the Compliance Standard.</li> </ul>