



## About AGL

> Q&A

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## Join the Conversation



### Image caption

*AGL's vision is to create energy solutions for the communities of today and tomorrow.*

Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets, and an upstream gas portfolio, in a centralised energy production and distribution market.

AGL is an ASX 50 listed company with over 3.8 million customer accounts and 2,781 employees<sup>1</sup>.

AGL is one of Australia's leading integrated energy companies, and the largest ASX-listed owner, developer and operator of renewable generation assets in the country.

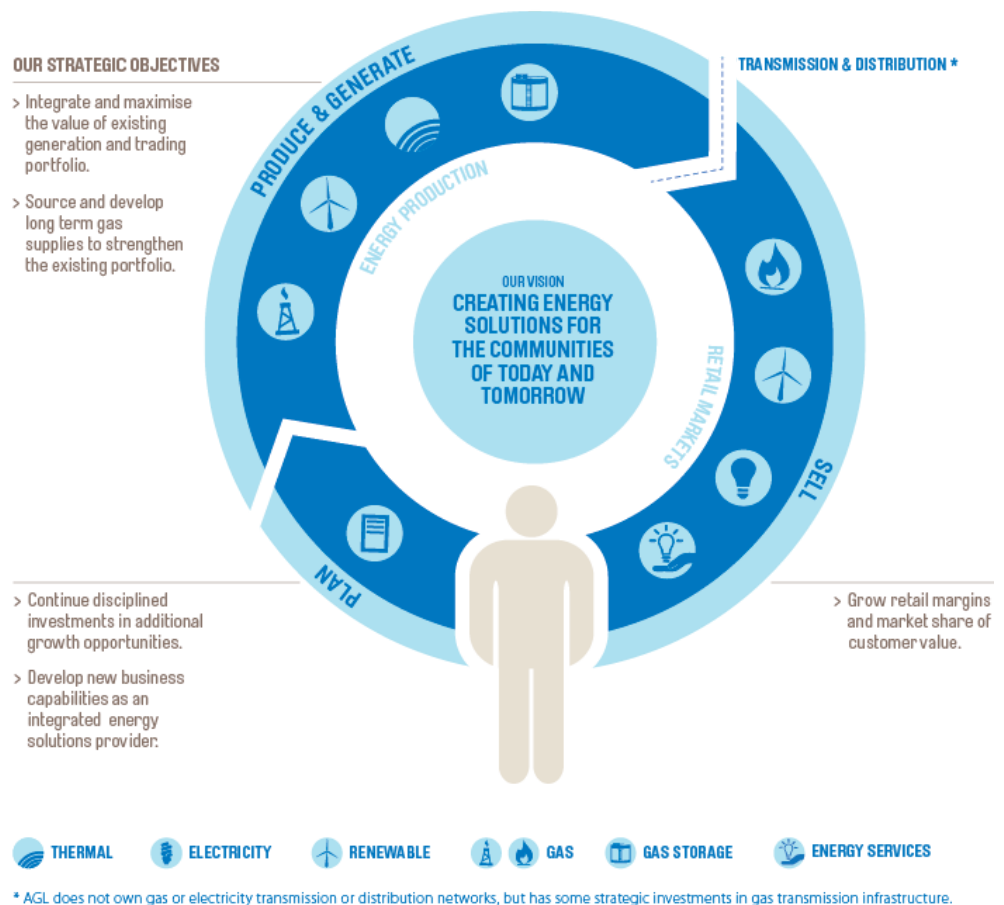
Our vision is to create energy solutions for the communities of today and tomorrow.

Our brand promise of 'Actions, not words' sums up the way in which we do business with our stakeholders. This brand promise springs from a set of wider values that work as an ethical compass guiding our people in their behaviour and decision-making processes. These values are:

- > Safe and Sustainable
- > One Team
- > Delivery
- > Authentic
- > Vitality

## Our integrated business strategy

AGL's integrated business strategy balances the risk between the upstream supply of energy and our customers' demand for energy.



Our vision, 'Creating energy solutions for the communities of today and tomorrow,' puts the customer at the heart of everything we do. To continue to transform and meet our customer needs, AGL's plans will respond to emerging trends such as customers who wish to more proactively manage their energy consumption, rapidly advancing emerging technologies, shifts in policy and regulatory frameworks, and declining electricity demand.

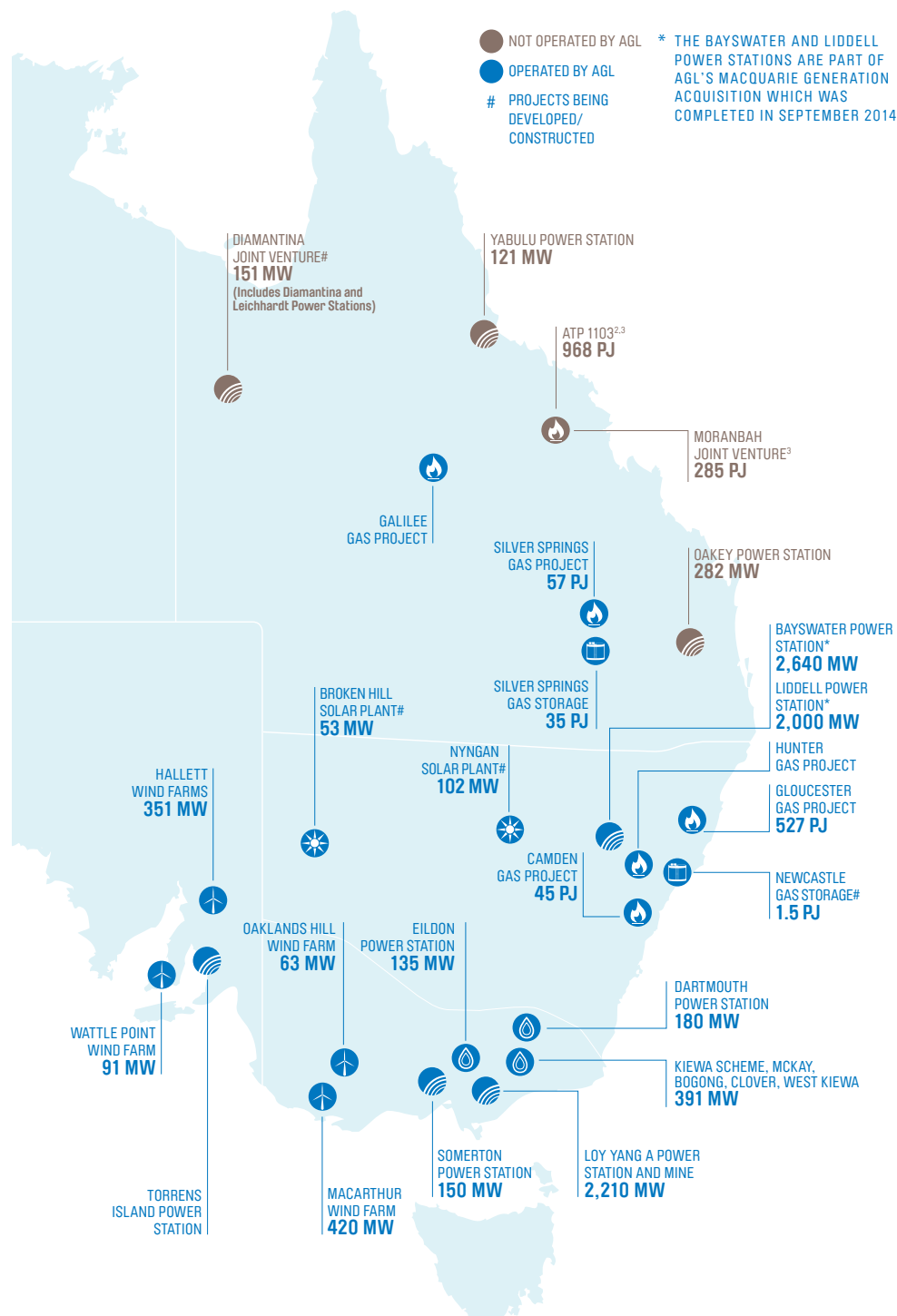
Our Retail Energy business will deliver a step change to our customers in service and experience. Our core focus is to become a trusted supplier, with our customers' experiences being seamless and exceeding expectations every time. AGL is leveraging our competencies in energy markets, creating new capabilities and developing targeted strategic partnerships to deliver more in-home energy services, giving us future growth options beyond eastern Australia.

Our Merchant Energy business will drive near-term earnings growth within our existing generation and gas portfolios through continuous improvements in the efficiency of our operations and processes. Our Operational Excellence program aims to make AGL best-in-class in our operations while working side-by-side with the communities in which we operate.

Our Upstream Gas business will source long-term gas supplies through our various projects, to protect the core downstream business. It will do this by following industry best practice in operations, and making safety a priority for people, the environment, farm lands and communities.

### Location of our significant assets

AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, solar, landfill gas and biomass. We also have an upstream gas portfolio comprising both operating and developing coal seam gas (CSG) projects as well as gas storage facilities. Visit our [website](http://www.agl.com.au/sustainability) for more information on how we source energy.



#### Notes to the map

- > The assets listed and displayed on the map comprise upstream gas projects with 2P reserves larger than 10 PJ and power generation assets larger than 50 MW as at 30 June 2014. Operated as well as partly owned or non-operated assets are included.
- > All gas reserves shown are AGL's net equity interest in 2P reserves. 2P, or proved plus probable, reserves are those quantities of gas that are estimated with equal certainty to be greater than or less than actual commercially recoverable quantities.
- > Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs.
- > Moranbah Joint Venture asset and ATP 1103 rights are currently held for sale.

## Projects under development and construction

AGL has a range of projects in different stages of development to deliver strategic depth and flexibility to its electricity generation, gas production and storage portfolios.

As at 30 June 2014, the following projects were under construction:

- > 102 MW solar plant at Nyngan in New South Wales.
- > 53 MW solar plant at Broken Hill in New South Wales.
- > 1.5 PJ Newcastle Gas Storage Facility at Tomago in New South Wales.

For more information about these projects, visit the [Nyngan Solar Plant](#), [Broken Hill Solar Plant](#) and [Newcastle Gas Storage Facility](#) pages on our website.

In addition, during FY2014, Diamantina Power Station, in which AGL has 50% interest (but does not operate), was under construction. This power station was commissioned in early FY2015.

While further renewable and gas-fired generation development opportunities are being considered, the uncertainty around the future of key government policies is discouraging financial commitments being made (refer to [energy policy uncertainty](#)).

## Investments and divestments

Material acquisitions and divestments made during FY2014 comprised:

- > In October 2013, AGL completed the acquisition of Australian Power and Gas Company Limited (APG).

Following the close of the financial year, in September 2014 AGL acquired the assets of Macquarie Generation from the New South Wales Government.

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1. Based on headcount.

## About AGL

# Q&A

### About AGL

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### Related Information

Global Reporting Initiative G4  
Sustainability Reporting  
Guidelines

### Join the Conversation



## Members of AGL's Sustainability Team answer some key questions about AGL's sustainability strategy and performance.

Head of Economic Policy and Sustainability – Tim Nelson

Manager Sustainability Strategy – Anita George and Cathlin Thurbon

### Q: How has AGL's sustainability report evolved over time?

A: AGL has been publishing annual sustainability reports since 2004 to give stakeholders an understanding of the social, environmental and economic challenges facing AGL and the energy industry, and the steps that AGL is taking to protect and grow the long-term value of the business.

Our framework for sustainability reporting has evolved over the past 11 years, but while the look and feel of our reports may have changed, our commitment to providing transparent information to our stakeholders has always been a central part of our approach.

We have progressively included key sustainability performance information within our annual reports, to provide a broader perspective of our company's performance alongside our financial results.

We have always engaged an independent auditor to provide third-party assurance over the content of our reports, as we believe it is important for our stakeholders to be confident that we are providing accurate and balanced disclosure about our performance. (Read more [here](#)).

Our previous reporting has earned us various accolades, including the Energy Supply Association of Australia's Sustainability Reporting Award for our 2013, 2012 and 2010 reports, as well as the ACCA Australia Sustainability Reporting Awards for best report overall for our 2010 report.

### Q: Can you explain the approach you've taken to reporting this year?

A: We've made some significant changes in the way in which we report our sustainability performance this year, both in terms of the content and the structure of our report.

We've focused on making the report accessible and user-friendly, by making the report web-based incorporating features such as videos and infographics to enhance the ease with which stakeholders can read the report. We've also added a centralised data centre, where all performance data can be viewed via interactive graphs, as well as being downloaded to .csv files with the click of a button.

Readers can access information via our key topic tiles on the homepage, the interactive materiality matrix, the GRI content index or through the more traditional 'chapter' breakdowns (customers, community, people, environment and economic performance).

The revised structure of the FY2014 report takes into account the results of the independently-facilitated materiality review that was conducted in early 2014 (read more below), and provides more information on the topics stakeholders are most interested in, and less information in other areas.

We've also incorporated social media functions to improve the relevance and currency of the report and enable a continuous conversation with stakeholders.

**Q: What is a materiality review, and why did you undertake it?**

A: During FY2014, AGL undertook a 'materiality review' to gauge what issues matter most to our stakeholders and the issues that are central to our continuing business success. Simply put, a materiality review is a way of prioritising sustainability topics based on stakeholder feedback.

The review was facilitated by an independent consultant and considered the views of 19 internal and external stakeholders. Each stakeholder completed a detailed survey ranking 40 sustainability challenges and participated in a one-to-one interview.

The 12 highest ranked issues were chosen as our list of 'material issues' for 2014. Read more [here](#).

We undertook the review to ensure that our sustainability reporting was focused on the issues that our stakeholders cared about the most, and, as a consequence, allowed us to rationalise or reduce reporting on those issues that were of lesser importance to stakeholders overall.

An additional reason for undertaking the review was that under the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines, materiality is a key component, and is used to define report content.

**Q: Who is the audience for this report?**

A: The audience for our sustainability report encapsulates our entire stakeholder base – existing and potential customers, employees, investors and suppliers; members of local communities; governments, policy makers and regulators; and non-government organisations.

We recognise that all these groups want and need information to be provided in different ways. That's why we have designed our report with multiple layers of information, enabling people with a general interest to get a broad snapshot of our performance quickly, and people with a more specific interest to access detailed performance data.

In particular, we want to show our local communities, and our customers, that we are transparent, up-front and honest about our performance, to help build their trust and retain our social licence to operate.

Our commitment to, and leadership in, sustainability is an integral part of AGL's Employee Value Proposition. Therefore, one of our key target audiences is our own employees. The sustainability report provides a detailed insight into the performance and values of the organisation for both current and prospective employees.

**Q: Why have you chosen to adopt the GRI guidelines at a core level?**

A: The new 'G4' Global Reporting Initiative (GRI) guidelines can be applied by organisations at either a 'core' or a 'comprehensive' level. To ensure that our report remains focused on material issues, rationalised in terms of length and accessible to our diverse range of stakeholders, we have chosen to apply the guidelines at a 'core' level, and have continued to report on a large range of non-GRI metrics.

We believe this level of reporting provides the best balance between enabling comparison of our performance to others in our sector, and reporting on AGL-specific indicators which are more meaningful measures for our stakeholders and our business. (Read more [here](#))

**Q: Where is your climate change chapter?**

A: Historically we have always had a climate change (or sustainable energy) chapter that was separate to our environmental performance information. This year, for the first time, we have combined these two sections. Greenhouse emission data is available in a subsection of the environment section of the report, however, given its importance, climate change and energy-related policy is included within the energy policy uncertainty section of this report.

(Read the [greenhouse and energy](#) and [energy policy uncertainty](#) sections).

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If you want to continue this conversation, please visit the [AGL blog](#) and leave us a comment, or connect with us via [twitter](#), [facebook](#), [LinkedIn](#) or [email](#).





# Sustainable Business Strategy

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### Image caption

AGL Energy is the largest private owner operator of wind farms in Australia. Hallett Wind Farms, South Australia.

At AGL, sustainability means thinking about the responsibilities we have to all our stakeholders – our employees, our customers, our investors, the community and the environment in which we work and live. In addition to our economic performance, our future success and reputational standing is also shaped and measured by the social and environmental consequences of our decisions and actions for all our stakeholders.

**As one of Australia's leading integrated energy companies, we have a unique opportunity to shape a sustainable energy future for the nation.**

As a retailer of electricity and gas, AGL is the provider of an essential service to nearly four million customers. We provide the energy to fuel Australian business, whose performance is core to the strength of our economy. We are the largest ASX listed owner, operator and developer of renewable energy in the country. By interacting with millions of Australians, we recognise the need to provide efficient, clear and accurate customer service. We are developing much needed coal seam gas resources, demonstrating to the community that this can be done sustainably and for the benefit of all Australians.

AGL's sustainability framework helps us to manage these complex and often competing priorities.

During FY2014, we undertook a [materiality review](#) to gauge what issues matter most to the majority of our external stakeholders, and the issues that are central to our continuing business success.

We used the outcomes of this review to help establish targets and commitments to drive performance, behaviours and transparency around each of our top 12 material issues through the [FY2015 sustainability framework](#).

## Awards and ratings

AGL's sustainability policies, performance and/or disclosure have been recognised through:

- > Dow Jones Sustainability World Index (DJSI World), Member 2014-15
- > Robeco-SAM, Silver Class 2014
- > ASX200 Carbon Disclosure Leadership Index (CDLI), 2014
- > FTSE4Good Index, Member 2014
- > Energy Supply Association of Australia Sustainability Reporting Award (for 2013 report)
- > Employer of Choice for Gender Equality, November 2014, superseding the previous Employer of Choice for Women citation which AGL had held since 2012

## Sustainable Business Strategy

# Material Issues

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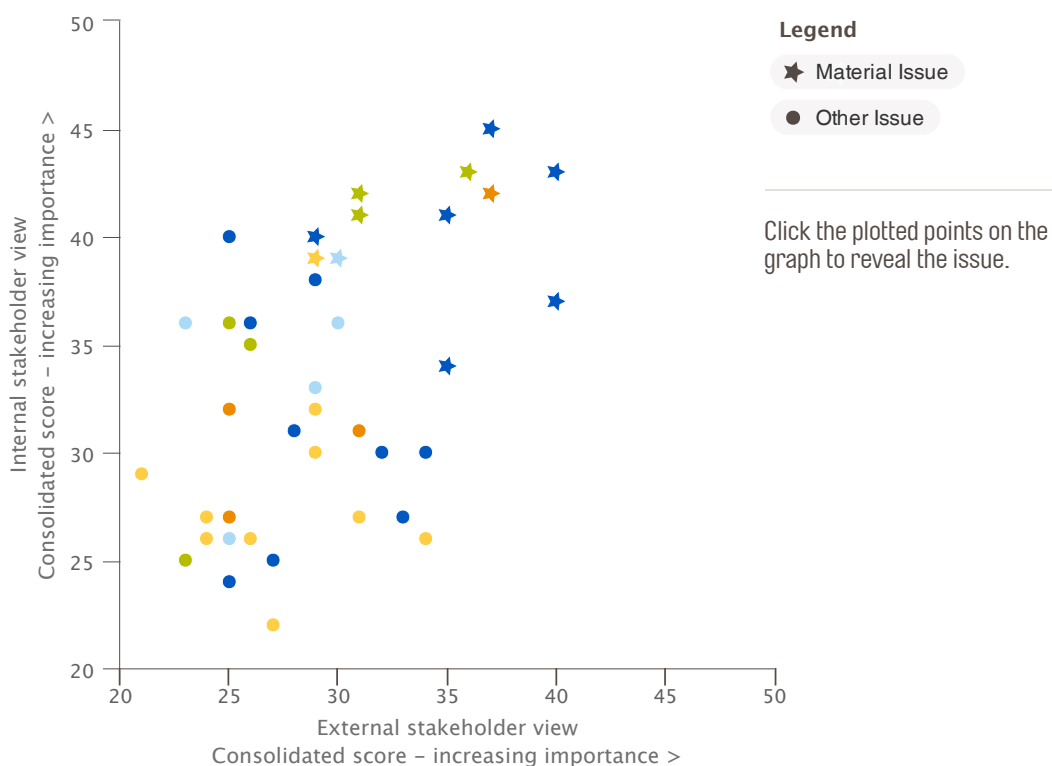
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AGL has recognised the need to balance the desire for increased transparency with the need to provide more focused and accessible disclosures on the issues that are most important to stakeholders.

With this in mind, during FY2014 we undertook an independent review to gauge what issues matter the most to our stakeholders. The output of the review was a materiality matrix and a list of the top 12 material issues that have been used to shape this report and targets for FY2015.

### Materiality matrix





## Review process

The process for undertaking the review is shown below.

### 1. Identification of sustainability challenges and stakeholders

- > Review of risk registers, peer sustainability reports, sector issues, and stakeholder concerns to identify sustainability challenges.
- > 40 sustainability challenges were identified.
- > A range of stakeholders were selected to rank the challenges to ensure balance and coverage between issues and themes.

### 2. Ranking of challenges by internal and external stakeholders

Independently-facilitated review

- > Nine external and ten internal stakeholders completed a detailed survey ranking 40 sustainability challenges and participated in one-on-one interviews.
- > Issues were ranked from 1 to 5 with 5 being extremely important.

### 3. Top 12 material issues

- > Internal rankings and external rankings added together to determine the overall order of priority: the top 12 material issues.
- > Convergence of internal and external views as well as 'grouping' of issues by score considered when determining number of issues to class as 'material'.

### 4. Validation and socialisation

- > External stakeholders were invited to attend a workshop to explore the findings.
- > Results were presented to the Safety, Sustainability & Corporate Responsibility Committee, the Executive Team, and other key teams within the business.

### Stakeholders who participated in the review

- > Ten internal stakeholders selected from the Senior Leadership Group to cover the breadth of our operations;
- > Members of AGL's Climate Change and Customer Councils (environmental and social NGOs);
- > Community representatives from the Community Consultative Committees established for AGL's Camden Gas Project and Macarthur Wind Farm; and
- > Representatives from the media, the investment community, and regulators.

There was broad agreement that although the results presented a refinement of the previous [sustainability blueprint](#), they represented a sensible categorisation and ranking of the challenges facing AGL when considered in the context of the current uncertainty within Australia's energy industry.

Importantly, there was a considerable convergence of views between internal and external stakeholders when it came to identifying which issues were most material.

Most notable is the apparent absence of climate change within the top 12 material issues. However, the risks and opportunities associated with AGL's responses to climate change, carbon pricing, and renewable energy policies is encapsulated under the issue of [energy policy uncertainty](#).

AGL will continue to consider stakeholders' views regarding which issues are the most material for inclusion in future sustainability reports.

## Sustainable Business Strategy

## FY2015 Sustainability Framework

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AGL has established targets and commitments to drive performance, behaviours and transparency around each of our top 12 **material issues**.

**Performance targets**

Performance targets have been set where organisation-wide performance can be meaningfully and consistently measured and externally benchmarked.

Material issue	FY2015 target
<a href="#">Customer satisfaction</a>	Annual mean customer satisfaction score: > <b>major competitors</b> <sup>1</sup>
<a href="#">Employee engagement</a>	Employee engagement score: ≥ <b>75%</b>
<a href="#">Health and safety</a>	Total injury frequency rate: ≤ <b>2.8</b>
<a href="#">Profitability</a>	Total Shareholder Return: outcomes <b>consistent with AGL's long-term incentive plan (LTIP) performance hurdles</b> <sup>2</sup>

**Behavioural aspirations**

Behavioural aspirations have been set to define operational and behavioural standards in respect to the way in which we do business.

Material issue	FY2015 aspiration
<a href="#">Legislative compliance</a>	AGL's aspiration is to comply with legislative requirements across the organisation.
<a href="#">Ethical conduct</a>	AGL's aspiration is to act ethically in its activities, in accordance with the AGL Code of Conduct.
<a href="#">Corporate governance</a>	AGL's aspiration is to adopt best practice corporate governance principles.
<a href="#">Talent attraction and retention</a>	AGL will continue to develop an industry leading Employee Value Proposition.

**Transparency commitments**

Transparency commitments have been set to provide agreed levels of continued transparency in relation to areas where our stakeholders want proof of our performance and policies.

Material issue	FY2015 commitment
<a href="#">Energy policy uncertainty</a>	AGL will continue to produce the AGL Applied Economic and Policy Research Working Paper Series.
<a href="#">Public policy</a>	AGL will continue to regularly and transparently engage with its key stakeholders on significant issues of public policy.
<a href="#">Community engagement</a>	AGL will continue to measure investment in local businesses, including an analysis of job creation and financial contributions to the local community.
<a href="#">Water management</a>	AGL will continue to make publicly available material data relating to water at AGL sites.

Targets for FY2015 do not apply to AGL Macquarie, due to the Macquarie Generation assets being acquired post 30 June 2014, and integration activities occurring throughout FY2015.

To see how we performed against the targets set for FY2014, see the [sustainability performance](#) section.

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1. Calculated by comparing the average of four quarterly scores to those of both Origin Energy and EnergyAustralia.
  2. Per AGL's [2014 Annual Report](#), benefits commence accruing to executives under the LTIP if total shareholder return exceeds 4 percent. However, a TSR of 9 percent is required to be achieved if executives are to receive in their notional bank accounts 100 percent of their entitlement to share performance rights. Full details of the operation of the LTIP are set out in the Remuneration Report commencing on page 53 of the Annual Report.

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AGL publishes an annual sustainability report to provide a transparent account of our performance in relation to the social, environmental and economic challenges facing AGL and the energy industry more broadly.

This year we have made a significant change to the way in which we report, re-organising and balancing the content to provide more accessible information about our most material issues in an interactive, online format.

Key elements of our report comprise:

- > Our [material issues](#), presented in a matrix form showing their relative importance as judged by internal and external stakeholders.
- > The [FY2015 sustainability framework](#), through which targets and commitments to drive performance, behaviours and transparency on each of our top 12 material issues have been established.
- > An outline of [how we operate](#), encapsulating our approach to stakeholder engagement as well as coverage of the material issues of corporate governance, ethical conduct, legislative compliance and public policy.
- > Performance information for each of our other material issues, divided into the five subject areas of [customers](#), [community](#), [people](#), [environment](#) and [economic performance](#).
- > A summary of our performance against each of the 12 strategic sustainability targets that were set through the [FY2014 sustainability blueprint](#).
- > A centralised [data centre](#), where comprehensive performance data is available to view and download.

We want this report to be the starting point for many conversations about our performance, our policies, and our strategic direction. In this regard, we have provided options for engaging with us via social media throughout this report. You'll also find our [AGL Sustainability Blog feed](#), providing up-to-date news and further opportunities to interact with us.

## Global Reporting Initiative (GRI)

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) 'G4' Sustainability Reporting Guidelines (G4), as well as the G4 Sector Disclosures for both the Electric Utilities and Oil and Gas sectors.

The G4 provides guidance for organisations to use as the basis for disclosure about their sustainability performance, providing a universally applicable, generally acceptable and comparable framework that helps stakeholders understand reported information. Further information about the GRI G4 guidelines is available at the GRI website at [globalreporting.org](http://globalreporting.org).

The report includes a full [GRI index](#).

To keep our report focused on the important issues for our stakeholders, and in recognition of the fact that AGL has embedded sustainability reporting within the organisation over a number of years as a mature reporter, we have chosen to apply the guidelines at a 'core' level. While this means that we report on less GRI indicators than required for 'comprehensive' reporting, we continue to report on a large range of non-GRI metrics, as well as metrics that are based on, but not in full accordance with, other GRI indicators that are not required for 'core' reporting. We believe this level of reporting provides the best balance between enabling comparison of our performance to others in our sector, and reporting on AGL-specific indicators which are more meaningful measures for our stakeholders and our business. We have not obtained external assurance over non-core GRI indicators or AGL-specific indicators (other than those included in the FY2014 sustainability blueprint, and a selection of Greenhouse and Energy indicators which have been identified in the Assurance Statement).

We engaged Deloitte Touche Tohmastu (Deloitte) to provide [assurance](#) over our self-declaration that the report was prepared in accordance with the GRI G4 guidelines at a core level. Details are provided in the assurance statement.

## Materiality and GRI aspects

For the purposes of applying the GRI G4 guidelines, the material issues identified by AGL have been mapped back to the 'Aspects' identified in the guidelines. The following table outlines these aspects, as well as whether the primary boundary for each aspect falls within and/or outside the organisation. All aspects have the potential to affect stakeholders outside the organisation secondarily.

Material issue	Covered by general standard disclosures	Covered by specific standard disclosures		Aspect boundary
	GRI category	GRI category / sub category	GRI aspect	
Legislative compliance	–	Environmental	Compliance	Within the organisation. Outside the organisation – the local environment adjacent to our operational and development projects, and potentially the broader environment.
		Society	Compliance	Within the organisation. Outside the organisation – all stakeholders with whom we deal, regardless of their location.
		Product responsibility	Compliance	Within the organisation. Outside the organisation – all AGL's customers, across the states where we operate.
Ethical conduct	Ethics and Integrity	–		Within the organisation. Outside the organisation – all stakeholders with whom we deal, regardless of their location.
Customer satisfaction	–	Product responsibility	Product and service labelling	Within the organisation. Outside the organisation – AGL's customers across the states where we operate.
Employee engagement	–	–		Within the organisation.
Corporate governance	Governance	–		Within the organisation.
Energy policy uncertainty	–	–		Within the organisation. Outside the organisation – customers, communities and the environment in Australia (and globally with respect to climate change policies)
Health and safety	–	Labour practices and decent work	Occupational health and safety	Within the organisation.
Employee talent	–	Labour practices and decent work	Employment	Within the organisation.
Public policy	–	Society	Public policy	Within the organisation. Outside the organisation – customers, communities and the environment in Australia (and globally with respect to climate change policies).
Community	–	Society	Local communities	Outside the organisation – local communities adjacent to AGL's operating (and developing) upstream gas and electricity generation facilities, and the community.
Profitability	–	Economic	Economic performance	Within the organisation.
Water management	–	Environmental	Effluents and wastes	Outside the organisation – water users (including agriculture) and the environment (water catchments and hydrogeological systems relating to AGL's operational sites).

## Boundary and scope

This report covers the performance of the AGL group of companies (AGL Energy Limited and its wholly owned Australian subsidiaries) (AGL) and the activities and facilities in Australia over which AGL had operational control for all, or part, of the financial year ended 30 June 2014 (FY2014). All data in this report relates to FY2014 unless otherwise stated.

Where information regarding AGL's partially owned and non-operated investments is material, available and relevant, it is included and clearly referenced. This report excludes the performance of franchise AGL Smarter Living stores and tradespeople<sup>1</sup>. The performance of joint ventures which are not operated by AGL is also excluded.

Forward targets for employee engagement and health and safety for FY2015 do not apply to Macquarie Generation, due to the assets being acquired after 30 June 2014, and integration activities occurring throughout FY2015.

AGL has published sustainability reports since FY2004 and historical reports are available on the AGL [website](#). AGL's [previous Sustainability Performance Report](#) was released on 21 November 2013, covering the 2013 financial year (FY2013).

## Assurance

Deloitte Touche Tohmatsu ([Deloitte](#)) was engaged to undertake limited assurance of the 2014 sustainability performance data in this report in accordance with the Australian Standard on assurance engagements *ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ASAE 3000).

The assurance comprised:

- > Assurance over the application of [AA1000](#) principles in managing and reporting sustainability performance.
- > Assurance over selected sustainability indicators, namely the performance against the [FY2014 strategic sustainability targets](#) contained both within this report and within the [2014 Annual Report](#), as well as selected greenhouse gas emission data and data relating to our material issues.
- > Assurance over AGL's self-declaration that the report has been prepared in accordance with the GRI G4 guidelines to a 'core' level.

Full details of the assurance process and outcome are included in the Assurance Statement. Elements of the report that have been subject to assurance are also identified in the [GRI index](#).

## Consultation about this report

AGL incorporates the AA1000 principles of inclusivity, materiality and responsiveness into stakeholder consultation processes, and engages with different stakeholder groups on a regular basis, as outlined in the [stakeholder engagement](#) section of this report.

Regular interaction with stakeholders, whether through formal or informal channels, as well as the specific consultation undertaken through the materiality review ensures that the focus and content of our annual sustainability performance report remains relevant to AGL's overall business strategy and the needs of our stakeholders.

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1. Four AGL Smarter Living stores are owned and managed by AGL and are included within this report.

## Sustainable Business Strategy

# Sustainability Performance

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This report provides a comprehensive account of how we have performed during FY2014 under the banners of **customers, community, people, environment** and **economic performance**.

Sustainability performance data is available to view and download from the [data centre](#). The [GRI index](#) and [materiality matrix](#) can also be used to help you navigate through our performance data.

### FY2014 sustainability blueprint

The 'sustainability blueprint' has formed the basis of how sustainability performance information has been presented to our stakeholders through the annual sustainability performance report for the past five years. Through this blueprint, AGL has committed to 12 strategic sustainability targets on an annual basis.

Performance against each of the targets that were set for FY2014 is outlined below. Targets for FY2015 have been established according to our new [sustainability framework](#).

## Customers

### Customer experience

#### FY2014 target

To have a higher annual mean customer satisfaction score than our competitors.

#### FY2014 performance


AGL's customer satisfaction score<sup>1</sup> was **7.01**, which was higher than that of our major competitors. 

### Customers in hardship

#### FY2014 target

5% reduction in the ratio of average energy debt of Staying Connected customers to average NEM household electricity bill.

#### FY2014 performance

The adjusted level of energy debt<sup>2</sup> of Staying Connected customers has reduced by **4.9%** to \$1,257 compared to FY2013. 


## Community

### Community engagement

#### FY2014 target

Measure AGL's investment in local businesses, including an analysis of job creation and financial contributions to the local community.

#### FY2014 performance

AGL has measured the economic impact of its significant upstream gas projects throughout FY2014, including tracking levels of community investment, the total and percentage spend on local suppliers, and the contributions of projects to local employment.<sup>3</sup> 



## Community contribution

**FY2014 target**

Measure outputs of Energy for Life strategic partnerships in accordance with Social Return on Investment (**SROI**) framework developed in FY2013.

**FY2014 performance**

The outputs of strategic partnerships were unable to be fully measured using a SROI framework due to the complexity of datasets and the lack of clear benefit from diverting our charity partners' resources away from service provision to measurement.



## People

## Employee engagement

**FY2014 target**

Engagement score: Achieve score above ORC International Best Performing Zone.

**FY2014 performance**

AGL's engagement score was **77%**, which is within the ORC International Best Performing Zone.<sup>4</sup>



## Health and safety

**FY2014 target**

Total injury frequency rate:<sup>5</sup> <5.0

**FY2014 performance**

Total injury frequency rate: **2.8**



## Environment

## Environmental risk

**FY2014 target**

**100%** of approved risk register actions for the highest residual environmental risks implemented in accordance with targeted milestones.

**FY2014 performance**

**100%** of actions (49 of 49) were completed in the year but two were completed later than originally scheduled. **96%** of actions (47 of 49) were implemented in accordance with targeted milestones.



## Water management

**FY2014 target**

Analysis of significant water usage across business units and development of KPIs for water usage and wastewater reduction by end June 2014.

**FY2014 performance**

AGL has assessed its significant water usage and water-related risks across Merchant Energy and Upstream Gas, and on this basis developed water management KPIs which have been incorporated into business plans.



Sustainable energy	
Carbon exposure	
<b>FY2014 target</b> Develop a cost curve of material energy efficiency and greenhouse gas emissions abatement opportunities at AGL's existing operational assets.	
<b>FY2014 performance</b> AGL has documented a cost curve of material energy efficiency and greenhouse gas emissions abatement opportunities at AGL's existing operational assets.	
Sustainable generation sources	
<b>FY2014 target</b> Invest in 155 MW of renewable energy projects.	
<b>FY2014 performance</b> During FY2014, AGL achieved financial closure of funding arrangements with the Australian Renewable Energy Agency and the New South Wales Government to develop a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill.	
Economic	
Ongoing profitability	
<b>FY2014 target</b> Underlying profit: <sup>6</sup> \$560-610 million	
<b>FY2014 performance</b> Underlying profit: <sup>6</sup> \$562 million	
Sustainable growth	
<b>FY2014 target</b> Credit rating: BBB	
<b>FY2014 performance</b> Credit rating: BBB	

1. AGL's average of four quarterly surveys prepared by an independent third party provider was 7.01. AGL's score at the end of Q4FY2014 was 7.04.
2. The average energy debt of Staying Connected customers has been adjusted to reflect changes in electricity price inflation (as per electricity sub index of the consumer price index, June 2014).
3. Across AGL's upstream gas projects in the Camden, Gloucester and Hunter regions of New South Wales, during FY2014 AGL has spent over \$6,792,850 on local suppliers, (representing 23%, 9% and 31% respectively of the supplier spend for each individual project during FY2014), invested over \$107,837 in local community projects, and had local employment rates of 53%, 62% and 47% (respectively) with a combined salary spend on local employees of \$3,371,199.
4. The intent of the FY2014 employee engagement target was to achieve an employee engagement score within the best performing zone as defined by ORC International. The current wording states employee engagement is to be above the best performing zone which is technically not possible and should have been expressed as within the best performing zone. AGL is of the view that the target has been met and has removed this ambiguity for the FY2015 target.
5. Total injury frequency rate (TIFR) – for injuries that arise from a single event/shift. TIFR involves the number of lost time and medical treatment injuries classified as TIFR-related in a 12 month period, per million hours worked in that period.
6. Underlying profit reflects the actual performance of AGL's business by adjusting statutory profit (reported in accordance with Australian Accounting Standards) by fair value movements and one-off significant items.

## Sustainable Business Strategy

## Energy Policy Uncertainty

## Sustainable Business Strategy

- > Material Issues
- > FY2015 Sustainability Framework
- > About this Report
- > Sustainability Performance

★ Energy Policy Uncertainty

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## Join the Conversation



AGL's stakeholders are concerned with the current state of energy policy uncertainty. AGL has echoed this sentiment in a broad range of public consultations and submission processes, and continues to contribute to the policy reform agenda through the AGL Applied Economic and Policy Research Working Paper Series.

For any area of policy reform to be effective, it must be designed with a sufficiently long-term outlook to ensure its continued relevance in the context of changing industry and economic conditions.

Policy reform must take place within a framework of regulatory stability. This is particularly relevant to the energy industry, where investments typically result in projects with lengthy lifespans.

Short-sighted policy settings and ongoing policy uncertainty have had profound impacts on the following key aspects of the energy reform agenda:

### Climate change policies and electricity market design

A long-term, sustainable and credible climate change policy framework has become a pre-condition for investment commitment with respect to electricity supply infrastructure. The heightened policy uncertainty arising from frequently changing policy settings leads to, at a minimum, additional risk premiums being applied to projects, which manifest as higher than efficient electricity prices.

It is disappointing that despite bipartisan support, the Renewable Energy Target scheme has been, and continues to be, subject to numerous substantive reviews. Over time, these have stifled the very investment that the policy was designed to promote.

A combination of factors has exacerbated the current oversupply in the wholesale electricity market, including:

- > the absence of provisions in government policies which incentivised new generation to allow for the efficient and orderly removal of older thermal generation that is surplus to demand;
- > significant take-up of residential solar panels driven by unsustainable explicit and hidden cross-subsidies paid by non solar electricity consumers; and
- > an overall decline in electricity demand.

Policy settings aimed at encouraging lower emissions generation must be transformational rather than additional, and be accompanied by complementary policies designed to create a more sustainable wholesale market that facilitates new investment in an economically optimal generation mix.

### Gas supply security and planning regimes

We are witnessing a significant transformation in the dynamics of Australia's east coast gas market, arising from a profound increase in demand as a result of LNG export facilities being constructed in Queensland. This may, on the basis of existing production levels and policy settings, exceed the current pace of supply-side expansion. The necessary policy response must encourage further supply, and remove non-scientific policy barriers to supply development.

This is of particular importance in NSW, given its reliance upon gas imported from other states. Confirming the Australian Energy Market Operator's findings that NSW may experience peak demand gas shortages in 2018, AGL's research (Working paper No. 40: '[Solving for 'x' – the New South Wales Gas Supply Cliff](#)') has demonstrated that NSW may face supply shortages from 2016 unless new gas supply options are developed.

The fundamental barrier to bringing on new gas reserves is restrictive government policy.

If the coal seam gas industry is permitted to safely develop proven gas resources in NSW, then it is likely there will be enough natural gas in NSW to supply current levels of consumption for many decades.

Accordingly, it is important that governments take a long-term approach to policy setting, and make changes only on the basis of verifiable, scientific or other evidence-based information that justifies the change. It is also vital that governments set a clear and achievable CSG framework which facilitates safe and orderly development to continue in order to satisfy east-coast gas demand.

### **Retail tariff reform to drive economic efficiency**

Current electricity charging structures are not truly cost-reflective, and lead to some customers paying a greater proportion of network costs than their electricity usage requires, while other customers pay less. This has been exacerbated by the inability of current charging structures to appropriately respond to changes in electricity consumption and transformations in technology (such as residential take-up of solar panels).

It is necessary to revisit the policy settings behind existing tariff structures, to allow tariffs to optimise network utilisation and drive economic efficiencies and restore fairness and distributional equity. Future tariff reform should include: removal of retail price caps; appropriate safeguards to protect customers facing financial hardship; and more cost-reflective network tariffs. This should be coupled with a contestable roll-out of digital meters, and ensuring that a level playing field exists between retail energy service providers.

### **Contributing to the policy reform agenda through the AGL Applied Economic and Policy Research Working Paper Series**

Since 2008, AGL has published our Applied Economic and Policy Research Working Paper Series to provide critical analysis of energy market trends and policy settings to industry stakeholders and policy makers.

The Working Papers are generally submitted to a two stage peer-review process:

- Firstly, AGL's Applied Economic and Policy Research Committee consider the papers as Working Papers. Committee members have a broad and diverse background in areas such as finance, economics, public policy, law and investment banking.
- Secondly, the papers are submitted to academic journals for a formal (blind) peer-review process.

In this way, AGL is able to assure all stakeholders that the papers make a robust contribution to issues facing the energy sector.

The AGL Applied Economic and Policy Research Committee considers AGL Working Papers at a 'working' stage. The role of the Committee is not to endorse working papers, but to provide constructive review. In this context, all opinions, statements, errors and omissions are those of the authors and are not in any way attributable to the Committee and its members.

Members of the Council are Elizabeth Nosworthy, Prof. Christine Smith, Prof. Stephen Gray, Dr. Judith McNeill, Keith Orchison, Tony Brinker, the Hon. Patrick Conlon and Carlo Botto.

**In the past five years, AGL has published 31 working papers.**

During FY2014, the following papers were released:

- **From Throughput to Access Fees: The Future of Network and Retail Tariffs**  
This book chapter critically evaluates how utilities will need to adjust their tariff structures to compete with new forms of energy production. The structure of these tariffs will be a critical determinant of the success or failure of utilities in the future. The authors assess existing and emerging tariff designs to address the advent of grid-connected substitutes such as distributed generation. The economic efficiency and equity implications of changing tariff designs are assessed based on existing and emerging technologies. The chapter concludes that utilities must be cautious in rapidly redesigning their business models or rebalancing their tariffs, as they attempt to recover revenue previously obtained through rising volumetric consumption. Importantly, adjusting tariffs to recover revenues in the short term may hasten the adoption of energy storage technologies, further undermining the financial stability of utilities in the long term.

› **On the inequity of flat-rate electricity tariffs**

Proposals to reform default 'flat-rate' electricity tariffs are rarely met with enthusiasm by consumer groups or policymakers because they produce winners and losers. Proposals to initiate time-of-use rates will be met with cautious interest if the basis of customer participation is 'opt-in' but adverse selection is clearly more than a theoretical possibility. Existing flat-rate tariff structures, by definition, result in half the consumer base paying too much while the other half are cross-subsidised. Using the digital meter data of 160,000 residential customers from the Victorian region of Australia's National Electricity Market, our tariff model reveals that households in financial hardship are the most adversely affected from existing flat-rate structures. Even after network tariff rebalancing, hardship, concession and pensioner households are, on average, beneficiaries of more cost-reflective tariff structures once demand response is accounted for.

› **Solving for 'x' – the New South Wales Gas Supply Cliff**

On Australia's east coast over the period 2013-2016, we forecast that aggregate demand for natural gas will increase three-fold, from 700 PJ to 2,100 PJ per annum, while our forecast of system coincident peak demand increases 2.4 times, from 2,790 TJ to 6,690 TJ per day. This extraordinary growth is being driven by the development of three Liquefied Natural Gas plants at Gladstone, Queensland. Almost simultaneously, a non-trivial quantity of existing domestic gas contracts currently supplying NSW will mature. Much of that gas has been recontracted to LNG producers in Queensland – thus creating a gas supply cliff in NSW. Compounding matters, recent policy developments have placed binding constraints over the development of new gas supplies in NSW. In this paper, we present our dynamic partial equilibrium model of the interconnected gas system and produce forecasts with daily resolution. We find that absent additional supply-side development, unserved load events will remain more than a theoretical possibility due to inter-temporal spatial constraints.

› **The cost of capital for power generation in atypical capital market conditions**

Determining the cost of capital in the energy sector requires considerable care. Whether being derived by firms, stock analysts, policymakers or regulators, the consequence of error is amplified because the energy sector is the world's most capital-intensive. No other cost variable has a greater impact on electricity price/cost estimates. Historically, the Capital Asset Pricing Model could be applied mechanistically and produce reliable estimates for equity costs. But the Global Financial Crisis produced atypical capital market conditions and a mechanistic application will produce results that are intuitively erroneous. The model is not broken, but inputs require professional judgement and adjustment.

› **What is normal profit for power generation?**

This paper aims to present a multi-period dynamic power project financing model to produce pragmatic estimates of benchmark wholesale power prices based on the principles of normal profit. This, in turn, can guide policymakers as to whether price spikes or bidding above marginal cost in wholesale electricity markets warrants investigation. One of the seemingly complex areas associated with energy-only wholesale electricity pools is at what point market power abuse is present on the supply side. It should not be this way. If a theoretically robust measure of normal profit exists, identification of potential market power abuse is straightforward. Such a definition readily exists and can be traced back to the ground-breaking work of financial economists in the 1960s.

Working papers are available on the [AGL Blog](#).

★ **Material issue**

**Energy policy  
uncertainty**

**FY2015 commitment**

AGL will continue to produce the AGL Applied Economic and Policy Research Working Paper Series.



## How We Operate

### How We Operate

#### > Stakeholder Engagement

#### ★ Corporate Governance

#### ★ Ethical Conduct

#### ★ Legislative Compliance

#### ★ Public Policy

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### Join the Conversation



#### Image caption

AGL is Australia's largest private owner and operator of renewable energy assets, including solar. We are currently constructing the largest solar plants in Australia at Nyngan and Broken Hill, NSW.

At AGL, we recognise that we have responsibilities to all our stakeholders – our employees, our customers, our investors, the community and the environment. Our future success and reputational standing is shaped and measured by the social and environmental consequences our decisions and actions have for all our stakeholders. That is why we hold ourselves to high standards of accountability, with our brand promise of 'Actions, not words' summing up the way in which we do business with our stakeholders.

It is of utmost importance to us that we operate honestly, transparently, and ethically. This section focuses on how these overarching principles inform the way in which we operate our business and communicate with our stakeholders:

- > **Stakeholder engagement** – a wide variety of people and groups are interested in, or affected by, the decisions that AGL makes. We proactively engage with our stakeholders both formally and informally on relevant issues in ways that are most appropriate to each group.
- > **Corporate governance** – best practice corporate governance principles support sustainable performance by AGL over time. This section outlines AGL's approach to corporate governance, and how the principles of honesty, transparency and ethics are demonstrated from the 'top down'.
- > **Ethical conduct** – at AGL we are aware of our responsibility to the community and the environment, as well as our customers and shareholders. We seek to balance these interests in a way that is ethical, shows integrity, and is transparent. Our brand promise springs from a set of wider values that work as an ethical compass guiding our people in their behaviour and decision-making processes.
- > **Legislative compliance** – AGL integrates compliance risk management practices in all business processes and operations to drive consistent, effective and accountable decision-making.
- > **Public policy** – AGL provides stakeholders with access to information so that they are able to understand the full implications (both positive and negative) of proposed changes to government policy that impacts the energy industry and the communities and environment in which we operate. We are committed to the pursuit of evidence-based policy development, with a view to developing sensible policy responses.



## How We Operate

## Stakeholder Engagement

## How We Operate

## &gt; Stakeholder Engagement

## ★ Corporate Governance

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## ★ Public Policy


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## Join the Conversation



Engaging in constructive dialogue with stakeholders keeps AGL responsive to issues important to customers, employees, investors, regulators, landowners and the wider community.

A summary of the key issues for each of our stakeholder groups, along with an outline of how we engaged with each of these groups during FY2014, is provided below. More information about specific community engagement is available in the [community engagement](#) section of this report.

Key issues for our stakeholders	How we engage with our stakeholders
 <b>Employees</b>	
To remain competitive AGL requires a high performance culture where people are safe, engaged, accountable, empowered, recognised and rewarded.	

The key issues for AGL employees include: workplace safety; career development and training; appropriate remuneration and recognition; personal wellbeing; and a fair, equitable and inclusive workplace. Employee engagement surveys show that company reputation and corporate responsibility are important issues for AGL employees.

The AGL Engagement Survey is undertaken annually and provides employees with the opportunity to give feedback about the organisation. In FY2014, a leadership quality survey was also undertaken.

AGL uses a 360° feedback program for senior leaders throughout the business.

AGL Senior Leadership Group forums are used throughout the year to inform and update leaders across the business about the key priorities, projects and issues of each business group.

Twice-yearly Employee Roadshows are held to present financial results, operational highlights and strategic priorities.

A 'Diversity Big Day Out' is held for employees where information and training is provided around diversity and work/life balance.



## Investment Community

In addition to market disclosure obligations, we engage with the investment community about the non-financial risks and opportunities that may influence the company's performance and growth in the longer term.

Investors are increasingly interested in AGL's responses to environmental, social and governance risks.

The Annual General Meeting (AGM) provides shareholders with the opportunity to review financial results and to vote on a range of issues. The AGM also provides the opportunity for shareholders to ask questions of AGL's Directors and senior executives concerning performance and strategy.

AGL makes regular announcements to the ASX concerning significant matters including financial results, acquisitions and divestments.

AGL publishes an Annual Report and Sustainability Performance Report each year to provide AGL's stakeholders (including investors) with relevant financial and non-financial results for the year, and to provide a summary of AGL's business strategies and plans for the next year.

Producing an Annual Report is a legal requirement for AGL. Shareholders are able to provide direct feedback on the results contained within the report at the AGM.

AGL voluntarily publishes an annual Sustainability Performance Report to provide a broader spectrum of information regarding social, environmental and economic performance.

AGL participates in the Dow Jones Sustainability Index, the Carbon Disclosure Project and the FTSE4Good Index. These tools are used by the investment community to collect relevant non-financial performance information to facilitate informed investment decisions.

AGL conducts semi-annual independent qualitative and quantitative surveys of equity investors and analysts, allowing these stakeholders to provide unattributed feedback on management, strategy, disclosure, financial performance and balance sheet structure.

Other engagement mechanisms include: institutional investor and equity analyst events, including: domestic and international 'roadshows'; presentations to stock brokers and industry conferences; and investor tours of assets and operations.

## ^ Government

AGL's business is affected by the policy decisions and other announcements governments of all levels. Governments have a responsibility to ensure the accessibility of essential services, such as energy, along with the development of energy infrastructure in accordance with their own policy principles. These principles can include consideration of climate change impacts and sustainability.

Federal, State and Local governments are concerned with a wide range of issues including: the development of energy infrastructure; climate change and renewable energy policies; coal seam gas; energy prices; and reliability of energy supply.

AGL has regular dialogue with relevant Federal, State and Local governments in relation to a range of project specific and policy issues – including meetings, policy submissions (both directly and via industry associations), attendance at events and the provision of briefings.

## ^ Regulators

Regulators are responsible for price regulation and monitoring compliance against jurisdictional and national energy regulations, as well as environmental regulation. Regulatory decisions can have a significant impact on AGL's business.

The key issues for regulators include: reliability; affordability of energy supply; efficient investment in utility infrastructure; compliance against consumer protections and other parts of the regulatory framework; compliance against environmental licencing and other requirements.

AGL engages with New South Wales, Victorian, Queensland and South Australian energy regulatory bodies and national bodies such as the Australian Energy Regulator, Australian Energy Market Operator and the Australian Energy Market Commission, including direct engagement and activities undertaken as part of industry associations.

## ^ Investment Partners, Joint Venturers and Suppliers

AGL has a range of investments in upstream electricity generation and gas production, as well as retail operations.

AGL has business relationships with investment partners and suppliers.

The mechanisms for engagement with investment partners, joint ventures and suppliers vary, but can include meetings and correspondence, as well as more formal arrangements such as representation on the ActewAGL Board.

## ^ Energy Industry

AGL plays an active role in leading industry support for renewable and greenhouse initiatives as well as developing energy supplies within the Australian energy industry.

The business impacts of energy policy are a primary concern for the Australian energy industry.

During FY2014, AGL participated in the Business Council of Australia, the Australian Financial Markets Association, the Energy Retailers Association of Australia, the Australian Industry Group and the Clean Energy Council. AGL is also a member of the Energy Supply Association of Australia (esaa) and is a signatory to the esaa Sustainable Practice Framework.

## ^ Customers

To maintain and improve market share within Australia's highly competitive energy market, it is essential that AGL responds to customer feedback and constantly seeks to improve the level of customer service provided. AGL endeavours to work collaboratively with governments and the community sector to support customers who are experiencing difficulty accessing and affording essential services such as energy.

Customers are concerned with the cost of energy; improving energy efficiency in their homes and businesses; the quality of AGL's customer service; billing (for example, timeliness and accuracy); and the impact, perceived or real, of government policies, such as the repeal of the carbon tax.

The AGL Customer Council meets on a quarterly basis and is briefed on a wide range of matters that affect AGL customers and the communities in which AGL operates.

In November 2009, AGL launched the Customer Connections program which provides opportunities for AGL to interact with small groups of customers in an open discussion about their experiences with AGL. In FY2014, AGL held four 'Customer Face to Face' sessions with 154 customers and 196 employees. The main objective of the Customer Face to Face Events is to 'humanise' the customer by providing an opportunity for employees from all areas and levels of the business to listen to customers, face to face, in a non-transactional environment (usually over dinner) about their experience and expectations. AGL also held six 'Employee Jams' with 80 employees, where small groups of employees met with senior leaders to discuss, debate and learn about issues important to our customers and people.

As part of our Voice of the Customer satisfaction program, we also undertook 31,780 retail customer surveys during FY2014. Surveys were conducted by email, phone and automated after call survey methods and covered our key customer facing areas, such as inbound Customer Services, New Connections, Consumer Sales and Solar teams.

The AGL Customer Charter outlines AGL's commitment and timeframes for responding promptly to phone and written enquiries. AGL's Customer Advocacy team also deals directly with customer concerns.

The account management of AGL's major commercial and industrial customers is approached on a customer-preferred basis; however mechanisms include face-to-face meetings, executive engagement, dedicated communications, general correspondence and energy briefings.

Other feedback mechanisms available to customers include an online information request facility and social media such as Twitter and Facebook.

## Local communities

Effective engagement with the community on development projects is vital to AGL's long-term success. Only by engaging with the community at every stage of the development process with transparency, accountability, and regular communication is AGL able to deliver and operate projects with the respect and support of the community.

The key issues for local communities include the environmental, social and economic impacts of developments and infrastructure.

As part of the development approval and construction processes for each major project, AGL consults with and obtains feedback from the local communities. AGL's [website](#) also provides detailed information on individual energy projects.

Community Consultative Committees (CCCs) are in place for a number of upstream gas projects, including the Camden Gas Project, the Hunter Gas Project, the Gloucester Gas Project and the Newcastle Gas Storage Facility. Each CCC is chaired by an independent chairperson and includes local council appointed representatives, local residents, local environment groups and AGL representatives.

A CCC is also in place for the Nyngan Solar Plant project.

AGL is increasingly using social media to communicate and engage with the community. The [AGL Blog](#) is a forum for AGL to provide timely and accessible information to interested stakeholders on a broad range of issues, such as: AGL's customer focused initiatives, key external presentations by employees, AGL's Applied Economic and Policy Research working papers, and rapidly evolving energy policies. The AGL Blog is updated frequently, with over 80 blog posts by AGL contributors in FY2014. The blog had over 7,500 users and over 22,600 page views during FY2014.

[YourSayAGL](#) was established during FY2014, and provides information about our upstream gas projects to the community and an opportunity for stakeholders to ask questions and share feedback.

## ^ Non-Government Organisations (NGOs)

AGL engages with NGOs to understand the causes that they represent and to find constructive ways to work together to deliver mutually beneficial outcomes.

NGOs represent a range of community interests, including social welfare and environmental conservation.

AGL has an established Climate Change Council which meets regularly to enable discussion and constructive dialogue on a range of issues relating to climate change and carbon policy. Areas of interest include government policy and program implementation, public areas of concern and international policy processes. Attendees include representatives from AGL and NGOs such as WWF-Australia, Australian Conservation Foundation, The Climate Institute and Greenpeace.

AGL has an established Customer Council which meets quarterly. Attendees include representatives from the following groups: Australian Industry Group, Consumer Action Law Centre, Farmers Federation of South Australia, Kildonan UnitingCare, Public Interest Advocacy Centre, Queensland Council of Social Services, St Vincent de Paul Society and UnitingCare Wesley Adelaide.

## How We Operate

## Corporate Governance

## How We Operate

> Stakeholder  
Engagement

★ Corporate  
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## Related Information

AGL Corporate Governance  
Statement FY2014

AGL Board and  
Committee Charters

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## Join the Conversation



## The adoption of best practice corporate governance is an important element of AGL's sustainability performance.

AGL's governance structures and processes are consistent with the Australian Securities Exchange (ASX) Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' (ASX principles) issued in March 2014.

AGL's [Corporate Governance Statement](#) discloses the extent to which AGL has adopted and met the ASX principles during FY2014. While not required to be adopted until the end of FY2015, AGL has chosen to adopt the 3rd edition for FY2014.

The eight ASX principles are:

- > Principle 1: Lay solid foundations for management and oversight
- > Principle 2: Structure the Board to add value
- > Principle 3: Promote ethical and responsible decision making
- > Principle 4: Safeguard integrity in corporate reporting
- > Principle 5: Make timely and balanced disclosure
- > Principle 6: Respect the rights of shareholders
- > Principle 7: Recognise and manage risk
- > Principle 8: Remunerate fairly and responsibly

The ASX Principles include as Recommendation 7.4 that "*Companies should disclose their economic, environmental and social sustainability risks and how those risks are managed*". This sustainability report provides that information to AGL's stakeholders.

### AGL Board and AGL Board Committees

At 30 June 2014, the AGL Board comprised seven independent non-executive directors (including the Chairman of the Board) and one executive director who is the Managing Director and CEO. Detailed information about the structure, responsibility and experience of the AGL Board is included in AGL's [Annual Report](#).

The Board has established four standing committees of its members that meet regularly to oversee key risks affecting the business:

#### *Safety, Sustainability and Corporate Responsibility Committee*

The Safety, Sustainability and Corporate Responsibility Committee assists the Board in enabling AGL to operate its businesses ethically, responsibly and sustainably. The Committee operates under a formal [charter](#) and currently comprises three non-executive and independent Directors. The Committee oversees and reviews:

- > AGL's actions to meet its obligation to maintain the health and safety of its employees and contractors;
- > the social, environmental and ethical effects of AGL's activities;
- > initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen;
- > the integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities;
- > AGL's compliance with all relevant legal obligations on the matters within its responsibilities; and
- > the actions AGL is taking to maintain its social licence to operate, including how it engages effectively with the communities in which it operates.

A suite of internal sustainability key performance indicators is reported to the Committee at each meeting.

#### *Audit and Risk Management Committee*

The Audit and Risk Management Committee operates under a formal [charter](#). Its primary functions are to assist the Board to fulfil its responsibilities to provide shareholders with timely and reliable financial reports; and protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

#### *People and Performance Committee*

The People and Performance Committee (which has responsibilities within the scope of those of a remuneration committee) operates under a formal [charter](#), and is responsible for reviewing the performance and remuneration of senior management; and for reviewing and ratifying AGL's remuneration and employment policies, procedures and programs.

#### *Nominations Committee*

The Nominations Committee operates under a formal [charter](#), and is responsible for:

- reviewing the skills, knowledge and experience a Director should have, taking note of AGL's operational, financial and strategic objectives;
- reviewing the structure, size and composition of the Board and Board Committees;
- developing and implementing a process for evaluating Board, Committee and individual Director performance;
- developing selection criteria for the appointment of new Directors and overseeing arrangements for the effective appointment and induction of new Directors; and
- developing succession plans for non-executive Directors to maintain an appropriate mix of skills, experience, expertise and diversity on the Board.

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#### ★ Material issue

#### FY2015 commitment

**Corporate  
governance**

AGL's aspiration is to adopt best practice corporate governance principles.



## How We Operate

# Ethical Conduct

## How We Operate

> Stakeholder  
Engagement

★ Corporate  
Governance

★ Ethical Conduct

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★ Public Policy

## Related Information

AGL Code of Conduct

AGL Dispute Resolution  
Policy

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## Join the Conversation



Given we have relationships with over 3.8 million customers, and responsibilities to the communities where we operate, it is important to all stakeholders that we behave ethically in all our business activities.

Our behaviour is guided by the AGL Code of Conduct and the AGL Values. Refer also to the sections on [corporate governance](#), [legislative compliance](#) and [public policy](#).

### Our values

AGL's values guide how we deliver each of our strategies, programs and projects, so that we continue to perform and deliver for our customers, communities and other stakeholders while protecting the environment in which we live and work.

- > **Safe and Sustainable** – we're serious about safety and our impact on the environment and the communities in which we operate today and tomorrow.
- > **Vitality** – we're open to new ideas and bring energy to what we do.
- > **Delivery** – we make things happen and we do it the right way.
- > **Authentic** – we're open and honest and do what we say.
- > **One team** – we work together in the best interests of the whole company.

### Code of Conduct

AGL's Code of Conduct (**Code**) is a public document, and sets out a number of overarching principles of ethical behaviour aligned with AGL's core values. The Code applies to directors, employees and contractors working on behalf of AGL.

The Code addresses:

- > acting honestly and with integrity;
- > observing the law;
- > valuing and maintaining professionalism;
- > respecting confidentiality;
- > managing conflicts of interest;
- > looking after our employees; and
- > looking after the community.

### Ethics Panel

The Code is administered by the AGL Ethics Panel. The Ethics Panel comprises the Company Secretary, Group Head of People and Culture, General Counsel, Head of Group Audit, and an independent person with expertise in managing employee grievances.

The responsibilities of the Ethics Panel include:

- > reviewing the effectiveness of the Code and recommending to the Board any changes to the Code;
- > putting in place procedures for the effective dissemination of and compliance with the Code;
- > investigating any breaches of the Code; and
- > reporting to the Board (or appropriate Board Committee) any breaches of the Code.

The independent Ethics Panel member provides an Ethics Line service, acting as a last resort contact point for potential breaches of the Code and to investigate matters in an impartial and independent manner.

## Induction and training programs

AGL's Code of Conduct is included in the induction pack for all new employees. AGL runs a structured ten week induction program for all new employees that requires the completion of seven compulsory compliance training modules. These modules comprise:

- > Code of conduct;
- > Information security;
- > Privacy;
- > Risk;
- > Diversity and Inclusion;
- > Health, safety and environment; and
- > The Competition and Consumer Act.

Each compliance module includes a quiz to test understanding, with defined pass mark requirements.

All employees are also required to complete refresher training in the seven mandatory compliance modules annually. As part of this refresher training (and within the initial induction training), employees are required to make an annual declaration stating that they have read and understood the Code, and that they agree to abide by it. Employees are also required to make an annual declaration indicating whether or not they have any actual or potential conflicts of interest.

## Investigation and resolution of workplace issues

AGL sets clear expectations for leaders and employees about the conduct and behaviour that is expected at AGL workplaces and in relation to how AGL conducts business. Sometimes these expectations are not met. Employees and leaders are encouraged to speak up about and resolve issues when they occur. The Workplace Resolution Guidelines provide guidance on how best to resolve workplace issues such as bullying, harassment or discrimination.

More serious breaches of the Code can be reported to any member of the Ethics Panel. An employee who is concerned that reporting a matter may jeopardise their safety or the security of their job may raise the issue directly with the Independent Panel Member via the Ethics Hotline.

AGL's Whistleblower Protection Policy provides avenues for employees and contractors to report corrupt, illegal or undesirable conduct (including anonymously, confidentially or to an independent third party).

External stakeholders can raise complaints about any aspect of their dealings with us via the complaints mechanisms listed on our website. Complaints are investigated in accordance with the [AGL Dispute Resolution Policy](#).

## FY2014 Performance

During FY2014, AGL addressed 19 issues relating to unacceptable behaviour in the workplace (compared with 13 in FY2013). Ten of these issues were substantiated following investigation in accordance with AGL's Workplace Issues Resolution Guidelines (FY2013: seven). Disciplinary actions taken included dismissal, verbal apology, written warnings and coaching.

### ★ Material issue

### FY2015 commitment

#### Ethical conduct

AGL's aspiration is to act ethically in its activities, in accordance with the AGL Code of Conduct.

## How We Operate

## Legislative Compliance

## How We Operate

- > Stakeholder Engagement
- ★ Corporate Governance
- ★ Ethical Conduct
- ★ **Legislative Compliance**
- ★ Public Policy

## Related Information

- AGL Compliance Policy
- AGL Risk Management Policy
- AGL Code of Conduct

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## Join the Conversation



AGL is subject to a wide range of compliance obligations, including legal, regulatory, commercial and organisational requirements. The way in which we achieve compliance has been identified as a material issue by our stakeholders.

Compliance risk is inherent in all AGL's external and internal operating environments. AGL is committed to managing compliance risk effectively and efficiently, and views effective compliance management as being pivotal to enabling the ongoing and sustainable growth and success of our business.

AGL has in place a comprehensive compliance management framework. Compliance risk management practices are embedded within our broader risk management and governance frameworks, and integrated into all business processes and operations to drive consistent, effective, and accountable decision making. Information about how AGL identifies, manages and reviews compliance risks is available in the [AGL Compliance Policy](#). AGL's Board has ultimate responsibility for overseeing AGL's performance, including effectively monitoring AGL's compliance management objectives. These responsibilities are largely discharged through the Board's Audit and Risk Management Committee.

Consistent with AGL's [Code of Conduct](#), AGL promotes a culture of identifying and managing compliance risk. Under no circumstances is it acceptable for any AGL employees to knowingly or deliberately breach AGL's compliance obligations, or to act unethically in the course of performing or advancing AGL's business.

AGL facilitates the reporting and remediation of compliance-related complaints, breaches, and incidents through established breach reporting and complaints handling processes. This is in addition to mandatory regulatory reporting regimes that AGL is subject to in various jurisdictions, which require energy participants to report various categories of non-compliance to relevant regulators.

AGL's internal audit program monitors compliance with issues including privacy and trade practices, commensurate with the level of risk. Significant compliance breaches are reported to the Audit and Risk Management Committee immediately, with a full report on all breaches provided on a quarterly basis.

## FY2014 Performance

The table below provides a summary of incidents that have led to AGL paying court or regulatory-imposed fines or civil penalties; or situations that have led to AGL being subject to non-monetary, court-imposed sanctions arising from the failure to comply with a regulatory or legal obligation<sup>1</sup>.

Issue	Details
Failure to upload air quality monitoring reports to the company website within 14 days of obtaining data at the Camden Gas Project (Rosalind Park Gas Plant).	The New South Wales Environment Protection Authority (EPA) issued a Penalty Infringement Notice and a \$1,000 fine in July 2013. All required reports were uploaded as soon as this was brought to AGL's attention.
Failure to comply with the Camden Gas Project Environment Protection Licence (EPL), including by not fully undertaking continuous emissions monitoring.	On 8 August 2013, the EPA accepted an enforceable undertaking from AGL. The enforceable undertaking included an obligation to pay \$150,000 for an environmental project, pay the EPA's investigation and legal costs, and implement measures to prevent a recurrence of the EPL non-compliances.

There was a brief exceedance of Nitrogen Oxide limits on two occasions in August 2013 at the Camden Gas Project (Rosalind Gas Park Plant).	In December 2013, the EPA issued AGL with a \$1,500 fine and an official caution in relation to the exceedances. AGL has implemented additional controls to prevent further exceedances.
Prior to its acquisition by AGL, Australian Power & Gas Pty Limited (APG) charged 11,610 Victorian customers an early termination fee of a value that was not permitted by the regulations.	<p>On 11 October 2013, APG (under the control of AGL) entered into administrative undertakings with the Essential Services Commission of Victoria, to remedy the non-compliance with clause 31 of the Energy Retail Code. The undertakings required APG to use best endeavours to contact all impacted customers and provide refunds of the overcharged early termination fee.</p> <p>On 17 June 2014, APG discharged its obligations under the undertaking, refunding a total of \$754,242.</p>
Legal action by the ACCC against CPM and AGL SA for breaches of the Australian Consumer Law regarding door knocking activity.	<p>Further to the previous litigation that AGL was involved in regarding door knocking (ACCC vs CPM and AGL SA) the contested aspect of whether a “do not knock” sticker is a “request to leave the premises” under the Australian Consumer Law was heard on 20 May 2013 by the Federal Court. Justice Middleton gave his judgement on 12 December 2013 and found that a “do not knock” sticker is, in fact a “request to leave the premises”. Justice Middleton agreed with the proposed orders put forward by AGL and ACCC and ordered a pecuniary penalty of \$35,000.</p> <p>AGL SA paid the pecuniary penalty on 28 January 2014 as required by the orders.</p>

AGL is currently engaged in litigation with the Australian Competition & Consumer Commission (ACCC) in respect of the ACCC’s allegation that when AGL increased rates for energy usage charges under its energy plans in 2012 and 2013 to customers in South Australia, it made false or misleading representations to consumers who had entered into energy plans that they would continue to receive their discount or that there had been no change to the discount. AGL is currently disputing the ACCC’s allegations in the Federal court.

1. In addition, on 28 November 2013, AGL signed an undertaking to incorporate APG into AGL’s CCA Compliance Program. In addition, APG signed consent orders to pay a \$1.1 million fine and undertake certain compliance activities. The undertaking and consent orders stem from unconscionable and misleading conduct and breaches of the Australian Consumer Law in relation to door-to-door sales that APG engaged in between 1 January 2011 and 10 October 2011, before AGL’s acquisition of APG which completed in October 2013. APG withdrew from doorknocking at the end of October 2013. APG has since been incorporated into AGL’s CCA Compliance Program, paid the fine, displayed the required corrective notices, set-up dedicated email and 1800 number for responses to the notices and provided copies of required documents to the ACCC.

★ **Material issue**

**FY2015 commitment**

**Legislative compliance**

AGL’s aspiration is to comply with legislative requirements across the organisation.

## How We Operate

# Public Policy

### How We Operate

- > Stakeholder Engagement
- ★ Corporate Governance
- ★ Ethical Conduct
- ★ Legislative Compliance
- ★ **Public Policy**

### Related Information

AGL Code of Conduct

 Print PDF

### Join the Conversation



As a supplier of an essential service to nearly four million customers, we believe we have a responsibility to engage with governments at all levels in relation to energy and related policies. In a highly regulated industry such as the energy industry, government decisions have a significant influence on the way we source, produce and price energy and energy-related products, and the way in which we interact with and support our customers.

**We provide policy makers with the best available information to help them understand the full implications (both positive and negative) of changes to government policy, and to develop sensible policy responses.**

AGL has regular dialogue with relevant Federal, State and Local governments in relation to a range of policy issues, especially with Members of Parliament whose electorates include AGL projects. Our dialogue with governments occurs through face to face and telephone meetings, written policy submissions (both directly and via industry associations), attendance at events, and the provision of briefings.

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently.

AGL's [Code of Conduct](#) governs our approach to public policy and political donations.

### Key areas of focus

The key issues that were the focus of our engagement with government during FY2014 comprised:

- > **Coal Seam Gas activities:** AGL has articulated the concerning impact of a lack of local gas supply to New South Wales residential and business customers, such as through the AGL Applied Economic and Policy Research Working Paper '[Solving for X: the NSW gas supply cliff](#)'. AGL has worked to correct misinformation about coal seam gas and address community concerns, particularly in its project areas of Gloucester, the Hunter and Camden in New South Wales.
- > **Renewable Energy Target:** AGL has highlighted the importance of policy certainty to further investment in renewable energy generation in the AGL Applied Economic and Policy Research Working Paper '[An analysis of Australia's Large Scale Renewable Energy Target: Restoring market confidence](#)'. Due to ongoing policy uncertainty, apparent barriers to exit for incumbent aged thermal plant, and declining demand, AGL has highlighted that the existing 20% policy is now likely to fail without the introduction of complementary policy. Further articulation of these issues is provided in the AGL Applied Economic and Policy Research Working Paper '[Energy-only markets and renewable energy targets: complementary policy or policy collision?](#)'.
- > **Carbon price repeal:** During FY2014, the Commonwealth Government repealed the Clean Energy Act and subsequently removed the applicability of carbon pricing in Australia. As Australia has a policy commitment to reduce greenhouse gas emissions over the long term, AGL has been a long-standing advocate of an emissions trading scheme as the optimal mechanism to achieve this goal consistent with Australia's international obligations (refer to the [AGL Greenhouse Gas Policy](#)). AGL continues to articulate the ongoing costs associated with the lack of bipartisan agreement about the policy mechanism to give effect to Australia's emission reduction targets (see '[Delayed Carbon Policy Certainty and Electricity Prices in Australia](#)').
- > **Price Regulation:** AGL has consistently argued for the removal of retail electricity and gas price regulation where competition is deemed to be effective. In FY2014, New South Wales deregulated electricity pricing, while Queensland announced its intention to deregulate electricity pricing from July 2015.

## Submissions

Submissions to government and energy industry bodies are centrally managed through AGL's Corporate Affairs group, via the Government Affairs, Economic Policy and Sustainability and Energy Market Regulation teams.

Copies of public submissions are generally made available on the [AGL Blog](#) so that stakeholders are able to view the positions we are taking on various issues.

Submissions are also generally published on the relevant government websites.

During FY2014, AGL prepared a range of submissions to government and energy industry bodies, including: Exposure Drafts of the legislation to remove Australia's carbon price; the 30 year electricity plan for Queensland; the Energy White Paper Issues Paper; the Commonwealth Government Eastern Australian gas market study; the Australian Energy Market Commission review of retail competition; the development of the Commonwealth Government's Direct Action climate change policy framework; and the Expert Panel review of the 20% Renewable Energy Target.

## Industry associations

AGL is a member of several industry associations including the Business Council of Australia, the Energy Retailers Association of Australia, the Australian Industry Group, the Clean Energy Council and the Energy Supply Association of Australia.

Through our membership of these organisations, we seek to work with other parties to provide a unified industry view on energy and related policies to put to government. AGL's view may, of course, differ on some issues from those of the industry groups to which it belongs.

During FY2014, the key areas where AGL's views differed to those of the industry associations of which we are a member comprised:

- › **Renewable Energy Target:** There is a divergence of views in relation to the operation of the 20% Renewable Energy Target. The Clean Energy Council is of the view that the target should be maintained as it is currently legislated. The Business Council of Australia and Energy Supply Association of Australia have stated that the target should be adjusted to a 'real 20%'. AGL has articulated that either of these approaches will not resolve the underlying intractability of renewable investment and that complementary policy is required (refer to '[Energy-only markets and renewable energy targets: complementary policy or policy collision?](#)').
- › **Carbon pricing:** The Business Council of Australia and Australian Industry Group welcomed the repeal of the carbon price. AGL supported the use of carbon pricing to provide a long-term pricing signal to reflect Australia's emission reduction obligations. All entities accept that a well-designed emissions trading scheme is the optimal policy solution for reducing Australian greenhouse gas emissions in accordance with international obligations.
- › **East-coast Australian gas market:** The east-coast gas market is undergoing significant change. This change is articulated in the AGL Applied Economic and Policy Research Working Paper '[Solving for X: the NSW gas supply cliff](#)'. AGL, the Business Council of Australia, Energy Supply Association of Australia and the Australian Industry Group have all stated that the optimal policy response to higher gas prices is to facilitate increased gas supply within a world-class, scientifically based regulatory framework. Other user groups have called for a 'gas reservation' policy which each of these entities does not believe would be effective. For AGL the debate around gas reservation is not relevant as a commitment has already been made for all gas from the Gloucester Gas Project to remain in New South Wales and not be exported.

## Political donations

The community very reasonably expects that corporates should not have an undue level of influence on government policy by providing a level of financial contribution to political parties that could result in, or could be seen to result in, preferential treatment.

AGL does not make ex-gratia donations to any political party or to any individual in, or seeking to obtain, political office. However, from time to time AGL does contribute financially to political parties via membership fees of political networking forums and by paying to attend various functions.

The way in which AGL manages financial contributions to political parties is guided by the 'Managing conflicts of interest' section of the [AGL Code of Conduct](#), which requires us to "adopt an even-handed approach to all mainstream political parties when paying to attend political functions".

AGL meets obligations to disclose reportable political donations as required by State and Federal legislation, and these disclosures are made publicly available on the websites of the Australian Electoral Commission and its jurisdictional equivalents. Thresholds for political funding are legislated and enforced, thereby ensuring that support for political parties is transparent.

Political donations made in FY2014 are outlined below. These include all donations made, including those below the disclosure threshold. Donations are declared as per political party, not whether payment was for a State or Federal campaign.

Recipient	Amount	Payment date <sup>1</sup>	Reason
Liberal Party of Australia	\$2,000	13/08/13	Function - for Federal campaign
National Party of Australia – N.S.W.	\$5,250	28/04/14	Function - for State campaign
National Party of Australia – N.S.W.	\$250	26/02/14	Function - for State campaign
Liberal Party of Australia, NSW Division	\$3,000	28/02/14	Function - for State campaign
Liberal Party of Australia, NSW Division	\$2,500	4/03/14	Function - for State campaign
Liberal Party of Australia, NSW Division	\$5,000	8/08/13	Function - for Federal campaign
Liberal Party of Australia, NSW Division	\$11,000	25/06/14	Membership - for Federal campaign
Liberal Party of Australia, NSW Division	\$1,000	30/08/13	Function - for Federal campaign
Liberal National Party of Queensland	\$11,000	10/06/14	Membership - for State campaign
Australian Labor Party (South Australian Branch)	\$4,400	28/11/13	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$280	23/12/13	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$1,100	4/02/14	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$3,000	16/12/13	Membership - for State campaign
Australian Labor Party (South Australian Branch)	\$240	24/02/14	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$120	12/06/14	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$2,500	13/06/14	Function - for State campaign
Australian Labor Party (South Australian Branch)	\$450	13/09/13	Function - for State campaign
Liberal Party of Australia (S.A. Division)	\$5,500	31/03/14	Function - for State campaign



Liberal Party of Australia (S.A. Division)	\$180	4/02/14	Function - for State campaign
Liberal Party of Australia (S.A. Division)	\$350	14/02/14	Function - for State campaign
Liberal Party of Australia (S.A. Division)	\$180	30/01/14	Function - for State campaign
Australian Labor Party (Victorian Branch)	\$2,500	31/12/13	Function - for Federal campaign
Australian Labor Party (Victorian Branch)	\$1,500	9/04/14	Function - for State campaign
Australian Labor Party (Victorian Branch)	\$24,010	30/06/14	Membership - for State campaign
Australian Labor Party (Victorian Branch)	\$500	31/12/13	Function - for State campaign
Liberal Party of Australia (Victorian Division)	\$2,500	28/10/13	Function - for Federal campaign
Liberal Party of Australia (Victorian Division)	\$15,000	8/07/13	Membership - for State campaign <sup>2</sup>
Liberal Party of Australia (Victorian Division)	\$30,000	26/05/14	Membership - for State campaign
Liberal Party of Australia (W.A. Division)	\$2,500	8/07/13	Function - for Federal campaign

Following concerns raised about political donations in New South Wales, AGL commissioned independent auditors, Deloitte, to undertake a [review](#). The review found that since 2007 there were two instances where New South Wales political donations (totalling \$250) were not reported. All other donations were reported to the New South Wales Election Funding Authority as required. However, there were several donations (which were reported to the New South Wales Election Funding Authority) that were not reported to the New South Wales Planning Department within the required 7-day timeframe. As a result, AGL is now seeking to strengthen its process to manage compliance with reporting requirements, and is considering options to mitigate future risks associated with political donations.

1. In addition to the amounts included in this table, on 20 June 2013, a payment of \$2,000 was made to the Liberal Party of Australia (as part of the Victorian State campaign) for attendance at a function. The function was held in FY2014, however the payment was made in FY2013 and was not included in the FY2013 Sustainability Report.
2. This amount was also disclosed in the FY2013 Sustainability Report. The AEC declaration was subsequently amended to reflect the FY2014 payment date.

★ **Material issue**

**FY2015 commitment**

**Public policy**

AGL will continue to regularly and transparently engage with its key stakeholders on significant issues of public policy.



## Customers

- ★ Customer Experience
- > Energy Affordability

Print PDF

## Join the Conversation



### Image caption

AGL Energy Services customer,  
Maton Guitars.

We operate in a highly competitive environment and it is our priority to ensure that value is provided to our customers through exceptional customer service and innovation.

Providing an experience that meets the needs of our customers is also necessary to drive long-term growth and shareholder value.

This section focuses on:

- > **Customer experience** – AGL prioritises continuous improvement in its standards of customer experience, and we have compared favourably with our competitors over the past year.
- > **Energy affordability** – AGL understands that energy bills can contribute to the financial difficulties that some of our customers face. We proactively deal with energy affordability issues, both from the perspective of the products and services we offer our customers, and in our role in driving policy reform to address energy affordability issues across the community.

## Customers

## Customer Experience

## Customers

## ★ Customer Experience

## &gt; Energy Affordability

## Related Information

AGL Customer Charter

AGL Dispute Resolution  
Policy Print PDF

## Join the Conversation



AGL continues to focus on maximising the experience of customers, large and small. AGL operates in a highly competitive retail environment, and considers improving our customer experience to be embedded within all of our 'Must Win Battles'. AGL's [Customer Charter](#) provides clear standards of service that customers can expect from AGL on key issues impacting their energy accounts.

7.01

CUSTOMER  
SATISFACTION SCORE

AGL's average customer satisfaction score was higher than that of our major competitors.

 Visit our Data Centre | Customer satisfaction score

The [data centre](#) shows that since 2012, AGL has recorded a higher customer satisfaction score than our major competitors. AGL was in fact the only Tier 1 energy provider to achieve a score higher than 7.00 during FY2014.

AGL monitors a range of indicators of customer satisfaction to develop strategies to enhance our interface with customers, and to continuously improve our product offering. Visit the [data centre](#) to view or download information on the following topics:

- > [Customer satisfaction score](#)
- > [Net promoter score](#)
- > Performance against commitments made in the AGL [customer charter](#)
- > [Ombudsman complaints](#), and [market share of ombudsman complaints](#)
- > [Customer churn rates](#)
- > [Wrongful disconnections](#)

The data centre also contains a breakdown of our [customer numbers](#) by State and fuel type.

AGL monitors and assesses customer complaints in order to perform root cause analysis of issues that affect customer experience. There was an increase in complaints towards the end of FY2014, which was due to the integration of APG customers into AGL's billing system and the higher underlying rate of complaints from APG customers.

We intend to further expand the use of our analytical capabilities to derive even greater insights into customers' views, preferences, and their causes for dissatisfaction. We have listened to what customers have told us they want, and implemented key reforms aimed at improving the ease with which customers can manage their energy needs.

**In October 2013, AGL introduced monthly billing to enable small customers to better manage their energy bills. This has been welcomed by customers, who have told us previously that they find smaller, more regular bills easier to manage.**

After gaining customer feedback on our bills, in May 2014 we released a new bill design for both gas and electricity. The updated design is aimed to make it easy for our customers to read and understand their bills. The associated e-bill was also updated with a new easier to read format for our customers.

AGL offers a range of products and services that demonstrate the breadth of ways that we seek to engage with our customers to help them manage their energy consumption:

- **Home energy consultations for small customers:** these are performed by qualified assessors who make specific recommendations on ways customers can improve the energy efficiency of their houses, including the cost and payback periods associated with making upgrades.
- **Solar PV solutions for residential, small business, and commercial customers:** AGL offers a full end-to-end service, including assessing customers' needs; quotation; installation; and service and maintenance to ensure that customers' solar PV systems continue to operate safely and efficiently.
- **Residential LED lighting program:** AGL offers customers access to energy efficient lighting solutions to replace their halogen lights, and management of any rebate entitlement that customers may have under State-based residential energy efficiency schemes. In addition, AGL continues to provide access to and support for State-based energy efficiency schemes in Victoria and South Australia in particular, such as providing free home energy efficiency audits for certain South Australian customers facing financial hardship.
- **AGL continues to operate its home services business:** which provides customers with access to hot water, heating, and cooling solutions for their homes.
- **AGL Energy Services:** This team supports AGL's business customers by providing energy productivity solutions that help customers effectively manage their energy consumption and reduce costs. This includes a broad spectrum of services ranging from thermal and electrical appliance preventative maintenance; power factor correction; boiler manufacture; energy efficiency upgrades across industrial and commercial applications; and public refuelling options using compressed natural gas.

A number of AGL's key strategic retail priorities for the coming year are largely driven by the objective of enhancing customer experience. For example, AGL intends to maximise customer responsiveness by completing the implementation of 24/7 call centres.

AGL is also focused upon capitalising on current technologies to improve the platforms on which we deliver products to customers, and the ways in which we communicate. An important objective is to respond to shifts in customer behaviour through greater digitisation of customer engagement and interactions. For example, by optimising the use of social media as a channel to market and adopting best practice across all social media platforms, AGL is able to communicate transparently and extensively to customers and the broader community.

**My AGL IQ continues to be a powerful tool that customers use to obtain insights into their energy usage, and ways to use energy more efficiently.**

AGL intends to demonstrate further product innovation over the coming year through mobile and digital technology such as the launch of an AGL mobile app as a critical customer channel. We also intend to use the roll-out of digital meters and other devices as a building block for creative product offerings targeted to suit different customer segments.

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★ **Material issue**

**FY2015 commitment**

**Customer satisfaction**

Annual mean customer satisfaction score: > **major competitors**

## Customers

## Energy Affordability

## Customers

★ Customer Experience

&gt; Energy Affordability

 Print PDF

## Join the Conversation



AGL is committed to consistently improving our products, services and engagement with vulnerable energy customers.

We support a shared-responsibility approach to addressing energy affordability issues across the community, which takes into account the responsibilities and strengths of customers, industry, government and the community sector.

We also understand that every household is different and that situations change. As an energy company we are aiming to get better at identifying, responding and changing along with the needs of our customers.

For more than a decade, AGL's hardship program, Staying Connected, has been assisting customers experiencing financial disadvantage. As at the end of FY2014, AGL had over 18,000 customers on its Staying Connected program. Staying Connected is designed to provide assistance to customers experiencing financial hardship to the extent that they are unable to make payments as required under AGL's standard credit guidelines. While participating in the program, customers are protected from disconnection and are offered a range of services, including payment plans and home energy audits.

AGL narrowly missed achieving our FY2014 target of achieving a 5% reduction in the ratio of the average energy debt of Staying Connected customers to the average NEM household electricity bill, with a 4.9% reduction. Visit the [data centre](#) to see the performance trend.

An important way in which AGL has addressed the issue of energy affordability is through introducing monthly billing for small customers (see discussion in [Customer Experience](#) section). This reduces the scope for customers to experience the bill shock that can occur when they receive fewer, higher value bills.

Through our [Energy for Life](#) program, AGL has established a series of strategic charity partnerships that aim to specifically address the issues associated with energy related debt (refer to the [community investment](#) section of this report).

During FY2015, AGL is undertaking a significant review of how we can improve early identification of customers in difficulty, how we can improve our response, and the provision of relevant support measures. This will take an integrated approach, considering operational activities and relevant public policies.

As part of this process we are consulting with a range of other industries, consumer groups, community organisations and policy leaders to hear directly about the areas stakeholders think should be prioritised and to learn from experiences to date. AGL's Customer Council meets quarterly to receive feedback directly from consumer groups about product development, process improvements and policy reforms.





## Sustainability Performance

# Community

### Community

#### ★ Community Engagement

#### > Community Investment

📄 Print PDF

### Join the Conversation



#### Image caption

AGL Energy is the largest private owner operator of wind farms in Australia. Macarthur Wind Farm, Victoria.

AGL is committed to ensuring that our upstream gas and electricity generation projects are conducted in ways that avoid adversely affecting the environment and the communities in which they are located, and to developing good relationships with local communities.

AGL welcomes open dialogue, debate, and discussion about its activities.

Some members of the community have questions and concerns about the impact of our activities, and we recognise the community's need for up-to-date information about our coal seam gas activities, how we minimise risks to the environment, and the scientific approach we take to risk assessment.

We have responded to this by developing an online portal, [YourSayAGL](#) which provides a forum for discussion about our coal seam gas (CSG) operations. The community is invited to make comments and inquiries through this portal to which we respond.

We value the feedback we receive from the community, and actively seek opportunities to engage with the community, including in real time through the use of social media. AGL bases our responses to issues that are of concern in the community on evidence, and uses scientific methods to quantify the risks and effects of its projects.

Sitting alongside AGL's local community engagement is AGL's corporate citizenship program, [Energy for Life](#), through which it seeks to make a genuine contribution to the wider community. It provides a practical way in which AGL's employees can engage with the community and charitable organisations that are important to them and to AGL.

This section focuses on:

- > **Community engagement** – some important community engagement activities that AGL has undertaken over the past year in areas in which its upstream gas and electricity generation projects are located, including practical ways in which AGL has provided support and assistance for local community activities and initiatives.
- > **Community investment** – AGL is proud of the way in which our Energy for Life program assists those in our community who require assistance. Energy for Life is flexible enough to allow AGL and our employees to be able to contribute to our community in a wide variety of ways, while being aligned to AGL's brand promise and core values.

## Community

## Community Engagement

## Community

## ★ Community Engagement

## &gt; Community Investment

## Related Information

YourSayAGL

Fact Sheet: About natural gas from coal seams

 Print PDF

## Join the Conversation



AGL has clear goals to understand and ease community concerns, identify and manage project risks, and find opportunities for community involvement in its projects. Most importantly, AGL is working on building trust within local communities so that they can identify the value that AGL brings, and understand the benefits and risks from AGL's activities.

Upstream Gas

Community relations activities are front and centre of all AGL's upstream gas project activities. AGL's aim is to become Australia's most trusted energy exploration and production company through innovation and excellence. AGL's vision continues to be to earn the trust of the community to develop our key energy projects by demonstrating the significant economic and social value our operations can bring. During FY2014, we have furthered this vision by measuring our investment in local businesses and the local community.

Throughout FY2014, the contribution of AGL's Gloucester, Camden and Hunter Gas Projects to the national and New South Wales state economies were over \$45 million and \$35 million respectively.

 **Visit our Data Centre** | Local community investment

The following short film provides an overview of how our coal seam gas projects comfortably and safely coexist with other land uses.

*Agreed Principles of Land Access*

AGL engages in open and respectful dialogue with landholders about operations that may affect landholders' properties. Above all, we respect a landholder's right to say yes or no to coal seam gas drilling operations being conducted on their land. In March 2014, AGL and Santos entered into Agreed Principles of Land Access with New South Wales farmers, Cotton Australia and the New South Wales Irrigators' Council, facilitated by the New South Wales Government. This agreement formalises AGL's continued respect of farmers and landowners who say yes or no to having our operations on their land. Many landholders do agree to drilling operations taking place on their land. As at the end of FY2014 AGL had over 200 land access agreements with landholders in place in New South Wales.

AGL continues to believe that the success of CSG in New South Wales rests entirely on the trust that AGL has developed with many different landowners that host AGL on their land.



*Co-operation agreement with Dairy Connect*

A clear example of the productive working relationship between AGL and New South Wales farmers is the co-operation agreement that was signed between AGL and the peak industry body, Dairy Connect, in May 2014. The is an agreement for AGL and the dairy industry to work together to help the dairy industry grow, while at the same time facilitating the responsible growth of the gas industry in New South Wales. This is part of AGL's broader focus on working with agricultural groups to bring lasting benefits to individual farmers and rural and regional communities.

AGL's co-operation agreement with Dairy Connect shows that natural gas can not only operate side by side with agriculture, but can also be a powerful contributor to its success.

*Approach to co-existence*

AGL believes that CSG operating side by side with diverse land uses is crucial for a healthy CSG sector to operate within a vibrant economy and community. AGL's CSG operations currently co-exist with various land uses, such as dairies, farms and horse studs. Some specific examples of our approach to co-existence can be seen through the following:

- › AGL owns approximately 3,000 acres of land including vineyards around the villages of Broke and Bulga in New South Wales.
- › Since March 2012, we have run a herd of around 500 head of cattle in the Hunter area.
- › AGL also owns and manages land enclosing more than 100 acres under vine in the Broke-Fordwich Wine Region, which is a registered sub region of the Hunter Valley.

*Concerns raised by local communities*

As well as those who support the work we do in providing secure energy to communities across Australia, there are some people who will be opposed to some of our operations. People express their concern with our CSG operations in a number of ways including through letters to AGL; formal complaints against AGL; engagement with the media; through social media channels; through the formation of advocacy groups; and through formal protest action as has taken place near AGL's Gloucester gas project and at AGL's corporate offices in North Sydney and Melbourne.

People have expressed concern with possible environmental and health impacts of CSG activities, in particular its impact on air and water quality in the areas in which CSG operations are located and in surrounding areas.

Some people have strong opinions when it comes to issues such as CSG and we respect the right of groups or individuals to peacefully protest. However, we also acknowledge the importance of maintaining a safe and sustainable workplace for our employees and visitors to our sites. Accordingly, we do not support any expression of opposition to our operations that compromises the health or safety of our employees or visitors to our sites.

We will always try to find ways to effectively and proactively engage with members of our local communities to understand what their concerns are and share information about our projects.

AGL also responds to community concerns by sharing with the local community peer-reviewed, evidence-based studies into the impact of our operations. In addition, in Gloucester we actively participate in the Gloucester Dialogue. This commenced in May 2014 and aims to regularly and formally bring together the community, industry, and Local and State Governments to explore issues surrounding the exploration and extraction of CSG in the Gloucester Basin. Chaired by the NSW Land and Water Commissioner, members of the dialogue include Gloucester Shire Councillors and officers, independent community members, senior AGL representatives and senior agency officers from a number of New South Wales Government departments.

See the [environment](#) section to read about how AGL responded to community concern about the impact of its CSG operations on air and water quality by commissioning a fugitive emissions monitoring study in Camden, and expanding its groundwater monitoring programs in Gloucester, Camden and Hunter.

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AGL also responds to community concern through social media, regular updates to our dedicated website [YourSayAGL.com.au](http://YourSayAGL.com.au), articles and commentary in the media, and our direct 1300 phone number.

#### *Community engagement at AGL's major CSG projects*

AGL engages in genuine and proactive community consultation in the regions where our projects are located. Community consultation activities undertaken in each project area include:

- › always being available to answer questions via AGL's dedicated Upstream Gas website ([YourSayAGL.com.au](http://YourSayAGL.com.au)), on AGL's 24-hour direct 1300 phone number, and at AGL's local project offices;
- › participating in regular Community Consultative Committee meetings in each of our project areas. Minutes of each meeting are available on the project websites;
- › hosting community events and site tours;
- › holding public information sessions;
- › regular letter box drops to inform local residents of AGL's activities; and
- › publication of electronic newsletters and community updates in local newspapers.

In addition, we undertake specific community engagement initiatives for each project, some of which are set out below.

### **Gloucester Gas Project**

Given the importance of the Gloucester Gas Project to New South Wales [gas supply](#), AGL has, since 2009, engaged in an extensive program of community consultation. AGL participates in the Gloucester Dialogue, an important forum for consultation and engagement between the New South Wales government, the Gloucester Shire Council, the community, and AGL. Under the Dialogue's Terms of Reference, the participants have agreed to cooperate to fully explore the range of issues raised in relation to exploration for and extraction of CSG in the Gloucester Basin. The Dialogue aims to examine and reach factual conclusions on issues raised by stakeholders under an agreed program of investigation of issues. The goal is to ensure clear, accurate and understandable information on the issues raised is provided to the community.

AGL has implemented a [water monitoring program at Gloucester](#), under which there are more than 50 groundwater and surface water monitoring sites in place, and transparently shares this data with the community. More information is available in the [water management](#) section of this report.

AGL supports the local community through a number of initiatives, including the Gloucester Community Investment Program, which directs investment back into the local community via donations, sponsorships and community development programs.

In FY2014, AGL invested over \$47,000 in the Gloucester community, by supporting community initiatives, events and organisations including the following:

- › Resilience Hub program at the Gloucester High School, which provides a learning space for students to engage with each other and to build resilience for learning as an alternative to school avoidance, disengagement, suspension or expulsion;
- › donation of an air conditioner to the Stroud Road Public School;
- › annual Westpac Rescue Helicopter fundraising dinner;
- › Gloucester and Stroud Shows and Stroud brick-throwing event;
- › MidCoast Science and Engineering challenge;
- › Glowalman Junior Rodeo;
- › NAIDOC week; and
- › Small Business Chamber Chillout Festival.

AGL's Gloucester Gas Project also supports the local community through employing people and businesses from the region, and sourcing local suppliers where possible.



[Visit our Data Centre](#) | Local community investment

### Camden Gas Project

AGL's Camden Gas Project is located 50 kilometres southwest of Sydney and has been producing gas since 2001, supplying around five percent of New South Wales' gas needs.

Local community stakeholders have expressed concerns about fugitive methane emissions from CSG activities. AGL invested in a Fugitive Methane Emissions Monitoring program to demonstrate that our operations are undertaken in accordance with industry best practice. More information is available in the [air, waste and noise section](#) of this report.

AGL's Camden Gas Project supports the local community through employing people and businesses from the region, and sourcing local suppliers where possible.



[Visit our Data Centre](#) | Local community investment

In FY2014, AGL's Camden Gas Project invested almost \$30,000 towards local community initiatives, including:

- > supporting community events such as the Campbelltown and Camden Shows, Christmas in Narellan, and the Macarthur Swimathon for Cystic Fibrosis;
- > supporting the Narellan Chamber of Commerce; and
- > supporting community-based organisations through volunteering with the Tahmoor Men's Shed and joining with Wollondilly Council and Wollondilly Nursery in a regeneration activity on Wollondilly Council Land.

### Hunter Gas Project

The Hunter Gas Project covers much of the Hunter Valley, and extends from an area on the outskirts of Newcastle in the south through to Scone and Merriwa in the north.

All exploration activities and future commercial development in the Hunter region are subject to stringent and thorough approvals processes. Land access agreements must be in place and comprehensive environmental assessments need to be approved by the government. As part of the exploration activities, AGL will assess the consequences of the State Environmental Planning Policy (Mining Petroleum Production and Extractive Industries) 2007, which includes critical industry clusters and residential 2km buffer zones, and identify opportunities for ongoing exploration activities.

AGL's Hunter Gas Project supports the local community through the employment of local people and sourcing goods and services from local suppliers where possible.



#### Visit our Data Centre | Local community investment

In FY2014, AGL's Hunter Gas Project invested \$31,300 for the benefit of the local community through a number of initiatives, including:

- AGL has been the key sponsor of the Singleton Agricultural show since 2012, and through its partnership with the Northern Agricultural Association, AGL provided a new lighting and sound system for the showground.
- AGL sponsored the award for Business Innovation at the Singleton Business Chamber awards.
- AGL has provided financial support towards numerous initiatives at the Broke, Kirkton, Milbrodale and King Street Primary Schools.
- AGL has continued its support for the Hunter Valley Off Road Racing group, which holds an annual event to support children with cancer.
- AGL has continued to partner with the Dungog Gresford Land and Beef Group, and has provided sponsorship for their annual Hoof and Hook competition.
- In 2012 AGL established the Hunter Wine Excellence Scholarship worth \$20,000 per year to showcase the semillon and chardonnay fruit sourced from AGL's Spring Mountain and Yellow Rock Estate vineyards, and to highlight the talent of local and New South Wales winemakers. The winning winemaker is offered the opportunity to travel to Europe or the United States to continue their study of oenology or viticulture. The competition underscores AGL's ability to produce quality wines from grapes grown alongside its CSG exploration, while providing support to New South Wales' wine making talent. The winners of this Scholarship and details of their success can be found on the AGL [website](#).

### Newcastle Gas Storage Facility

Since 2012, AGL has been developing the Newcastle Gas Storage Facility Project at Tomago, in New South Wales. AGL expects to have the facility in operation by mid-2015. The land being developed for this project is approximately 20 kilometres north-west of Newcastle.

AGL has developed a [Community Engagement Plan](#) to ensure the community is engaged and informed about the project. This Plan not only sets out AGL's approach to community engagement in the local communities of Newcastle, Hexham, Tomago and Port Stephens, but also sets out the key performance indicators upon which AGL will evaluate the success of its strategy and performance.

During FY2014, AGL launched the Community Small Grants Program, which offers community organisations the opportunity to access financial assistance to support events, programs, and initiatives that benefit the local community. Under this program, at least \$25,000 of community grants will be offered each year by AGL over the operational lifespan of the Newcastle Gas Storage Facility, equating to over one million dollars over the lifespan of the project. In FY2014, grants were offered to Wildlife in Need of Care, Tomago Bowling Sporting Club, Tantrum Youth Arts, Him Do Tae Kwon Do Academy, Sons of Anzac, Native Animal Trust Fund, Karingal Preschool Nelson Bay, Hunter Arts, Hunter Simba Football Club, Hunter Region Botanic Gardens, Early Links Inclusion Support Service, and Boat Harbour Recreation Club.

To comprehensively assess the benefits of the project to the local community during the construction phase, AGL commissioned an Economic Benefits Assessment. The assessment has determined that throughout the three years of construction, the project is predicted to deliver \$55 million directly into the local economy, 137 full time equivalent (FTE) jobs on site, nearly 500 FTE positions indirectly in the local community and \$29 million in wages.

## Electricity generation

AGL is active in the communities in which our electricity generation facilities and projects are located. An overarching community engagement strategy was developed in 2014 that aims to build lasting relationships with the local communities in which our electricity generation projects are developed, constructed and operated. AGL's generation projects also support the local community through employing local people and sourcing goods and services from local suppliers as much as possible.

### *Concerns raised by local communities*

Some people are opposed to some of our electricity generation facilities such as wind farms. People have expressed their concern with our wind farms in a number of ways including through letters to and other forms of correspondence with AGL, formal action, engagement with the media and through social media channels. We have received approximately 195 complaints from the community over FY2014 about the Macarthur Wind Farm. The complaints and concerns raised by some members of the community generally focus on perceived health impacts of wind farms and their impact on general community amenity such as sound levels.

AGL responds to community concern through scientific or other evidence-based studies into the impact of our operations. We participate in regular Community Consultative Committee (CCC) meetings in each of the communities in which our wind farms are located or proposed, with the aim of providing the community an opportunity to voice concerns directly to us, to build relationships and to provide a forum for us to communicate with communities about the ways in which we ensure our operations have minimal impacts on the environment, public health, and general community amenity.

AGL also responds to community concern by investigating complaints and responding to all communications received, through commentary and articles in the media, conducting regular community information sessions, publishing newsletters and fact sheets, and by being available to meet in person or via dedicated toll free and direct phone numbers. In addition, we are currently conducting reviews and investigations in relation to a noise nuisance complaint which has been raised with the local council under the Victorian *Public Health and Wellbeing Act (2008)* by a number of community members in relation to Macarthur Wind Farm.

### Nyngan and Broken Hill solar plants

AGL is delivering two large-scale solar photovoltaic (PV) power plants with a total capacity of 155 MW in regional New South Wales – Nyngan (102 MW) and Broken Hill (53 MW). To support AGL's delivery of the projects, the Australian Renewable Energy Agency (ARENA) has provided \$166.7 million and the NSW Government has provided \$64.9 million in funding.

The Nyngan Solar Plant is located 10 kilometres west of Nyngan on rural land within the Bogan Shire Council local area. The solar plant will occupy approximately 250 hectares of land. Construction of the solar plant commenced in January 2014 and is expected to be complete and fully operational by the end of June 2015. When complete, this will be the largest solar plant in Australia.

The Broken Hill Solar Plant is located five kilometres southwest of Broken Hill on crown land within the Broken Hill City Council area. The solar plant occupies approximately 140 hectares of land. Construction of the solar plant started in July 2014 and is expected to be complete by the end of 2015.

AGL has a comprehensive community engagement plan in place that provides a framework which ensures that AGL is able to deliver best practice community engagement throughout all stages of the development, construction and operation of the solar plants.

The engagement plan is supported through the AGL project team being available to assist the community, answer questions, show people around the sites and actively participate in the local community through events and community initiatives.

A CCC has been established for the Nyngan Solar Plant project. It consists of 11 members who represent the Nyngan community, and the meetings are well attended by observers. A schedule of regular community information meetings has been established for the Broken Hill Solar Plant. The purpose of the CCC meetings and information sessions is to help strengthen the community engagement process, share information and provide a direct link between the community and the AGL project team. Meeting minutes are available on AGL's [website](#) and the community is updated through project newsletters and factsheets.

AGL has also established a Nyngan Solar Plant Construction Community Fund to support community initiatives, events and projects in the Local Government area. The Nyngan CCC group is extensively involved in the operation of the community fund. The \$50,000 fund is available to the local community through two rounds of funding.

During FY2014 the fund contributed to:

- › the Nyngan Pre-School reducing their energy bills by installing a 6 kW of solar system;
- › assisting the Nyngan Hospital Auxiliary to buy specialist aged care beds that enable better mobility and extended independence for patients;
- › providing the Nyngan Junior Rugby League Club with a portable marquee and shade cover;
- › assisting the Nyngan Amateur Swimming Club with painting, a kitchenette, hot water and office equipment for their plant room renovation, enabling multi-purpose use of the plant room;
- › assisting the Nyngan Men's Shed Inc. to install new lights, ceiling fans and power points to ensure the safety and capability of the electrical system to sustain three welders; and
- › assisting the St Joseph's P&F Association to upgrade the school's boundary fence, improving the school's safety and environment.

Additionally, over the course of FY2014, AGL has participated in and supported the following community events and initiatives in Nyngan and Broken Hill by:

- › continuing to support the Nyngan Ag Expo as the principle sponsor;
- › sponsoring the Nyngan Christmas lights festive display;
- › sponsoring the Midwest Equestrian Club showjumping; and
- › continuing to support the Broken Hill Agfair as the principal energy sponsor.

The Nyngan project is leading to significant community benefits, with its construction injecting tens of millions of dollars into the local and regional economies. Further, up to 300 construction jobs are being created to support the plant's construction. Personnel are being sourced from the surrounding regions as much as possible. The project has also created additional jobs in local businesses and local hospitality services such as restaurants and hotels.

### Macarthur Wind Farm

Macarthur Wind Farm is Australia's largest wind farm and has been operating since 2013. It has the capacity to power more than 220,000 average Victorian homes and abate more than 1.7 million tonnes of greenhouse gases every year.

AGL contributes to the local community through the AGL Macarthur Wind Farm Community Fund, which has been established for the operating life of the wind farm. In FY2014, \$50,000 was donated to a range of community projects including:

- › Ripponhurst Fire Brigade – trailer and trailer cover;
- › Macarthur Bowls Club Inc. – six sets of bowls and two jacks;
- › Willatook Action Group – resurfacing Willatook tennis courts;
- › Macarthur Pony Club – fencing around horse arena;
- › Hawkesdale Cemetery Trust – construction of a shed and tank;
- › Hawkesdale Rec. Reserve Committee – for function room chairs;
- › Macarthur Recreation Reserve Committee – stage two of power upgrade project;
- › Hawkesdale 1st Scout Group – for clubhouse kitchen units;
- › Hawesdale and District Family Services Centre – for the purchase of a community chicken coop; and
- › Hawkesdale Community Emergency Response Team – for a pulse oximeter.

Members of the local community and Moyne Shire Councillors are actively involved in the administration of the community fund and in determining how the funding is allocated.

Additionally, another \$40,000 in sponsorship was provided to assist with the purchase of two fire fighting vehicles for the Willatook and Hawkesdale communities, and an additional \$12,500 in sponsorship was provided to students of Hawkesdale P12 College for international educational travel.

AGL continues to support and participate in local community events such as the annual Macarthur Street Party, and the bi-monthly Community Engagement meetings for the wind farm's operation that are attended by members of the local community and the local council.

### Wattle Point Wind Farm, South Australia

During FY2014, the AGL Wattle Point Wind Farm Community Fund was established for AGL's Wattle Point Wind Farm, which will be in place for the operating life of the wind farm. The \$15,000 fund contributed to various initiatives and projects for the following community organisations:

- > SYP Basketball Association;
- > Sheaoak Flat Progress Association;
- > Minlaton District Business Group;
- > Minlaton Bowling Club;
- > Warooka Progress Association;
- > Ardrossan Progress Association;
- > Stansbury Bowling Club;
- > Point Turton Progress Association; and
- > Edithburgh Football Club & Sports Association.

### Hallett wind farms, South Australia

The Hallett wind farms are made up of four wind farms in the Hallet region of South Australia. AGL maintains a significant presence in the local community through employing local people, and providing ongoing support for community events and initiatives. The AGL Burra Information Centre hosts tours of the wind farms during the year, and is recognised as the place for the community to obtain information, and provide feedback, about the wind farms.

AGL actively participates in the community by providing sponsorship and support for events such as:

- > the Sydney to London Marathon Car Rally, which held part of the race through the Hallett Wind Farm;
- > the Burra Fun Run;
- > the Burra Country Music Festival; and
- > the annual Monster Mine Spectacular, which is a music and food event held by the lake of a disused copper mine.

Through the Hallett Wind Farm Community Fund, AGL continues to provide annual funding to local community based projects and groups. In FY2014, \$33,000 in funding was provided to support a variety of projects such as:

- > conservation initiatives for the pygmy blue tongue lizard, which is only found in the Hallett region;
- > local animal rescue;
- > the Burra Primary School Burra Breakfast Club, to promote healthy eating and to encourage healthy social interaction;
- > a new sink and wash bench for the Burra Community School child care facility; and
- > a new cricket pitch for the Burra Cricket Club, which will be used by the school and the wider community.



## Projects under development

As discussed in the [energy policy uncertainty](#) section, there is difficulty in making investment decisions that is caused by the current state of energy policy uncertainty about issues such as the Renewable Energy Target. Despite this, CCCs are continuing for the Silverton Wind Farm in New South Wales, and the Coopers Gap Wind Farm in Queensland. The CCCs are independently chaired and continue to be well attended by the wider community as well as CCC representatives, who include local community representatives and key stakeholders from local councils and Aboriginal land councils.

The regularity of these CCC meetings has slowed with the slowdown in the progress of project development. The meeting venue for the Coopers Gap CCC is held in different locations for each meeting, to enable greater attendance and participation. The CCC's meeting minutes, presentations and other project information are available on the AGL [website](#). In addition, AGL held informal meetings with members of the Silverton community throughout 2014 and distributed letters offering project updates and one-on-one meetings for residents.

AGL has continued to support community events and activities in the Silverton and Coopers Gap areas throughout FY2014 such as the Silverton Lifeline Tug Of War event and the Burrandowan Campdraft.

### ★ Material issue

### FY2015 commitment

#### Community engagement

AGL will continue to measure investment in local businesses, including an analysis of job creation and financial contributions to the local community.

## Community

## Community Investment

## Community

## ★ Community Engagement

## &gt; Community Investment

 Print PDF

## Join the Conversation



AGL's corporate citizenship program, [Energy for Life](#), is just one way we are partnering with the community. Established in 2003, Energy for Life delivers support to the community through strategic partnerships, and gives our employees the opportunity to get involved in causes they are passionate about by participating in matched workplace giving and paid volunteering leave programs.

\$2.44M

Invested in community programs and sponsorships.


[Visit our Data Centre](#) | Community contribution by program area

## Strategic partnerships

AGL is investing more than \$3 million over the six years from 2012 in a series of strategic partnerships.

Recognising that energy costs can be a cumulative financial stress to those in financial hardship, AGL has established three strategic partnerships with community organisations focusing on the areas of prevention and education; intervention, resource and capacity building; and crisis support.

Importantly, the initiatives complement ongoing commitments to addressing hardship through regulatory obligations and existing hardship programs such as Staying Connected (refer to [energy affordability](#) section of this report).

> **The Smith Family**

Sharing the belief that education has the power to transform lives and break the cycle of disadvantage, AGL is supporting the education of 340 school-aged children from disadvantaged backgrounds through The Smith Family's Learning for Life program. In FY2014, AGL contributed \$198,000 to The Smith Family under this partnership agreement.

> **St Vincent de Paul Society**

St Vincent de Paul Society's home visitation program delivers financial and non-financial support to families in need. As well as providing financial support to this program, AGL and St Vincent de Paul have developed 'Energy Advice Packs' containing information and advice for households about available support, retailer hardship programs and simple tips to save energy around the home. In FY2014, AGL contributed over \$366,900 to St Vincent de Paul Society under this partnership agreement.

> **Cancer Council Australia**

Responding to unforeseen situations like a cancer diagnosis can affect the financial position of many households. AGL is providing funding for Cancer Council Australia's Financial Assistance Program, which provides grants to families affected by cancer to help cover necessary living costs. In FY2014, AGL contributed \$33,000 to Cancer Council Australia under this partnership agreement.

## As part of AGL's commitment to promote safety in the workplace and home, AGL has also established a partnership with the Julian Burton Burns Trust.

### › Julian Burton Burns Trust

Recognising that scalding from hot water is one of the most common causes of burn injury in the home, AGL is partnering with the Julian Burton Burns Trust to support burn prevention and education through South Australia's BurnSafe Schools Program. In FY2014, AGL contributed \$19,250 to Julian Burton Burns Trust under this partnership agreement.

### Employee Volunteering

AGL's 'Employee Volunteering' program gives all employees the opportunity to take one day of paid volunteering leave each year to support community causes and charitable organisations.

# 5,800 HRS



Volunteering  
leave taken by  
our employees.

[Visit our Data Centre](#) | Employee Volunteering and Employee Giving participation rates

As well as delivering social outcomes for the community, volunteering provides business benefits to AGL – by engaging employees, promoting teamwork and building morale.

AGL provides the flexibility for employees to take volunteering leave in a variety of ways, including team projects, pursuing individual interests and participating in AGL-led initiatives. In FY2014, volunteering activities ranged from providing skill based volunteering in the form of compliance advice to our charity partners, as well as providing education on home energy efficiency. Our employees have also prepared food for the homeless, assisted at crisis support facilities, and planted over 1,500 trees at the Werribee Zoo.

AGL set a target to achieve a participation rate of 35% (by headcount) for Employee Volunteering for FY2013. Disappointingly, we fell short of this target, with 27% of the workforce recording a volunteering leave day. For FY2015, we will continue to strive to reach a participation rate of 35% (excluding Macquarie Generation employees).

### Employee Giving and fundraising

AGL employees can elect to make regular payroll contributions to selected charity partners through the Energy for Life 'Employee Giving' program. AGL enables employees to double the impact of financial contributions to these charitable organisations by matching employee donations up to \$200,000 per year.

AGL's charity partners comprise: Australian Marine Wildlife Research and Rescue Organisation, beyondblue, Cancer Council Australia, Careflight Rescue, CanTeen, CARE Australia, Habitat for Humanity Australia, Julian Burton Burns Trust, Kids Helpline, RSPCA, St Vincent de Paul, The Salvation Army, The Smith Family and WWF-Australia.

Donations to these charity partners through Employee Giving totalled \$162,500 in FY2014 (including employee donations and AGL's matched contribution), a 24% increase from FY2013, when \$131,200 was donated.

During FY2014, the average monthly participation rate in Employee Giving was 5.4%, comparable to the FY2013 rate of 5.21%.

In addition to funds raised through payroll giving in FY2014, AGL employees raised \$90,300 through charity partner fundraising events such as Movember, Australia's Biggest Morning Tea and Walk in Her Shoes. These employee-raised funds were then matched dollar for dollar by AGL (up to \$5,000 per event), with the value of AGL's contribution amounting to \$34,200.

[Visit our Data Centre](#) | Employee Giving and event fundraising

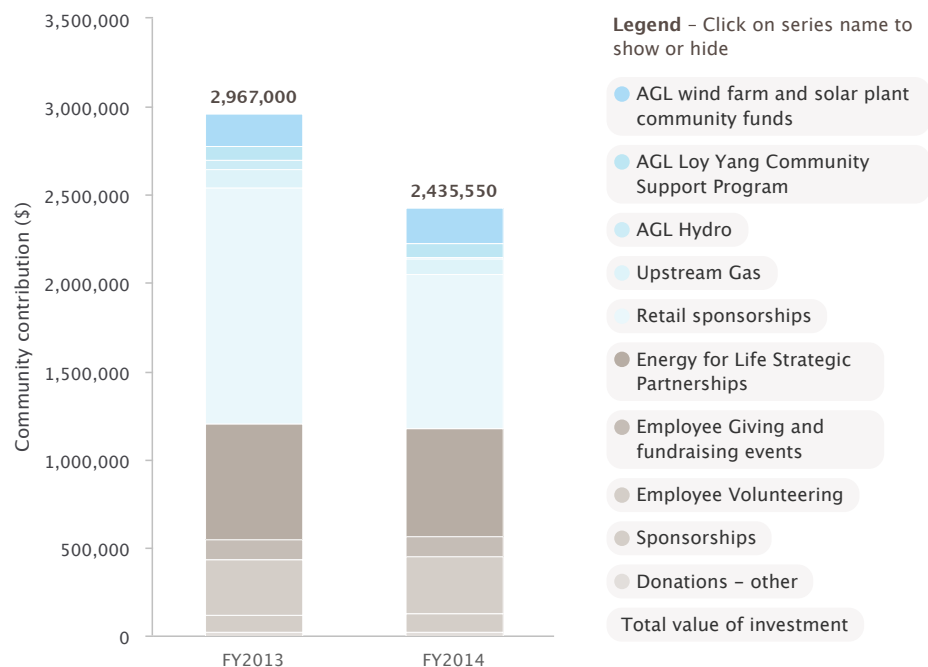
## Valuing our contribution to the community

AGL's total community investment (including cash, staff volunteering and in-kind contributions) in FY2014 has been valued at \$2,435,550<sup>1</sup>.

AGL breaks down community contribution according to the three Energy for Life program areas (Employee Volunteering, Employee Giving and Strategic Partnerships), as well as the support provided to the local community through AGL Community Funds, other local community initiatives, contributions arising from key retail and corporate sponsorships and other charitable donations.

## Community contribution by program area

AGL has invested over \$2.4 million in the community during FY2014.



### Notes

- > Amounts reported under 'Employee Giving and fundraising events' represents AGL's matched funding only, not the donations given by employees.
- > Data up to and including FY2012 was reported in the annual sustainability report according to a different categorisation, and therefore is not included in the above table.
- > AGL Community Funds are established for the AGL Hallett, Macarthur, Oaklands Hill, Silverton, Coopers Gap and Ben Lamond wind farms and wind farm projects, the Broken Hill and Nyngan solar plant projects and the Newcastle Gas Storage Facility.

### GRI Reference: NA

[Visit our Data Centre](#) | Community contribution by program area

Visit the data centre for a breakdown of AGL's community contributions by [charitable cause](#) and [motivation for investment](#).

In addition to valuing our community contribution in terms of 'inputs' (i.e. funding provided), AGL set a target for FY2014 to measure the outputs of the Energy for Life strategic partnerships in accordance with a 'Social Return on Investment' (SROI) framework. However, the outputs of our strategic partnerships were unable to be fully measured using a SROI framework due to the complexity of datasets and the lack of clear benefit from diverting our charity partners' resources away from service provision to measurement.

Information about AGL's economic contribution to local communities through the provision of local employment, use of local suppliers and investment in community programs is available in the [community engagement](#) section of this report, as well as in the [data centre](#).

1. Until FY2012, AGL was a member of the London Benchmarking Group (Australia and New Zealand) (LBG) and used the LBG model to value community contribution. Since FY2012, AGL has continued to use the methodology from FY2011 to allow comparability and trend analysis.



## Sustainability Performance

# People

### People

- ★ Employee Engagement
- ★ Health and Safety
- ★ Talent
- > Diversity and Inclusion

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### Join the Conversation



#### Image caption

AGL Facilities Engineer,  
Natasha, at Wilpena  
Pound Solar Power  
Station, South Australia

AGL's employees are critical to the delivery of our business strategies and to achieving the organisation's vision of creating energy solutions for the communities of today and tomorrow.

Providing a safe, inclusive and engaging work environment for our employees is a key priority. Engaged employees can in turn contribute more productively to delivering a positive experience for our customers.

Safety is of utmost importance to everything AGL does. A safe and secure work environment is a key element of AGL's strategy. AGL has adopted a broad view of workplace health and safety encompassing not only the physical safety of employees, but also the overall health of employees, including emotional and financial wellbeing.

This section focuses on:

- > **Employee engagement** – in our rapidly changing energy industry, maintaining and improving employee engagement is vital to attract and retain talented employees and, ultimately, for the delivery of business results.
- > **Health and safety** – AGL is committed to providing our employees with a safe and healthy place to work, to measuring and publishing our safety performance, and holding ourselves to high standards of accountability for our health and safety record. Health and safety performance is indicative of the values that underpin an organisation, the business 'culture', and the effectiveness of health and safety policies and procedures.
- > **Talent** – attracting and retaining the highest standard of talent in the market supports AGL's ability to meet its key strategic goals, deliver shareholder value, and in turn enable continuous improvement in its levels of employee engagement.
- > **Diversity and inclusion** – at AGL we encourage and take pride in our diverse and inclusive workforce. We believe that diversity in the experiences, backgrounds and perspectives of our people enables us as a company to have a better understanding of our customers and a greater ability to engage more genuinely in the communities in which we work.

## People

## Employee Engagement

## People

## ★ Employee Engagement

## ★ Health and Safety

## ★ Talent

## &gt; Diversity and Inclusion

 Print PDF

## Join the Conversation



Employee engagement measures the degree to which employees are connected to the company they work for, and is a core metric for measuring the health and success of the organisation.

In the context of a rapidly changing energy industry, maintaining a high level of employee engagement is increasingly important for attracting and retaining talented employees and, ultimately, for the delivery of business results.

77%

## ENGAGEMENT SCORE

The employee engagement score places AGL within the ORC International 'best performing zone'.


[Visit our Data Centre](#) | Employee engagement

In FY2014, AGL maintained an engagement score of 77%, achieving our target of being within the ORC International 'best performing zone'. This zone represents the top 20 organisations with more than 2,000 employees from ORC International's global database.

Initiatives to improve employee engagement that were implemented in FY2014 included:

- > The continued delivery of resilience training programs to help employees better manage their wellbeing and challenges in the workplace more effectively.
- > Improvements to the style and consistency of employee communications, increased information sharing and a greater focus on recognition of accomplishments of individuals and teams.
- > Delivery of an Operational Improvement Program within Upstream Gas Operations to embed the principle of operational excellence and drive improved performance and accountability.
- > Some teams moving to a 'smarter working' environment in preparation for the relocation of AGL's Melbourne office from Spencer Street to Bourke Street, increasing collaboration throughout our Spencer Street office.
- > Focusing on career development through initiatives such as formalised secondment and leave coverage opportunities in Upstream Gas and implementation of a business unit mentoring and coaching program to help build internal capability in Group Finance.

The success of initiatives in this area are driven and measured through AGL's Performance and Development Review process. In FY2014, senior leaders were measured on both AGL maintaining its position in the ORC International 'best performing zone' and the delivery of business unit engagement action plans. Operational leaders and employees were measured on their contribution to engagement action plans and other initiatives that aimed to positively affect employee engagement.

## ★ Material issue

## FY2015 commitment

Employee engagement

Employee engagement score: ≥ 75%

## People

## Health and Safety

## People

- ★ Employee Engagement
- ★ Health and Safety
- ★ Talent
- > Diversity and Inclusion

## Related Information

AGL Health, Safety and Environment Policy

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## Join the Conversation



## A strong, risk-focused safety culture is necessary to drive improvements in safety performance.

Key aspects of AGL's approach to health and safety include the following:

- > **Policy:** AGL's [Health, Safety and Environment \(HSE\) Policy](#) sets out our overarching objectives for HSE, and the strategies by which we will achieve those objectives. The policy applies to all employees, contractors, products and services, and joint ventures under AGL's operational control.
- > **Management system:** AGL takes a systematic approach to the management of health and safety and has an overarching Management System, Life Guard, which is based on the requirements in Australian Standards AS/NZS 4801 (2001) *Occupational Health and Safety Management Systems* and AS/NZS ISO 14001 (2004) *Environmental Management Systems*.

Life Guard documents AGL's framework of policies, standards, guidelines and procedures for consistent and continuous improvement in health, safety and environmental performance. The system is also a key element of ensuring compliance with HSE legislation.

Internal and external audits of the Life Guard system facilitate a culture of continuous improvement. Audit findings are reflected in HSE Action Plans and improvements to the management system, strategic direction and safety programs. During FY2014, the focus of the HSE internal audit program was on incident investigation, permit to work systems, working at heights and contractor management compliance.

In FY2015, updated standards targeting key risk areas will be released, including Risk Management, Contractor Management, Falls Prevention, Lifting Operations, Electrical Safety Management, Permitting and Plant and Equipment. Current HSE Risk Registers will also be reviewed to deliver a more consistent approach to assessing and managing HSE risks across the business.

- > **HSE Strategy and HSE Action Plans:** AGL's HSE Strategy provides the framework for driving change in HSE culture and performance, assisting AGL in achieving the goal of being a safe and sustainable business.

The HSE Strategy is enabled through the delivery of annual business unit HSE Action Plans. The plans have consistent objectives across each business unit, with each business unit determining the actions that will be taken to support the achievement of these objectives.

## During FY2014, 100% of items in HSE Action Plans were completed.

One key aspect of HSE Action plans is the conduct of 'safety and wellbeing conversations'. A safety and wellbeing conversation is a tool for ensuring leaders and employees participate in open discussions about safe and healthy behaviour, with a view to challenging and preventing unsafe or unhealthy behaviour, improving the safety culture and decreasing the injury rate. During FY2014, AGL recorded 2,303 safety and wellbeing conversations across the entire business.

- > **Leadership:** Strong and dedicated safety leadership is an essential component of our efforts to achieve a 'zero-harm' work environment at AGL. An effective safety culture requires pro-active commitment, accountability and continuous reinforcement from all levels of management, including the AGL Board. The AGL Board and Executive Team review safety performance via the monthly Group Performance Report. The Board Safety, Sustainability and Corporate Responsibility Committee also reviews safety performance on a quarterly basis, as well as reviewing audit findings and recommendations, strategic priorities and significant incidents.



In FY2015, an AGL-wide management level HSE Steering Committee will be established to provide governance and direction in the implementation and enhancement of key strategic initiatives such as drug and alcohol policy, fatigue management and driver education. In addition, the Steering Committee will review the potential effects of legislative and regulatory changes across the business.

- Hazard, incident and near miss reporting:** AGL's hazard, incident and near miss reporting systems are designed to ensure that issues are reported and investigated in a consistent and effective manner. During FY2014, AGL commenced the development of an enhanced hazard, incident and near miss reporting system, consolidating three separate legacy systems. Launched in August 2014, 'myHSE' provides a central management and reporting system, with reporting dashboards providing key HSE performance information visible for all AGL employees.

## Safety performance

AGL measures and tracks safety performance using a number of trailing performance indicators based on reported safety incidents. AGL also tracks leading indicators of Health and Safety to provide insight into trends. The leading indicators include HSE activities in Action Plans, safety and wellbeing conversations and 'near miss' incident reporting.



**Visit our Data Centre** | Health and safety performance – employees

The total injury frequency rate (TIFR) decreased across all business units, whereas the occupational injury frequency rate (OIFR) decreased across Corporate, Retail Energy and Upstream Gas, but increased in Merchant Energy, highlighting the need to continue to focus on the prevention of soft tissue injuries.

There were 15 TIFR-related and 20 OIFR-related employee incidents in FY2014 compared to 27 and 30 respectively in FY2013, showing a drop in all reportable injuries. The overall reduction in injuries can be attributed to a continued focus on reducing soft tissue injuries through the implementation of fitness programs across the business, a greater focus on risk assessment and job safety analysis, and increased ownership of risk by leaders in the field.

In FY2014, there were nine employee and 16 contractor significant incidents (defined as incidents classified as 'high risk' or above), representing a decrease of three and 10 incidents respectively compared to FY2013. The data continues to indicate that in relation to significant incidents, the major area of focus needs to remain on working at heights, dropped objects and electricity related incidents.

Visit the [data centre](#) to view AGL's current and historical performance across a range of safety indicators, including total injury frequency rate, lost time injury frequency rate, medical treatment injury frequency rate, occupational injury frequency rate and injury severity rate.

AGL also monitors and reports the lost time injury frequency rate (LTIFR) of contractors, to provide a more comprehensive representation of AGL's safety performance. In FY2014, the LTIFR of contracted workers was 2.1. Historical information is available in the [data centre](#).

## Wellbeing

AGL's health and safety strategy recognises that a focus purely on the workplace would ignore significant factors that can impact the health, engagement and ultimately productivity of employees - particularly in relation to chronic injuries and illness.

At AGL we understand the workplace can affect an individual's health, just as we know that the home life of an employee can affect their health and wellbeing in the workplace.

We support the wellbeing and good health of our people through a range of initiatives, and recognise the influence that employee wellbeing can have on employee engagement and on achieving a high performance culture.

AGL's Wellbeing program provides support for employees in the three key areas of emotional, physical and financial wellbeing.

In FY2014, the Wellbeing program delivered a range of initiatives aimed to encourage employees to make informed choices that will enhance their health and wellbeing. These initiatives included:

- > **Physical health:** annual flu vaccinations; health checks; access to an online health hub with range of information, programs and wellness tracking tools for employees; and site-based fitness initiatives including on-site yoga programs at major offices, step challenges and boot camps.
- > **Emotional health:** resilience training program; employee assistance services including the Employee Assistance Program (EAP); and a leader hotline.
- > **Financial health:** corporate discount for health insurance; corporate rates for gym memberships; and access to a financial counselling service.

---

★ Material issue

FY2015 commitment

Health and safety

Total injury frequency rate:  $\leq 2.8$

## People Talent

### People

- ★ Employee Engagement
- ★ Health and Safety
- ★ Talent
- > Diversity and Inclusion

### Related Information

AGL Careers  
Employee benefits

 Print PDF

### Join the Conversation



Attracting and retaining the right people and developing their skills and experience is one of the most critical challenges and opportunities AGL faces in meeting its strategic objectives.

AGL has a formal talent management process, and focuses on providing the appropriate learning and development opportunities for all employees, especially leaders.

### Employment Value Proposition

The AGL Employment Value Proposition (EVP) describes the unique rewards and benefits (tangible and intangible) offered by AGL in return for the skills, capabilities and experiences that employees bring to the organisation.

The strength of a good employer brand lies in the ability to attract the right people with the right skills who are the right fit for the business. The business benefits through decreased attrition rates, and customers and other stakeholders benefit by dealing with enthusiastic and engaged employees. In turn, a positive stakeholder experience is reflected in AGL's bottom line and in shareholder value.

Communicating the EVP to employees and the external candidate market helps the business attract and retain the right people in the following ways:

- > **Attraction** – Attraction of talent, particularly passive candidates or candidates from different markets where AGL may not be well known.
- > **Engagement** – Ensures that our message to the external workforce is an accurate reflection of AGL's culture, and encourages employees to act as advocates for AGL.
- > **Branding** – A strong EVP creates a strong employer brand to attract talent from the external market.
- > **Retention** – Retention of key talent within the business via a consistent EVP message ensures that employees' motivations are aligned to what AGL can offer. Therefore employees are more likely to be engaged and succeed at AGL.

### Talent management

AGL's Talent Management Program comprises four key areas:

- > **Identifying critical roles:** Identifying critical roles continues to be a focus to ensure there is an identified pipeline of talent. If vacant, these roles pose a significant business risk because they are key to AGL's new business development, revenue generation or operational management. Critical roles are typically difficult to fill quickly with either an external hire or a ready internal successor. Profiling of critical roles is being undertaken to enable 'role success' to be defined and then used to develop and source talent.
- > **Succession planning:** To ensure the sustainability of AGL's most critical business functions it is a requirement that all senior critical roles have a succession plan in place to ensure that there is a pipeline of key talent being actively developed in the capability areas required for role success.
- > **Building talent pipelines:** AGL is focused on defining organisation-wide talent pools and building bench strength. Talent planning days are held twice per year for each business unit, resulting in target lists of key talent ready for a new role within the next 12 months, as well as upcoming opportunities such as projects, secondments and role vacancies. This enables proactive career planning for key individuals needing critical experiences or representing a retention risk.
- > **Talent metrics:** A talent analytics scorecard is in development to ensure the talent management program is run to minimise risks such as key resource dependencies, flight risks, and succession bench strength as well as to monitor gender diversity metrics across all aspects of our talent management processes. In FY2014, 881 talent reviews were completed.

## Learning and development

AGL provides a suite of learning and development opportunities for our people. Key aspects include:

- AGL runs a structured induction program for all new employees that includes receiving a comprehensive information and welcome pack, completing compulsory compliance training modules and attending a Corporate Welcome Day.
- AGL's online learning platform, Empower, provides a central portal for the delivery of compliance training and offers employees improved access to learning and development opportunities.
- AGL's leadership development programs provide training and development opportunities to all levels of leadership, and include the Diploma of Management for front line leaders; Advanced Diploma of Management for managers and specialists and a residential academy for senior leaders.
- AGL's Assisted Education Program supports employees completing formal qualifications at secondary and tertiary level, by providing financial support and allowing time off work to study.

## Turnover

Total turnover, which includes voluntary turnover (attrition) and involuntary turnover, was 18% in FY2014, an increase from 16% in FY2013. This increase reflects higher involuntary turnover in FY2014 due to the closure of the Canberra Customer Service Centre.

9%

### VOLUNTARY TURNOVER

Attrition reduced from  
11% in FY2013.



 [Visit our Data Centre](#) | Turnover

The reduction in voluntary turnover (attrition) to 9% reflects high levels of employee engagement, which positively impacts employee perspectives when assessing their current situation against external opportunities, together with the softening of the external job market, which may affect employees' willingness to actively seek alternative employment.

A breakdown of attrition rates and new hires by age and gender is available in the [data centre](#). Our power generation facilities such as AGL Torrens and AGL Loy Yang—which have a high percentage of older, male employees—typically have very low attrition rates. This is reflected in the overall attrition statistics which show lower rates for both male employees and employees in the older age bands.

#### ★ Material issue

#### FY2015 commitment

**Talent attraction  
and retention**

AGL will continue to develop an industry leading Employee Value Proposition.

## People

## Diversity And Inclusion

## People

- ★ Employee Engagement
- ★ Health and Safety
- ★ Talent
- > **Diversity and Inclusion**

## Related Information

AGL Diversity and Inclusion Policy

AGL Code of Conduct

AGL's 2014 public report to the Workplace Gender Equality Agency

AGL 2014 Corporate Governance Statement

 Print PDF

## Join the Conversation



## At AGL, we're committed to building a diverse workforce and an inclusive workplace culture.

An inclusive workplace where all employees feel safe and confident to contribute their views helps AGL deliver more innovative and effective business outcomes. Embracing and valuing diversity and inclusion leads to a better understanding of, and engagement with, the people we work with, the customers we serve and the communities in which we operate.

A diverse workforce and an inclusive workplace culture are attractive to potential employees and provide AGL with an edge when competing for talent and in retaining talented people. A diverse workforce with its broad range of experience and perspectives also has a better ability to understand and engage with our customers and the communities in which we work.

AGL's [Diversity and Inclusion Policy](#) describes AGL's approach to diversity and inclusion and how these attributes are promoted and embedded in AGL's workplaces.

AGL's Diversity and Inclusion Council oversees a comprehensive strategy to build inclusion and foster diversity in all its forms across AGL workplaces. The Council is chaired by the Managing Director, and comprises seven other senior leaders from across the business.

Our current priorities are:

- > continuing to build AGL's culture of inclusion, embedding diversity and inclusion concepts and principles in our people processes, and expanding our focus beyond gender to ensure inclusion of other employee diversity groups;
- > maintaining our focus on gender equity with an emphasis on removing barriers for women to increase their representation in leadership;
- > translating flexibility for our different businesses and workplaces, and equipping leaders to confidently manage a flexible workforce; and
- > investigating mature age workforce initiatives.

Further information about AGL's approach to diversity is also available in the AGL's 2014 [Corporate Governance Statement](#).

### Gender diversity equity

AGL monitors gender diversity at each level of the organisation, in particular the representation of women in leadership. AGL faces similar challenges to other Australian organisations in retaining and realising the potential of female leaders who have the capability and aspiration to move into senior leadership positions.

**There is a 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 is a current Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency in November 2014. This supersedes the previous Employer of Choice for Women citation, which AGL had held since 2012.

During FY2014, AGL has made significant progress towards its FY2016 gender diversity target of achieving a 50% female appointment rate to the Senior Leadership Pipeline. Additionally, AGL has also set a further target for FY2015, to increase by 1.5% the overall representation of women in the Senior Leadership Pipeline.

39%



Appointment rate of  
women to the senior  
leadership pipeline.

 **Visit our Data Centre** | Appointment rate of women to leadership roles

AGL continues to monitor gender pay equity through various forums including the Diversity and Inclusion Council and the People and Performance sub-committee of the Board. AGL's most recent pay equity analysis was completed in June 2014. Of the 128 roles that enabled a male/female pay comparison, only six roles (5%) indicated a gender pay gap of more than 20% that could not be explained by experience, location, or years of service. These instances were highlighted to the relevant People and Culture team member as a priority to be considered during the 2014 Remuneration Review.

Gender pay equity analytics and reporting are embedded in AGL's annual remuneration review system and supporting processes ensure gender equity is at the forefront of leaders' remuneration decisions. AGL's diversity and inclusion strategy includes initiatives to address the drivers behind AGL's gender pay equity gap, including attracting and retaining women in the Merchant Energy and Upstream Gas businesses (which offer non-traditional roles and career paths for women), and developing women for senior leadership.

Gender diversity is monitored at all levels of the organisation. In May 2014, AGL submitted to the Workplace Gender Equality Agency AGL's Workplace Gender Equality Report, complying with the Workplace Gender Equality Act 2012.

Gender breakdowns of employees' employment status, contract type, location and turnover rates are available in the [data centre](#). [Maternity leave](#) utilisation and return to work rates are also available.

### Flexibility at work

In FY2013, AGL undertook a Diversity and Inclusion Census which identified that employees regard flexibility as the most important focus area of AGL's diversity strategy, and that flexible work is becoming an increasingly accepted way of working at AGL. Flexible working options include part-time work, job sharing, compressed working weeks, flexible start and finish times and telecommuting.

## AGL supports employees who seek flexible work arrangements, including the specific needs of our employees who are carers.

During FY2014, AGL has been focusing on identifying and implementing initiatives to remove barriers to flexible work in operational workplaces. A comprehensive review of flexible work arrangements and employee attitudes to flexible work in the Upstream Gas business has been completed, and an action plan developed for implementation during FY2015. A new initiative also commenced at AGL Torrens which identified a need for flexible work to support mature age employees transitioning to retirement.

### **Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) Inclusion Strategy**

During FY2014, AGL has developed a LGBTI inclusion strategy, with the goal of achieving a more diverse and supportive workplace culture where LGBTI employees feel they are able to achieve their full potential and contribute to business outcomes in a personally authentic way.

Through the strategy, AGL aims to improve the commitment, loyalty and performance of LGBTI employees, minimise mental health issues within the LGBTI employee base due to stigma and discrimination, and be recognised as an inclusive employer that incorporates LGBTI employees in a leading edge diversity strategy.

During FY2014, AGL has undertaken a policy review which highlighted minor edits that were required to AGL's existing People and Culture policies to establish the groundwork for inclusive language and culture and provide visible signs of inclusion and acceptance. Other activities undertaken during the year include joining 'Pride in Diversity', establishing a working group, and holding LGBTI awareness sessions attended by over 230 employees.

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## Sustainability Performance

# Environment

### Environment

- ★ Water Management
- > Air, Waste and Noise
- > Biodiversity, Land and Cultural Heritage
- > Greenhouse and Energy

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### Join the Conversation



#### Image caption

*AGL is Australia's largest private investor in renewable energy, including hydro. AGL owns and operates hydroelectric power stations in Victoria and NSW, with the three primary schemes located in the Kiewa, Dartmouth and Eildon catchments.*

A number of AGL's operations have a material environmental footprint and have the potential to interact with, and impact, various aspects of the environment. The community has a keen interest in ensuring that AGL, along with other businesses operating in the community, is held to high standards of accountability for the impact of business operations on the environment.

**AGL is a responsible environmental caretaker, and we are committed to achieving excellence in environmental management and performance.**

AGL works to create a culture where environmental principles are front of mind and part of everyday business; and which promotes excellent environmental performance, continuous improvement and the ongoing reduction of environmental risks.

This section focuses on:

- > **Water management** – management of water resources is a critical environmental issue facing Australia and one that is relevant to AGL's business. AGL wants to be recognised as a prudent and responsible user of water that does not adversely impact on local water resources.
- > **Air, waste and noise** – emissions to air from our operations can potentially contribute to regional airshed environmental issues, so it is important that our operations run efficiently and within the parameters set by regulatory licences.
- > **Biodiversity, land and cultural heritage** – AGL operates on land that, in many cases, has value for reasons of biodiversity and cultural heritage, in addition to its commercial value.
- > **Greenhouse and energy** – AGL has a diverse portfolio of electricity generation assets, and remains committed to the development of renewable energy in Australia in the context of an energy policy framework that is stable, holistic and long term in its outlook. This section shows how AGL measures and manages its own operational greenhouse footprint, while also advancing the national policy reform agenda through robust economic research and analysis.

## Environment

## Water Management

## Environment

## ★ Water Management

- > Air, Waste and Noise
- > Biodiversity, Land and Cultural Heritage
- > Greenhouse and Energy

## Related Information

Camden Gas Project  
produced water monitoring  
data

Camden Gas Project  
groundwater monitoring data

Hunter Gas Project  
groundwater monitoring data

Gloucester Gas Project  
groundwater monitoring data

 Print PDF

## Join the Conversation



The sustainable management of water resources—both quality and quantity—is a critical environmental issue in Australia and of direct relevance to AGL's business.

Governments and the community expect the energy industry to act responsibly so that water resources are efficiently used and recycled, and not detrimentally impacted by exploration and development activities, or energy production operations.

For more information about our approach to engaging with the community, refer to the [community engagement](#) section of this report.

## Water management at coal seam gas (CSG) projects

Many stakeholders are concerned about the management of water resources, particularly whether CSG activities could result in reduced water supplies and/or degradation of water resource quality. Water resources differ from area to area, and it is essential to obtain pre-development information on their natural characteristics. It is important to recognise that deep groundwater systems in the areas where AGL is exploring and operating have very different characteristics to shallow aquifers and surface water resources. Understanding these differences and determining the degree of connectivity (if any) between shallow aquifers and deep groundwater systems is a key issue in effective water management.

## Understanding and managing the effect of coal seam gas operations on surface water and groundwater

Understanding and protecting water resources are critical elements of the sustainable development of AGL's CSG operations. Our water studies and monitoring networks have been developed to help the community understand what influences, if any, there might be on water resources as a result of exploration for, and production of, natural gas, and include:

- > **Camden Gas Project:** Because of the geology of the region, the Camden Gas Project only extracts very small volumes of deep groundwater (known as "produced water") from the coal seams in order to produce natural gas. In addition, the coal seams in this area are separated from the shallow aquifers by around 400 metres of rock, including impermeable layers, which, in combination with the small volume of produced water extracted, provides natural protection for the shallow aquifers.

The Camden Gas Project groundwater monitoring program includes 11 dedicated monitoring locations.

The Camden Gas Project [groundwater management plan](#) provides a framework for early assessment of changes in the groundwater systems beneath the Camden Gas Project area, particularly to the shallow aquifers. Monitoring and early identification enables us to prevent and/or mitigate adverse impacts. This plan outlines the monitoring program and reporting requirements to regulators.

A [hydrogeological summary of groundwater systems](#) in the region of the Camden Gas Project is available on the AGL website, which focuses on the geology, hydrogeology and groundwater use across the area. The report also outlines the potential (but unlikely) risks to shallow aquifers from the extraction of produced water, and the management and mitigation measures that AGL has adopted. Monitoring of produced water volumes, water levels and water quality has shown that CSG activities have not impacted shallow aquifers.

- > **Gloucester Gas Project:** Groundwater investigations at Gloucester commenced in 2007, and there has been substantial investment in field programs since 2010. In addition to desktop studies, detailed groundwater investigations, establishment of an extensive water monitoring network, and an ongoing groundwater monitoring program, we have published all our technical reports. We also prepare annual water resource status reports. All are detailed on our [website](#).

There are now more than 50 groundwater and surface water monitoring sites in place. The monitoring program is enabling us to build a comprehensive understanding of the shallow aquifers and deep groundwater systems in the proposed Stage 1 development area in association with new exploration activities.

AGL has government-approved water management [plans](#) in place for our current pilot testing and irrigation activities at Gloucester. Intensive monitoring programs have provided important baseline data. Monitoring of water levels and water quality has shown that CSG exploration activities have not impacted local water resources.

Independent scientific water studies have a major role in the management and regulation of the CSG industry. In September 2013, AGL entered into a cooperation agreement with Gloucester Council under which the Gloucester Council will continue to deliver a number of important studies relating to flooding, produced water, and property (water) surveys, and has commissioned independent peer reviews of AGL water studies. To assist the Council in this task, AGL has funded a full time water scientist position at the Council.

- **Hunter Gas Project:** The Hunter Gas Project's [groundwater monitoring program](#) was established in 2009. There are now 44 groundwater and surface water monitoring sites in place. The monitoring program, which continues in 2015 (even though there are minimal exploration activities), is enabling us to build a comprehensive understanding of the groundwater systems in the areas where we have been exploring for natural gas. Monitoring of water levels and water quality has shown only natural responses and no impacts to local water resources due to CSG exploration activities.
- **Galilee Gas Project:** The Galilee Gas Project's groundwater monitoring program is localised around the Glenaras production pilot, which commenced in late 2009. The [Underground Water Impact Report](#) (approved in 2013), details results and requirements of the groundwater monitoring program. Results indicate no impact to the shallower aquifers of the Great Artesian Basin.

#### Water monitoring network

AGL's groundwater and surface water monitoring networks across the Camden, Hunter, Gloucester and Galilee projects comprise:

- 98 dedicated groundwater monitoring bores;
- 6 perched water monitoring bores; and
- 17 surface water monitoring locations.

AGL's dedicated groundwater monitoring networks monitor the water level and the water quality characteristics of shallow beneficial aquifers to identify changes during CSG exploration and production programs and to characterise the groundwater prior to development. Surface water monitoring is also in place where there are surface water bodies nearby.

Water monitoring reports are produced quarterly for the [Camden Gas Project](#), [Hunter Gas Project](#) and [Gloucester Gas Project](#). These reports are available online via AGL's project websites. More detailed annual status reports are published for each area in September/October each year.

Monitoring results to date confirm our conceptual understanding of the different groundwater systems within these areas and indicate that CSG activities are not impacting water resources. Monitoring is ongoing. Results to date indicate that CSG can sustainably coexist alongside other land uses with negligible impact on the shallow aquifers and surface water resources. Observed water level and water quality trends are mostly natural variations.

#### Produced water volumes

'Produced water' refers to deep groundwater that is brought to the surface from coal seams as a result of CSG exploration and production activities.

122<sub>ML</sub>

The volume of water produced from AGL's coal seam gas projects is equivalent to around 49 Olympic-sized swimming pools.

#### Visit our Data Centre | Produced water – quantity

Currently, only AGL's Camden Gas Project in New South Wales is in commercial production stage. As some of AGL's exploration projects move into production stage, with more wells operating, the volume of produced water from AGL's operations is expected to increase.

Visit the [data centre](#) to view or download the amount of water produced at each of AGL's coal seam gas facilities.

#### Produced water quality, storage and disposal

In FY2014, produced water was either stored on-site in lined, aboveground holding ponds or tanks, transported off-site for approved disposal, or blended with freshwater and used in an irrigation trial.

Visit the [data centre](#) to view or download information about the produced water quality and disposal methods for AGL's CSG facilities.

#### *Camden Gas Project*

The small volume of produced water extracted from the coal seams during the production of natural gas at Camden is managed sustainably by being transported from site to a third party EPA licensed treatment facility where it is treated and then beneficially reused for industrial purposes.

As part of the Environment Protection Licence for the Camden Gas Project issued by the New South Wales Environment Protection Authority, AGL is required to publish produced water quality monitoring data on its [website](#).

#### *Irrigation trial (Gloucester Gas Project)*

AGL has been irrigating (blended) produced water from the Gloucester Gas Project pilot testing programs. This approved irrigation trial allows the irrigation of a maximum of 70 ML of produced water over a maximum area of 40 hectares. The produced water from exploration programs, which is stored in on-site (lined) ponds, is blended with water from freshwater sources to ensure that the water quality is suitable for irrigation use.

Monitoring has shown that during the 12 month period to 4 July 2014 there was no change in stream levels, alluvial or shallow fractured rock groundwater levels attributable to the irrigation program activities. Similarly there was no change in the water quality characteristics of the adjacent Avon River and underlying groundwater systems.

Salt tolerant crops have been successfully grown with no impacts to surface water or groundwater, and only a minimal increase in salt levels to soils.

#### *Proposed desalination plan (Gloucester Gas Project)*

As part of the Stage 1 development of the Gloucester Gas Project, AGL is planning to treat produced water using a desalination technology called reverse osmosis. This process will reduce the amount of salt to a point where the water can be used directly for irrigation or returned to the environment. During 2014, AGL commenced the preparation of the Gloucester Gas Project Extracted Water Management Strategy, which was released as a consultation draft in August 2014.

#### Water consumption and water management data

Visit our [data centre](#) for:

- The amount of water consumed at our energy generation, upstream gas and corporate facilities, broken down by [facility type](#) and by [water source](#).
- The amount of water passed through our hydroelectric power stations and seawater used for cooling AGL Torrens (referred to as "[managed water](#)").

6,668<sub>GL</sub>



The volume of water passed through our hydroelectric generation facilities is equivalent to around 12 times the volume of water in Sydney Harbour.

 [Visit our Data Centre](#) | Managed water

★ Material issue

FY2015 commitment

**Water  
management**

AGL will continue to make publicly available material data relating to water at AGL sites.

## Environment

## Air, Waste and Noise

## Environment

- ★ Water Management
- > Air, Waste and Noise
- > Biodiversity, Land and Cultural Heritage
- > Greenhouse and Energy

## Related Information

National Pollutant Inventory

Continuous air monitoring data

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## Join the Conversation



## Air emissions

AGL has a portfolio of power generation plants which are fuelled by the combustion of fuels which result in the emission of combustion products to the atmosphere. Some of AGL's upstream gas assets also produce emissions to air.

Emissions to air from our operations can potentially contribute to regional airshed environmental issues, so it is important that our operations run efficiently and within the parameters set by regulatory licences. Undertaking regular maintenance helps keep equipment running efficiently and AGL monitors emissions to verify compliance with regulatory requirements.

Air emissions are reported to the Federal Government's [National Pollutant Inventory](#) (NPI) each year. The NPI is a publicly available database of emissions from Australian industrial facilities.

Emissions are also reported to state government regulators as required. As part of the Environment Protection Licences issued to Rosalind Park Gas Plant (Camden Gas Project) by the New South Wales Environment Protection Authority, AGL is also required to publish air monitoring data on our [website](#).

During FY2014, the EPA imposed two penalty infringement notices (aggregating \$2,500) relating to breaches of the Rosalind Park Gas Plant's Environmental Protection Licence. These breaches comprised failure to upload air quality monitoring reports to the website within 14 days of obtaining data (for February, March and April 2013), and brief exceedances of oxides of nitrogen (NO<sub>x</sub>) limits on two occasions in August 2013. In addition, AGL entered into enforceable undertakings with the EPA in August 2013, which included an obligation to pay \$150,000 in respect of a failure to comply with continuous air emissions monitoring obligations in the Camden Gas Project Environment Protection Licence.

AGL has implemented additional controls to prevent further exceedances and other non-compliance with Environment Protection Licences. See more under [legislative compliance](#).

Visit the [data centre](#) to view or download data relating to emissions of the following pollutant types:

- > [Carbon monoxide \(CO\)](#)
- > [Particulates \(PM<sub>10</sub>\)](#)
- > [Sulphur dioxide \(SO<sub>2</sub>\)](#)
- > [Oxides of nitrogen \(NO<sub>x</sub>\)](#)
- > [Volatile organic compounds \(VOC\)](#)

Greenhouse gas emission data (including information about fugitive methane emissions from coal seam gas projects) is also available in the [data centre](#), and discussed in the [greenhouse and energy](#) section of this report.

*Fugitive methane emission study*

Community stakeholders have expressed concerns about fugitive methane emissions from coal seam gas activities. In order to demonstrate that our operations at the Camden Gas Project are undertaken in accordance with industry best practice, AGL undertook a 12 week [fugitive methane emissions monitoring program](#).

In consultation with the community, 20 sites within the Camden Gas Project and five background locations were selected for the study to determine the concentration of methane that is typically experienced within and around the Camden Gas Project area.

The study was undertaken between April and July 2013 by external air quality specialists, Pacific Environment, using sophisticated monitoring equipment (Picarro G-2201-i Cavity Ring Down Spectrometer). 75 hours of methane concentration and isotopic ratio measurements were recorded.

Over the 12 week monitoring program, the average methane concentration was 2.1 ppm. This value is just above the global average of 1.8 ppm<sup>1</sup> and in line with methane concentrations measured in urban areas, which commonly range between 1.8 ppm and 3.0 ppm<sup>2</sup>.



## Waste

AGL's operations produce a variety of different waste streams which are either reused, recycled or disposed to landfill.

At AGL's industrial sites, opportunities to reuse wastes are sought, and materials such as scrap metal and waste oil are recycled. Hazardous wastes are transported to licensed waste management facilities using regulated waste tracking systems.

Visit the [data centre](#) to view or download the amount of hazardous and non-hazardous waste disposed and recycled from AGL's facilities.

## Noise

The generation of noise is an unavoidable characteristic of some of AGL's business activities, notably generation of electricity, and drilling undertaken as part of upstream gas projects. Many of AGL's projects involve development of rural land that is already occupied and used for other purposes by third parties. The management of noise is vitally important in such settings, where background noise levels are low and amenity expectations are high.

Some community stakeholders continue to be concerned about infrasound and low frequency sound impacting health arising from the operation of wind farms.

In 2014, the Australian Medical Association (AMA) released a [position statement](#) stating "The infrasound and low frequency sound generated by modern wind farms in Australia is well below the level where known health effects occur, and there is no accepted physiological mechanism where sub-audible infrasound could cause health effects".

Noise monitoring data for Macarthur Wind Farm is available on AGL's [website](#). The recorded infrasound levels at the Macarthur Wind Farm have not changed since construction of the wind farm, according to an [independent report](#) published in FY2014 by Resonate Acoustics, which AGL voluntarily commissioned to help alleviate community concern regarding noise.

1. (WMO, 2013), WMO Greenhouse Gas Bulletin, November 2013
  2. Philips et al., (2012) Mapping urban pipeline leaks: Methane leaks across Boston, Environmental Pollution 173, 1-4
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## Environment

## Biodiversity, Land and Cultural Heritage

## Environment

- ★ Water Management
- > Air, Waste and Noise
- > Biodiversity, Land and Cultural Heritage
- > Greenhouse and Energy

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## Join the Conversation



AGL operates and develops energy generation and upstream gas assets on land that, in many cases, has value for reasons of biodiversity and cultural heritage, in addition to its commercial value.

AGL's [health, safety and environmental management system](#) outlines the way in which potential impacts on biodiversity and cultural heritage resulting from AGL's activities should be identified, assessed and as far as is reasonably practicable, managed and minimised prior to activities being undertaken. All large AGL sites and projects also maintain risk registers which detail site specific risks and risk management measures related to biodiversity and cultural heritage.

Specific information about the management of biodiversity, land and cultural heritage is available on a project-by-project basis on the [AGL website](#), documented in project environmental assessments, project environmental management plans and/or other specific strategies. This includes the Newcastle Gas Storage Facility's [Biodiversity Offset Strategy](#).

Of particular note during FY2014:

- > AGL undertook a Benthic Habitat Assessment of the waters surrounding AGL Torrens including Angus Inlet (noting that the term 'benthic' can be described as anything associated with, or occurring on, the bottom of a body of water). This work was designed to replicate as far as practicable earlier studies undertaken from the 1970's through to the early 2000's. The findings indicated that Angus Inlet was not statistically different from areas within the adjacent Barker Inlet, North Arm or the Port River. Results suggest that as conditions in the estuary improve (as a result of reduced nutrient inputs from various sources), re-colonisation and adaptation of benthic community composition occurs readily.
- > In accordance with our planning permit in respect of the Macarthur Wind Farm, an extensive bat and avifauna monitoring program has been implemented. The aim of the monitoring program is to determine the level of collision deaths, particularly on threatened species of birds and bats at the wind farm. Results from the first 12 months of monitoring have shown no significant impact on threatened species. The primary protected bird species at the Macarthur Wind Farm is the brolga. There have been no brolga collisions with turbines and brolgas have successfully bred on the wind farm and continue to return to the site each year for the breeding season.

*AGL Biomass Policy*

In recognition of the effect that electricity generation can have on biodiversity, AGL has published a [Biomass Policy](#) which states that AGL will not source fuel for power generation from native forest or from crops located in areas cleared of native forest after 1990.

## Environment

## Greenhouse and Energy

## Environment

- ★ Water Management
- > Air, Waste and Noise
- > Biodiversity, Land and Cultural Heritage
- > Greenhouse and Energy

## Related Information

AGL Greenhouse Gas Policy

 Print PDF

## Join the Conversation



Greenhouse performance is both a function of a company's greenhouse gas emission footprints and how its business strategy will contribute to the overall greenhouse intensity of Australia's economy into the future.

AGL's commitment to renewable energy has not changed – AGL is still the leading private investor in renewables, having invested over \$3 billion in renewable energy generation in Australia.



AGL has been a strong supporter of the 20% Renewable Energy Target. However, due to ongoing policy uncertainty, apparent barriers to exit for incumbent aged thermal plant and material demand contraction, the existing 20% policy is likely to fail without the introduction of complementary policy. Further articulation of these issues is provided in the AGL Applied Economic and Policy Research Working Paper '[Energy-only markets and renewable energy targets: complementary policy or policy collision?](#)'.

As detailed in the [AGL Greenhouse Gas Policy](#), AGL has been a long-standing advocate of an emissions trading scheme as the optimal mechanism for reducing greenhouse gas emissions over the long term, consistent with Australia's international obligations. In July 2014, the Commonwealth Government repealed the Clean Energy Act and subsequently removed the applicability of carbon pricing in Australia. AGL continues to articulate the ongoing costs associated with the lack of bipartisan agreement about the policy mechanism to give effect to Australia's emission reduction targets (see '[Delayed Carbon Policy Certainty and Electricity Prices in Australia](#)').

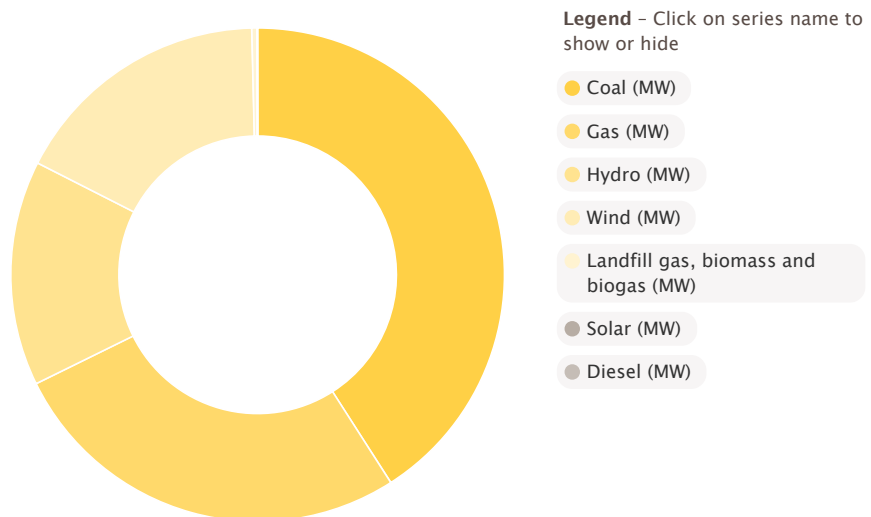
Further information about AGL's position on the renewable energy target and the repeal of the carbon price is available in the [energy policy uncertainty](#) and [public policy](#) sections of this report.

## Generation assets

AGL has investments across a wide range of electricity generation technologies. We remain the largest ASX-listed owner, operator and developer of large-scale renewable energy in the country. AGL commenced the construction of the Nyngan Solar Plant in January 2014, and the Broken Hill Solar Plant in FY2015. When complete, these plants will deliver 155 MW of new renewable energy to the grid.

### Installed capacity of operated generation assets

There has been no change to AGL's generation assets during FY2014.



#### Notes

- > This breakdown includes only those generation facilities where AGL has operational control, as at 30 June.
- > Installed capacity generally refers to the name plate capacity / capacity as registered with AEMO (as market operator of the National Electricity Market), except in circumstances where there is a network or technical constraint and where generators are outside the NEM.
- > Cogeneration plants are included in the 'gas' category. In addition to the electrical generation capacity, AGL's operated cogeneration plants have the capacity to produce 21 tonnes of steam per hour.
- > Historical data is available in the download file.

#### GRI Reference: EU-1

[Visit our Data Centre](#) | Installed capacity of operated generation assets

### Greenhouse gas emissions

AGL uses three approaches to measure and communicate our greenhouse gas emissions. These greenhouse footprints are available in our [data centre](#), and provide a complete account of the annual greenhouse impacts from our business:

- > The [operational greenhouse gas footprint](#) covers the emissions from activities and assets that AGL operates.
- > The [equity greenhouse gas footprint](#) sets out AGL's share (by percentage investment level) of the emissions from fully or partly owned assets, regardless of who operates the asset. The Equity Footprint indicates to AGL shareholders the greenhouse gas impacts associated with their investment.
- > The [energy supply greenhouse gas footprint](#) estimates the supply chain emissions associated with the energy which we sell to our customers, covering emissions resulting from the production, transportation, distribution and consumption of electricity and gas.

## AGL emitted 19.9 MtCO<sub>2</sub>e in FY2014, down 3% compared to FY2013.

 [Visit our Data Centre](#) | Operational greenhouse gas footprint and net energy production

Following the acquisition of Macquarie Generation in September 2015, AGL will become Australia's largest scope 1 (direct<sup>1</sup>) greenhouse gas emitting business in FY2015. It is important to note that AGL's acquisition of the Macquarie Generation's assets does not represent an increase in total emissions from the Australian electricity generation sector, but rather a reallocation of emissions from one organisation to another.

### Greenhouse gas intensity

The greenhouse intensity of AGL's operated generation portfolio decreased by 4% this year, primarily due to a 3% reduction in output from our coal and gas fired power stations.



 [Visit our Data Centre](#) | Carbon intensity of operated generation assets

### Energy use and production

Visit the [data centre](#) to view or download information about the amount of [electricity generated](#) by our operations, as well as details of the [energy consumed](#) in our operations.

1. Greenhouse gas (GHG) emission types can be explained as follows: **Scope 1** - all direct GHG emissions; **Scope 2** - Indirect GHG emissions from consumption of purchased electricity, heat or steam; and **Scope 3** - other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transportation and distribution losses) not covered in Scope 2, outsourced activities, waste disposal, etc.



Sustainability Performance

## Economic Performance

### Economic Performance

- ★ Profitability
- > Gas Supply
- > Electricity Generation
- > Retail Energy
- > Supply Chain

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### Join the Conversation



#### Image caption

AGL Employee, Chris, Senior Physical Markets Trader.

AGL sells gas and electricity to residential, small business, commercial and industrial customers. The cost of supply can fluctuate with movements in underlying wholesale energy prices.

### AGL's integrated business strategy balances risk between upstream supply of energy and customer demand for energy.

Vertical integration provides AGL with a natural hedge against energy price movements, while providing access to multiple profit pools. Operating across the National Electricity Market provides further diversification of earnings streams. Benefits flow through to customers in the form of competitive energy costs and to shareholders in the form of dividends resulting from diversified sources of income and improved quality of earnings. This approach is known as the AGL integrated business strategy.

Delivery of AGL's integrated business strategy has a direct influence on our [profitability](#) and on other financial performance indicators.

In a difficult operating environment due to reducing energy demand and continued policy uncertainty, AGL is focused on optimising our performance and growing our core business across our Merchant Energy, Retail Energy and Upstream Gas groups, and on identifying and delivering on opportunities for future growth.

Visit the [community engagement](#) section of this report for an outline of AGL's economic contribution to the community arising from coal seam gas projects, through local employment, use of local suppliers and investment in local community programs.

This section focuses on:

- > **Profitability** – record warm weather, declining average consumption amongst residential customers, and continued strong retail competition all restricted AGL's earnings growth. However, AGL's continued focus on capital management enabled us to maintain a strong balance sheet and retain a BBB credit rating, which supports our ability to fund future growth and access a variety of funding markets.
- > **Gas supply** – AGL plays an important role in the Australian east coast gas market, with our Camden facility being the only local source of gas supply in New South Wales, and our recent receipt of regulatory approvals to commence exploration activities at our Gloucester Gas Project being a vital step in enabling a more substantial local supply of gas for New South Wales. AGL has also played an important role in advancing the policy reform agenda by demonstrating, with supporting economic modelling, the gas supply shortfall that may affect New South Wales in coming years in the absence of new sources of gas supply.

- > **Electricity generation** – AGL has Australia’s largest privately owned, operated and controlled portfolio of renewable generation assets, operates gas and coal fired power generation facilities, and continues to make disciplined investments to grow our generation portfolio through renewable, coal fired and gas fired generation.
  - > **Retail** – the retail energy markets in which AGL operates are among the most competitive in the world, which necessitates optimising AGL’s retail operating model to deliver a ‘lowest-cost-to-serve’ outcome. AGL is implementing an important strategic retail program over the course of the year and beyond to grow our market share of value while maintaining the overall share of customers.
  - > **Supply chain** – AGL recognises that embedding sustainability considerations as part of the organisation’s procurement processes and strategy is a long-term commitment that will require significant changes to the traditional sourcing approach.
-

## Economic Performance

# Profitability

### Economic Performance

#### ★ Profitability

- > Gas Supply
- > Electricity Generation
- > Retail Energy
- > Supply Chain

### Related Information

2014 Annual Report

2014 Financial Report

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### Join the Conversation



AGL delivered an Underlying Profit of \$562 million for FY2014, down 3.9% compared to the prior corresponding period.

Record warm weather, declining average consumption amongst residential customers and continued strong competition – especially in the Business customer segment – all restricted earnings growth.

AGL shareholders were paid dividends totalling 63 cents per share for the full FY2014 financial year, equal to FY2013 payments.

At AGL's Annual General Meeting on 23 October 2014, [earnings guidance](#) was provided for FY2015.

# CREDIT RATING BBB



A continued focus on capital management has enabled AGL to maintain a strong balance sheet.

 [Visit our Data Centre](#) | Credit rating

The retention of AGL's BBB credit rating along with improved capital efficiency substantially enhances AGL's ability to fund future growth and also provides more favourable borrowing margins and access to different funding markets, domestically and overseas.

Visit the [data centre](#) for the [financial performance summary](#), as well as key economic performance indicators, including [EBIT to funds employed](#) and [Net OPEX to gross margin ratio](#). Detailed financial information is also available in AGL's [2014 Annual Report](#).

#### ★ Material issue

#### FY2015 commitment

#### Profitability

Outcomes consistent with AGL's long-term incentive plan (LTIP) performance hurdles<sup>1</sup>

1. Per AGL's 2014 Annual Report, benefits commence accruing to executives under the LTIP if total shareholder return exceeds 4 percent. However, a TSR of 9 percent is required to be achieved if executives are to receive in their notional bank accounts 100 percent of their entitlement to share performance rights. Full details of the operation of the LTIP are set out in the Remuneration Report commencing on page 53 of the Annual Report.



## Economic Performance

## Gas Supply

## Economic Performance

- ★ Profitability
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## Related Information

AGL Annual Reserves Assessment

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## Join the Conversation



## An important priority for AGL is to grow our upstream gas portfolio to ensure long-term, sustainable and market competitive energy supplies for our customers.

We are currently witnessing a significant transformation of the gas market on the east coast of Australia arising from a profound increase in aggregate demand resulting from LNG export facilities being constructed in Gladstone, Queensland. This will eventually have a major impact on gas supply into New South Wales given its current reliance on gas from interstate. New South Wales only produces enough gas to satisfy around 5% of its indigenous gas consumption (which is sourced from AGL's Camden Gas Project). At the same time, policy settings in New South Wales are restricting the development and exploration of new sources of local gas supply.

A recent [AGL Applied Economic and Policy Research Working Paper](#) has shown that New South Wales could experience up to 21 days of gas supply shortages from winter 2016, which may cause significant disruption to the manufacturing sector in particular. It is imperative that the New South Wales Government addresses these issues as a matter of priority by implementing policy settings that will expand current sources of gas supply in the State and remove non-scientific obstacles to supply development.

Significantly, AGL recently received the regulatory approvals necessary to commence exploration activities at the [Gloucester Gas Project](#). This allows AGL to fracture stimulate and flow test four existing gas wells located within the Gloucester Gas Project. This is an important step in securing a local supply of gas for New South Wales. The first gas from Gloucester is expected to be available from around 2017, and it has the potential to supply more than 15% of New South Wales' gas needs by FY2018.

The Gloucester Gas Project will create several hundred jobs throughout the construction and commissioning phases, and up to 40 ongoing local jobs during operations. It has also made an important economic contribution to the Gloucester community during FY2014. 62% of those employed at the project were local to the Gloucester area, and 25% of the suppliers to the project were local, which comprised over \$1 million. Visit the [data centre](#) for more information about the economic contributions of AGL's coal seam gas projects.

## Gas from Gloucester will remain in New South Wales, and could lower wholesale gas prices by 12% and deliver 16,000 jobs by 2035<sup>1</sup>.

AGL has been consulting with the community about the Gloucester Gas Project since 2009 and will continue to keep the local community informed of its activities. You can learn more about AGL's community relations initiatives at Gloucester and our other major projects in the [community engagement](#) section of this report.

AGL is also currently constructing the Newcastle Gas Storage Facility. The facility, the first of its kind in New South Wales, will provide a safe and effective way to store natural gas, which is transported to Newcastle through existing gas pipelines between Sydney and Hexham. The facility will have the capacity to store about two weeks' supply of gas for the Greater Newcastle region. It will play a critical role in ensuring security of supply during periods of peak energy demand or supply disruptions, and will allow AGL to ensure customers are not affected by supply constraints, particularly on cold winter days.

Installation of the Newcastle Gas Storage Facility and associated infrastructure is estimated to cost around \$300 million. The construction phase is providing employment opportunities in the region (up to 300 people). Operation of the facility will create an estimated 15 permanent full-time jobs.

The Newcastle Gas Storage Facility project is vital to the economic and social welfare of New South Wales as it will develop critical energy infrastructure that:

- › provides greater security of gas supply;
- › creates additional capacity to supply the growing demand for gas in New South Wales;
- › generates economic benefits for the state during the construction, commissioning and operational phases; and
- › supports the emerging coal seam gas industry in the Hunter and Gloucester regions.

## Reserves

Over the past 12 months, AGL's share of gas reserves increased by 162 PJ (9.4%) to 1,891 PJ at the 2P level, and by 200 PJ (6.0%) to 3,526 PJ at the 3P level. Refer to AGL's [Annual Reserves Assessment](#) for further information.

- 
1. ACIL Allen Consulting, "Future NSW Gas Supply and Usage: Economic Benefits of Increased Coal Seam Gas Development".

## Economic Performance

## Electricity Generation

## Economic Performance

- ★ Profitability
- > Gas Supply
- > **Electricity Generation**
- > Retail Energy
- > Supply Chain

## Related Information

2014 Annual Report

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 Print PDF

## Join the Conversation



AGL has Australia's largest privately owned, operated and controlled portfolio of renewable generation assets, and also operates gas and coal fired power generation facilities.

AGL has continued to make disciplined investments to grow our generation portfolio:

- > In September 2014, AGL acquired the assets of Macquarie Generation from the New South Wales Government, adding scale and diversity to our generation portfolio. With a short-run marginal cost 35-45% lower than other base-load generators in New South Wales, these assets will play a critical role in ensuring cost effective supply of electricity in New South Wales. The assets provide a physical hedge for AGL's New South Wales retail customer load.
- > Construction of the Diamantina (242 MW CCGT) and Leichhardt (60 MW OCGT) gas fired power stations in Mount Isa was largely completed during FY2014, with both power stations currently undergoing commissioning. AGL has a 50% interest in these power stations.
- > Construction of the 102MW Nyngan Solar Plant commenced in January 2014. This plant, along with the Broken Hill Solar Plant (construction commenced following the close of FY2014) is due for completion in 2015.

AGL has a pipeline of further renewable development opportunities. However, the policy uncertainty regarding the Renewable Energy Target scheme as well as depressed wholesale electricity prices has meant it is unclear what return will be achievable on future renewable projects. There are structural market issues—most notably the chronic oversupply of aged thermal plant—that require resolution to create a sustainable basis for future investment in renewable generation. Visit the [energy policy uncertainty](#) section of this report for further information, or read the working paper '[Energy-only markets and renewable energy targets: complementary policy or policy collision](#)' (August 2014).

The current and future earning potential of AGL's electricity generation portfolio is influenced by many factors, including the operational efficiency of the assets and their availability and ability to start reliably when electricity prices are high.

Visit the data centre to view or download the following information about our generation portfolio:

- > [Installed capacity of operated generation assets](#)
- > [Electricity output](#)
- > [Commercial availability / start reliability](#)
- > [Wind farm generation](#)

## Economic Performance

## Retail Energy

## Economic Performance

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## Related Information

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## Join the Conversation



## Optimisation of AGL's operating model to deliver a 'lowest-cost-to-serve' outcome is crucial, given that retail energy markets in which AGL competes are among the most competitive in the world.

AGL is focusing on growing its margins by leveraging its upstream strategy and achieving retail economies of scale through a service platform capable of supporting four to five million customers. Our outlook for the coming year is to lift gross margins while driving customer value and loyalty.

We are seeking to increase our focus on customer value rather than customer numbers, by implementing value segmentation to drive market share in higher value segments, and deliver affordability in lower value segments, while improving profitability. We also aim to further capitalise on our call centre's market leading operational metrics that free up operator time, to promote AGL's loyalty propositions such as monthly billing, fly buys, and direct debit account management.

AGL intends to prioritise product innovation over the coming year, so as to enhance customers' experiences through innovative product and service offerings. We plan to embrace advances in technology in order to meet changing consumer needs and preferences. For example, AGL intends to develop mobile and digital technology including through the launch of an AGL mobile app as a key customer channel. We also plan to use the roll-out of digital meters and other devices as a means of tailoring product offerings to the needs of different customer segments. The [customer experience](#) section outlines some important initiatives that AGL is putting in place over the coming year to develop innovative energy solutions to maximise customers' experiences.

AGL has successfully achieved the strategic goal to grow its New South Wales electricity customer base to over 800,000 by 30 June 2014, enabled by the completion of Project Storm and acquisition of APG in October 2013. APG was successfully integrated into AGL in the second half of FY2014.

In recent years there has been a contraction in the average volume of electricity usage by consumers, as they have become more energy conscious and are increasingly taking up energy efficiency measures and rooftop solar generation. Combined with a difficult environment for the manufacturing sector and milder weather conditions, this has led to a fall in centralised electricity demand. While presenting some challenges, these shifts also provide opportunities.

In Retail Energy, AGL has implemented plans through the Must Win Battles program to drive a step change in customer service and experience. This program will focus on four key areas: Win and Keep Valuable Customers; Make it Easy for Customers; Deliver Leading Digital Solutions; and Know our Customers. This will enable AGL to grow its market share of value while maintaining the overall share of customers.

In addition to the Must Win Battles program, AGL has also implemented a three-year strategy to improve credit risk management practices and systems.

### Deregulation of retail energy markets

A key issue in the retail energy industry has been the regulation of household and small business electricity and gas prices by State Governments.

Deregulation of retail energy markets in Australia is now largely complete, with New South Wales announcing in April 2014 the deregulation of retail electricity from 1 July 2014. Queensland electricity will also be deregulated from 1 July 2015 (as announced in FY2013). New South Wales gas is the only market that will continue to be regulated after 1 July 2015, however this is by way of relatively light-handed Voluntary Transitional Pricing Arrangements between IPART and retailers under which IPART approves a price path for retail gas price movements based on likely movements in underlying costs. This allowed an 11.7% increase in AGL's retail gas prices from 1 July 2014.

## Electricity tariff reform

There is a significant need for tariff reform in Australia. Currently, networks price their electricity using average cost tariffs. In the context of the increased penetration of residential solar PVs, this has led to economic inefficiencies and social inequities. Explicit subsidies, funded by electricity consumers through feed-in tariffs, have resulted in customers without solar PV's cross subsidising customers with it. An [AGL Applied Economic and Policy Research Working Paper](#) has highlighted the social inequity of these policies.

It is necessary for average cost tariffs to be replaced with cost reflective pricing structures that incentivise customers to use electricity most efficiently and which optimise the capacity utilisation of the network. By way of example, this could take the form of demand tariffs that are based on the 'capacity' required to service a household rather than how much 'energy' it consumes. Alternatively it could take the form of time-of-use tariffs, which price energy usage differently at different times of the day. This needs to be accompanied by the efficient roll-out of digital metering technology, on the basis of a contestable, market-led model.

These are important areas of policy reform that must be addressed as a priority.

## Key performance metrics

AGL uses a number of measures to monitor the efficiency of our retail energy business.

**3.8m**  
CUSTOMER ACCOUNTS

Total customer accounts increased by around 8%.

**1.9m**  
DUAL FUEL CUSTOMERS

Dual fuel customer numbers increased by around 15%.

 [Visit our Data Centre](#) | Customer accounts

High levels of retail competitor activity persisted throughout FY2014. AGL's customer churn for FY2014 decreased to 15.4%, compared to the rest of market churn (Queensland, New South Wales, Victoria and South Australia, excluding AGL customers) of 20.5%. The favourable gap is supported by strong product offers such as My AGL Monthly Bill, the flybuys reward scheme and interactive tools like AGL Energy Online and My AGL IQ.

Gross margin per customer fell 6.5% to \$187. Record mild weather conditions had a considerable effect on FY2014 performance, with the biggest effect being the very mild 2013 winter. Changing consumer behaviour and increased network costs also contributed to reduced energy demand.

The net operating expenditure to gross margin ratio increased to 54.5% from 49.3% in FY2013. This increase was due to lower volumes which reduced gross margin together with increased operating expenditure predominantly due to the acquisition of APG. Visit the [data centre](#) to view or download historical data.

The cost of serving each customer account increased by 8.1% compared to FY2014 to \$67, due to high net bad debt expenses from acquired APG customers, closure of the Canberra Customer Service Centre and other restructuring costs. Excluding net bad debt expense, the cost to serve per customer account increased by 1.8%, slightly below the rate of inflation.

Consumer net bad debt expense remains below 1% of revenue at 0.66%.

Further information and key data in relation to AGL's performance is included in the [Customers](#) section.

## Economic Performance

# Supply Chain

## Economic Performance

- ★ Profitability
- > Gas Supply
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- > **Supply Chain**

## Related Information

AGL Supplier Code of Conduct

 Print PDF

## Join the Conversation



With more than 4,500 vendors, our sustainability performance is strongly reliant on our suppliers.

**AGL's Sustainable Procurement Program is a company-wide initiative designed to embed sustainability principles into our supply chain practices.**

During FY2014, AGL developed a [Supplier Code of Conduct](#) (published in September 2014) outlining the minimum set of requirements that suppliers must adhere to when engaging in business with AGL. The Code covers Corporate Governance and Ethics, Risk Management, Labour Policies, Human Rights and Discrimination, Occupational Health and Safety, Environmental Management, Community and Supply Chain.

From October 2014, suppliers will be expected to comply or be working towards compliance with the areas outlined in AGL's Supplier Code of Conduct.

Performance will be assessed through the completion of a Supplier Code of Conduct questionnaire and a more detailed Sustainable Procurement questionnaire. Where areas of non-compliance have been identified, suppliers will be expected to collaborate with AGL and develop corrective actions to improve their sustainability performance over the life of the contract.

An internal Sustainable Procurement Policy was also developed in FY2014, providing guidance to AGL employees on embedding sustainability principles into procurement processes and activities.