



# About AGL

## About AGL

Message from the CEO

## Our business definition, ‘harness insights to enrich the customer’s energy experience’, means that our customers are at the heart of everything we do.

AGL Energy Limited (AGL) provides gas, electricity, solar PV and distributed energy services to more than 3.6 million customers across Queensland, New South Wales, Victoria and South Australia. Drawing on more than 175 years of experience, we’re focused on delivering new, innovative and integrated offerings to meet the changing needs of our customers in an ever-changing energy environment.

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 diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas, solar and biomass. We also operate natural gas storage facilities, and a coal seam gas production facility at Camden, New South Wales.

AGL is an ASX 50 listed company with 3,504 employees<sup>1</sup>.

## Our strategy

In May 2015, AGL announced a new strategic framework to improve return on funds employed and deliver sustainable earnings growth. The strategic framework builds on AGL’s strengths, recognising the challenges and opportunities in the existing business and the evolving energy industry. The strategy is aimed at increasing business productivity, driving retail profit growth and positioning AGL for success as the energy industry transforms. It recognises that organisational transformation will be required, including the creation of an anticipatory mindset and a commitment to an orderly transition to a carbon constrained future.

This framework incorporates three key components:

1. Embrace transformation: align structure with strategy; create anticipatory mindset
2. Drive productivity: improve capital allocation; improve operational efficiency
3. Unlock growth: grow retail energy’s share of value; invest in business models with the potential to profitably exploit new technologies.

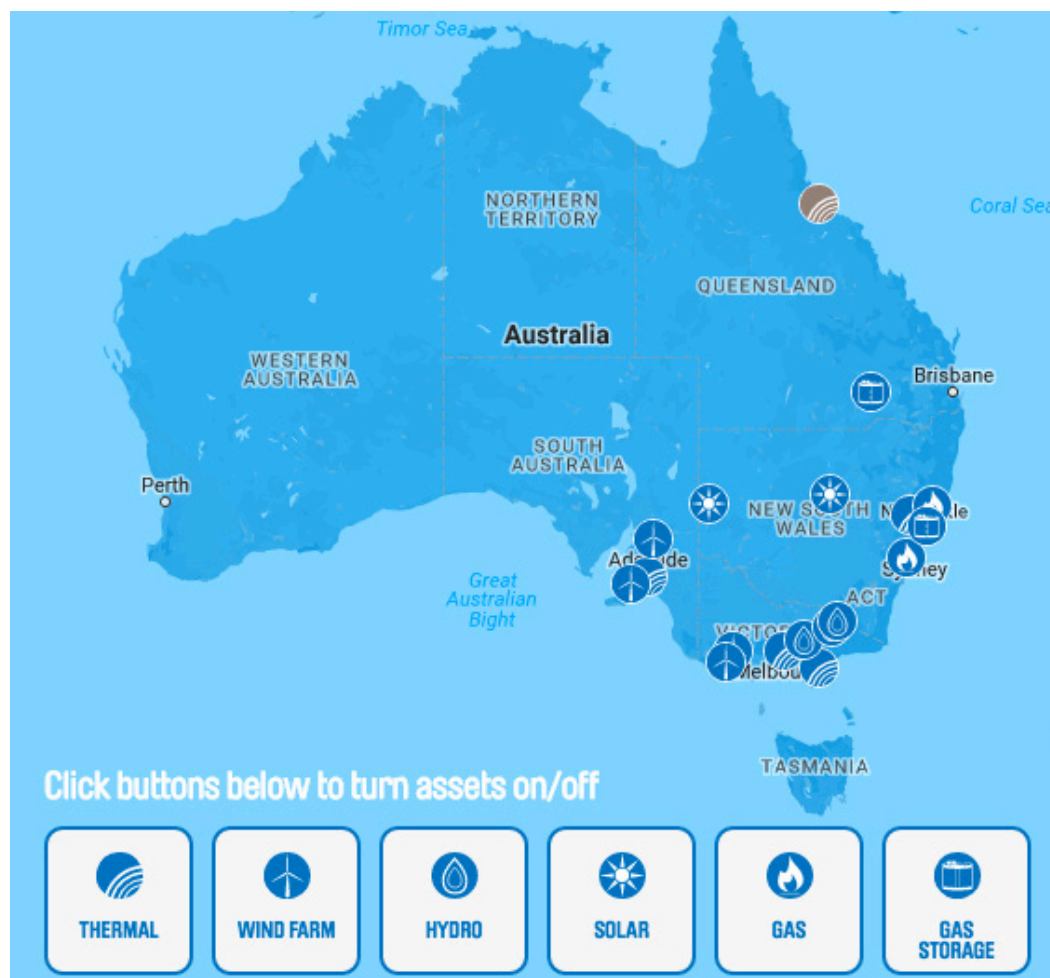
## Location of our significant assets

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 operate natural gas storage facilities, and a coal seam gas extraction and processing facility at Camden, New South Wales. Visit our [website](#) for more information on how we source energy.

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### Notes to the map

- > The electricity generation assets listed and displayed on the map comprise assets 50 MW and above as at 30 June 2016. Operated as well as partly owned or non-operated assets are included.
- > Gas production and storage assets listed and displayed on the map comprise gas storage assets, AGL's Camden Gas Project (operational), and the Gloucester Gas Project, where as of 30 June 2016 AGL was in the process of rehabilitating the site in preparation for surrendering the PEL to the New South Wales Government. Gas assets that were divested during FY2016, or are in the process of being divested, are not included.
- > Average Australian homes powered estimated using FY2016 generation data and Australian residential electricity use as published in Electricity Gas Australia 2015.

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## Projects under development and construction

AGL has a range of projects in different stages of development to provide strategic depth and flexibility to our electricity generation portfolio and deliver reliable and affordable energy to our customers.

During FY2016, AGL prioritised planning and development activities to progress the following projects:

- > Coopers Gap Wind Farm, up to 350 MW of renewable energy in Queensland; and
- > Silverton Wind Farm, up to 200 MW of renewable energy in New South Wales.

During FY2016, the following project commenced commercial operation:

- > 53 MW solar plant at Broken Hill in New South Wales (achieved full generation on 15 October 2015, and practical completion on 10 December 2015). Refer to our website for more information about this [plant](#).

## Investments and divestments

Material acquisitions made during FY2016 comprised:

- > In February 2016, AGL made a US\$20 million investment in leading US-based energy storage and management company, Sunverge Energy Inc. (**Sunverge**), to enhance its energy storage management capabilities and help accelerate the adoption of energy storage in the Australian market.

Divestments completed or announced during FY2016 comprised:

- > In July 2015, AGL announced its intention to divest the Hunter Gas Project (PELs 4 and 267), PEL 2 and AGL's Queensland gas assets, namely Galilee, Cooper Oil and Moranbah. Further to this, in February 2016, AGL also announced that it would not proceed with the Gloucester Gas Project (PEL 285), and would sell its Moranbah, Silver Springs and Spring Gully assets, as well as exiting the Camden Gas Project in 2023. As of 30 June 2016:
  - AGL has relinquished PELs 2, 4 and 267 to the New South Wales Government.
  - PEL 285 (Gloucester) will be relinquished following completion of the gas well and monitoring bore rehabilitation project.
  - The sale of the Galilee Gas Project was completed on 27 August 2015.
  - The sale of the Cooper Oil Project (ATP1056P) was completed on 3 March 2016.
  - The Moranbah, Silver Springs and Spring Gully assets have not yet been divested.
- > On 29 March 2016, AGL sold its 50 percent equity interest in the Diamantina Power Station joint venture (**DPS**) to APA Group, its joint venture partner in DPS.
- > On 7 September 2015, AGL sold its 50% participating interest in the Macarthur Wind Farm. AGL will continue to operate and maintain the wind farm, and will retain the rights to all Renewable Energy Certificates and electricity output until 2038.

1. Based on headcount. There were 3,358 employees on a full time equivalent (FTE) basis as of 30 June 2016.

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## Message from the CEO

It is my pleasure to introduce you to AGL Energy's 2016 Sustainability Report. This is our opportunity to demonstrate how we address the responsibilities we have to all our stakeholders (our people, customers, shareholders and the wider community) and to the environment in which we live and work.

AGL is committed to transparency and accountability for our performance in relation to the social, environmental and economic challenges the energy industry faces at this time of significant change. We operate in a competitive and regulated environment, facing challenges to adapt to a carbon-constrained economy that require innovation, agility and exceptional customer service.

So we are embracing transformation and pursuing opportunities that position us well for the future. To that end, let me share with you a snapshot of AGL's achievements in FY2016.

Our new and innovative investment vehicle, The Powering Australian Renewables Fund, has attracted high-quality funding partners and is aimed at facilitating the construction of approximately 1,000 MW of renewable generation.

AGL has invested in empowering technologies, such as a digital metering business and offering more flexible methods of financing and paying for solar through AGL Solar.

AGL is also providing more 'in home' energy services such as energy storage. Our battery storage management capabilities were enhanced with our US\$20 million investment in leading US-based energy storage and management company, Sunverge Energy Inc.

Using the Sunverge platform, AGL is developing the world's largest Virtual Power Plant in South Australia, deploying 1,000 connected batteries in homes and businesses with solar to create a 5 MW solar peaking plant.

We also ran the first retailer-led trial to investigate how emerging technologies can be used to balance spikes in electricity demand due to hot weather and, ultimately, reduce electricity system augmentation costs.

I am particularly proud of the progress we have made in addressing the individual needs of our customers and our AGL people. For example, we now have an integrated domestic violence policy to better support our people and customers who are dealing with domestic violence.

Gender diversity continues to be a focus for AGL and, as we aspire to a 50 percent female appointment rate to the senior leadership pipeline, we've seen an increase already from 33 to 41 percent for external appointments.

Our commitment to building a diverse workforce and an inclusive workplace culture is now underpinned by a strategy where working flexibly is the norm, not the exception.

And overarching all that we do is AGL's aspiration for health and safety: zero harm to our people. A strong, risk-focused safety culture is critical for AGL to reach that goal.

I trust that you will find our 2016 Sustainability Report informative.



**Andy Vesey**  
Managing Director & CEO



# Sustainable Business Strategy

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**At AGL, sustainability means thinking about the responsibilities we have to all our stakeholders (our employees, our customers, our investors, and the community) and to the environment in which we all work and live.**

Our future success and reputational standing is shaped and measured by more than just our economic performance. It is also influenced by the social and environmental consequences of our decisions and actions for all our stakeholders.

As a retailer of electricity, gas and distributed energy services, AGL is the provider of an essential service to over 3.6 million residential and business customers across Australia. Our customers want competitively priced, reliable, and innovative energy solutions, delivered with minimal environmental impact.

AGL's [sustainability framework](#) helps us to manage these complex and often competing priorities. It provides a set of parameters by which AGL can measure and report on how we are addressing the interests and concerns of key stakeholders on fundamental areas of our business.

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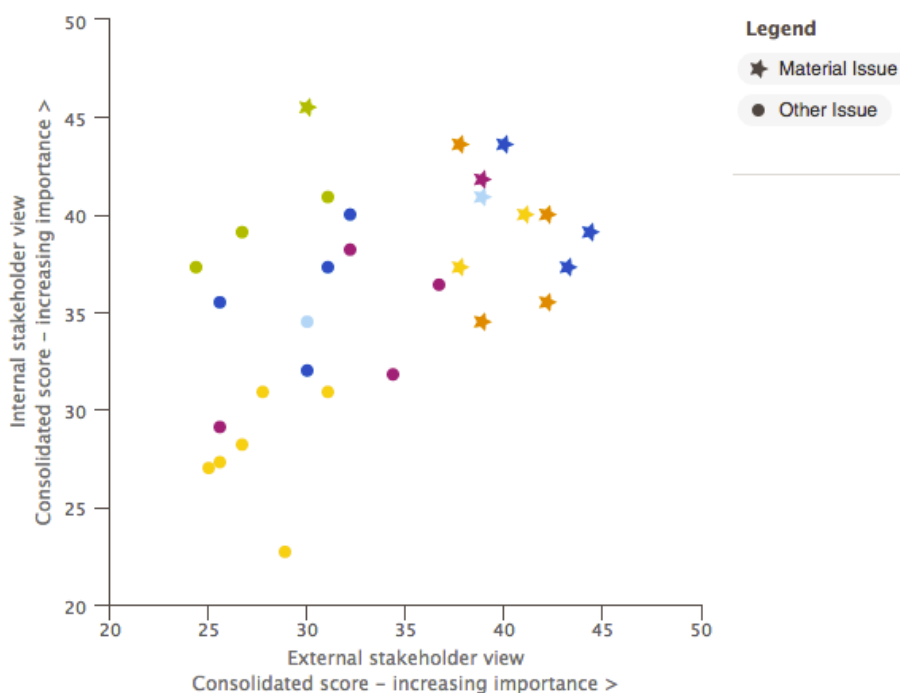
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**AGL recognises that there is a need to balance the desire for increased transparency with the imperative to provide more focused and accessible disclosures on the issues that are most important to stakeholders.**

During FY2016, 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 the targets for FY2017.

### Materiality matrix - 2016





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### Review process

The process for undertaking the review is shown below.

#### 1. Identification of sustainability challenges and stakeholders

- > 42 sustainability challenges were identified based on a review of stakeholder concerns, sector issues and AGL's business risks.
- > 11 internal stakeholders and 11 external stakeholders were selected to ensure balance and coverage between themes and issues.

#### 2. Ranking of challenges by internal and external stakeholders (independently-facilitated review)

- > Stakeholders completed a detailed survey ranking the sustainability challenges and participated in one-on-one interviews.
- > Issues were ranked from 1 to 5, with 5 being extremely important.

#### 3. Issue consolidation and identification of top 12 material issues

- > Survey and interview results were reviewed, and several similar sustainability challenges were subsequently grouped together into categories, resulting in 30 sustainability issues.
- > Internal rankings and external rankings were added together, with the 12 highest scoring issues designated as "material" for FY2016.

#### 4. Validation

- > Results were presented to the Safety, Sustainability and Corporate Responsibility Committee for validation and approval.

#### Stakeholders who participated in the review:

- > 11 internal stakeholders were selected from the Enterprise Leadership Team and other senior managers to cover the breadth of our operations;
- > Members of AGL's Climate Change and Customer Councils (environmental and social NGOs); and
- > Representatives from the investment community, energy industry, regulators and community committees.

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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.

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.
- > Our [sustainability framework](#), through which targets and commitments to drive performance are established, tracked and measured.
- > An outline of [how we operate](#), encapsulating our approach to stakeholder engagement, corporate governance, ethical conduct, legislative compliance and public policy engagement.
- > Performance information about our key sustainability issues, divided into the five subject areas of [customers](#), [community](#), [people](#), [environment](#) and [economic performance](#).
- > 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, policies, and 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 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 Disclosure for the Electric Utilities sector, and contains a full [GRI index](#). Following the strategic decision that exploration and production of natural gas assets will no longer be core business for AGL, the G4 Sector Disclosure for the Oil and Gas sector has no longer been applied.

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](#).

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 are 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 that 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 sustainability framework, and a selection of Greenhouse and Energy indicators which have been identified in the Assurance Statement).

AGL has also taken other guidelines into consideration when developing this report, including the Australian Council of Superannuation Investors (ACSI) and the Financial Services Council (FSC) ESG Reporting Guidelines for Australian Companies 2015, published in March 2016.

We engaged Deloitte Touche Tohmatsu ([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.



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Material issue	Covered by general standard disclosures	Covered by specific standard disclosures		Aspect boundary
	GRI category	GRI category / sub category	GRI aspect	
Ethical conduct	Ethics and Integrity	—		<p>Within the organisation.</p> <p>Outside the organisation – all stakeholders (including customers) with whom we deal, regardless of their location.</p>
Energy market evolution	—	—		<p>Within the organisation.</p> <p>Outside the organisation - customers, communities and the environment in Australia (and globally with respect to climate change policies).</p>
Distributed energy services	—	Economic	Demand side management	Outside the organisation – AGL's customers across the states where we operate.
Customer satisfaction	—	Product responsibility	Product and service labelling	<p>Within the organisation.</p> <p>Outside the organisation – AGL's customers across the states where we operate.</p>
Climate change	—	Environmental	Emissions	<p>Within the organisation.</p> <p>Outside the organisation – customers, communities and the environment in Australia and globally.</p>
Profitability	—	Economic	Economic performance	Within the organisation.
Public policy engagement	—	Society	Public Policy	<p>Within the organisation.</p> <p>Outside the organisation – customers, communities and the environment in Australia (and globally with respect to climate change policies).</p>
Community engagement	—	Society	Local communities	Outside the organisation – local communities adjacent to AGL's operating (and developing) upstream gas and electricity generation facilities, and the community.
Energy prices and affordability	—	Product responsibility	Access	Outside the organisation – AGL's customers across the states where we operate.
Health and safety	—	Labour practices and decent work	Occupational health and safety	Within the organisation.

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Material issue	Covered by general standard disclosures	Covered by specific standard disclosures		Aspect boundary
		GRI category	GRI category / sub category	
Renewable energy investment	–	–		Within the organisation.  Outside the organisation – customers, communities and the environment in Australia and globally.
Energy efficiency	–	Environmental	Demand side management	Outside the organisation – AGL's customers across the states where we operate.

### 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 2016 (FY2016). All data in this report relates to FY2016 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. The performance of joint ventures which are not operated by AGL is also excluded.

AGL has published sustainability reports since FY2004 and historical reports are available on the [AGL website](#). AGL's previous Sustainability Report was released on 30 September 2015, covering the 2015 financial year ended 30 June 2015 (FY2015).

### Assurance

Deloitte Touche Tohmatsu ([Deloitte](#)) was engaged to undertake limited assurance of the 2016 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 [FY2016 sustainability targets](#), 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 reports remain relevant to AGL's overall business strategy and the needs of our stakeholders.

### Limitation

Whilst all reasonable effort has been made to provide accurate information in this Sustainability Report, AGL does not warrant or represent its accuracy. Anyone seeking to rely on information in this report or draw detailed conclusions from the data should contact AGL.

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AGL established targets and commitments to drive performance, behaviours and transparency around each of our top 12 material issues for FY2016. Click on the sections below to view our performance against each target and to see the new targets that have been set to guide our performance in FY2017.

#### > How we operate

### Energy market evolution ☆

Contribute to the development of an electricity market design and regulatory framework that facilitates safe, reliable, affordable and decarbonised electricity supply from centralised and distributed sources.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	✓ Publish <b>two</b> thought leadership papers which contribute to sustainable market design.

### Ethical Conduct ☆

Act ethically in all activities in accordance with the AGL Code of Conduct.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Reduction in the rate <sup>1</sup> of substantiated issues relating to unacceptable behaviour in the workplace ≥ <b>33%</b>	Reduction in the rate of substantiated issues relating to unacceptable behaviour in the workplace: <b>55%</b> <sup>2</sup>	✓ Number of substantiated issues relating to unacceptable behaviour in the workplace: <b>0</b>

### Public policy engagement ☆

Engage transparently with governments to facilitate the development of sensible public policy.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
AGL will undertake a stakeholder engagement survey during FY2016 and publish the results.	Stakeholder engagement survey undertaken. Results are have been published on the <a href="#">AGL Blog</a> .	✓ AGL will publish all material submissions in relation to public policy matters on the AGL Blog.  and AGL will annually disclose all groups which it is a member of that may influence public policy.

### Corporate Governance

Adopt best practice corporate governance principles.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Governance score achieved in the DJSI Corporate Sustainability Assessment <sup>3</sup> : ≥ <b>previous year score</b>	Corporate Sustainability Assessment was not undertaken. Refer to the <a href="#">corporate governance</a> section for further information.	✗ AGL will continue to publish its approach to corporate governance through the annual Corporate Governance Statement.

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### Legislative compliance

Comply with legislative requirements across the organisation.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Number of adverse court findings in relation to Australian Consumer Law <sup>4</sup> : <b>0</b>	Number of adverse court findings in relation to Australian Consumer Law: <b>0</b>	✓ Number of adverse court findings in relation to Australian Consumer Law <sup>6</sup> : <b>0</b>
Number of fines or penalties in relation to environmental licences <sup>5</sup> : <b>0</b>	Number of fines or penalties in relation to environmental licences: <b>3</b>	and Number of fines or penalties in relation to environmental licences <sup>7</sup> : <b>0</b> and The Environmental Regulatory Reportable Frequency Rate (ERRFR) <sup>8</sup> : <b>&lt; 1.5</b>

### > Customers

### Customer experience ☆

Provide a superior experience that meets the needs of our customers.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Annual mean customer satisfaction score <sup>9</sup> : <b>&gt; major competitors</b>	Annual mean customer satisfaction score: <b>7.26, which was higher than that of our major competitors<sup>10</sup></b>	Net promoter score <sup>11</sup> : <b>Improvement in average annual NPS score compared to FY2016<sup>12</sup></b>

### Energy prices and affordability ☆

Provide affordable energy solutions for our vulnerable customers.

### FY2017 Target / Commitment

Delivery of commitments under the Affordability Initiative: **100%**

### Distributed energy resources ☆

Provide a market-leading range of energy products and services that maximises customer value from distributed energy technologies.

### FY2020 Target / Commitment

Number of smart connections<sup>13</sup>: **1 million (by 2020)**

### Energy efficiency ☆

Provide innovative energy efficiency solutions for our customers, enabled by digital metering.

### FY2020 Target / Commitment

Number of smart connections<sup>13</sup>: **1 million (by 2020)**

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#### > Community

##### Community engagement ☆

Work side by side with the community to develop mutually beneficial energy projects.

FY2016 Target	FY16 Performance		FY2017 Target / Commitment
AGL will host at least four community events at each operational/development site to allow for community views to be raised and discussed in public.	While this target was met or exceeded at 15 operational sites where there are strong community views, we did not meet the target for four of our facilities.	✗	AGL will host at least four community events at each operational/development site <sup>14</sup> to allow for community views to be raised and discussed in public <sup>15</sup> .

##### Community investment

Contribute to the organisations in our communities that are important to our employees and customers.

##### FY2017 Target / Commitment

Employee volunteering participation rate: **35%** (head count basis)

#### > People

##### Employee engagement

Maintain an engaged workforce in order to optimise business results.

FY2016 Target	FY16 Performance		FY2018 Target
Employee engagement score: <b>≥ 75%</b>	Employee engagement score: <b>70%</b>	✗	Employee engagement score: <b>&gt; 75%</b> (by FY2018)

##### Talent

Attract and retain the right people to meet strategic objectives.

FY2016 Target	FY16 Performance		FY2017 Target
Key talent retention: <b>≥ 80%</b>	Key talent retention: <b>94%</b>	✓	Key talent retention: <b>≥ 80%</b>

##### Health and safety ☆

Provide a safe and healthy workplace and eliminate work-related injuries and illnesses.

FY2016 Target	FY16 Performance		FY2017 Target
Total injury frequency rate <sup>16</sup> : <b>≤ 2.8</b>	Total injury frequency rate: <b>4.3</b>	✗	Total injury frequency rate (AGL): <b>&lt; 3.9</b> and Total injury frequency rate (contractors): <b>&lt; 5.5</b>

##### Diversity and Inclusion

Build a diverse workforce and inclusive workplace culture.

##### FY2019 Target

Women in the Senior Leadership Pipeline: **40%** (by FY2019)

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### > Environment

#### Climate change (greenhouse and energy) ☆

Progressively decarbonise the energy supply to our customers.

FY2016 Target	FY16 Performance		FY2017 Target / Commitment
Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	✓	Compliance with AGL Greenhouse Gas Policy: <b>100%</b> <i>and</i> Annually offset the greenhouse gas emissions <sup>17</sup> from electricity consumed at AGL's corporate workplaces.

#### Renewable energy development ☆

Continue to be Australia's leading privately-owned operator of renewable energy.

#### FY2017 Target / Commitment

Development of first project to financial close, through the Powering Australian Renewables Fund.

#### Water management

Manage water resources sustainably.

FY2016 Target	FY16 Performance		FY2017 Target / Commitment
AGL will continue to make publicly available material data relating to water at AGL sites.	AGL makes material water data available through the <a href="#">AGL Water Portal</a> as well as the <a href="#">AGL website</a> and this Sustainability Report.	✓	The Environmental Regulatory Reportable Frequency Rate (ERRFR) <sup>18</sup> : <b>&lt; 1.5</b>

#### Air, Noise and Waste

Minimise our environmental footprint.

#### FY2017 Target / Commitment

The Environmental Regulatory Reportable Frequency Rate (ERRFR)<sup>18</sup>: **< 1.5**

#### Biodiversity and Cultural heritage

Minimise our environmental footprint.

#### FY2017 Target / Commitment

The Environmental Regulatory Reportable Frequency Rate (ERRFR)<sup>18</sup>: **< 1.5**

#### Rehabilitation

Rehabilitate sites to an appropriate state, with appropriate community consultation, upon cessation of activity.

#### FY2017 Target / Commitment

Compliance with AGL Rehabilitation Principles<sup>19</sup>: **100%**



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### > Economic Performance

#### Profitability ☆

Drive value and earnings growth.

FY2016 Target	FY16 Performance	FY2017 Target / Commitment
Absolute Total Shareholder Return: <b>≥ 9%</b>	Absolute Total Shareholder Return: <b>22%</b>	✓ Underlying profit: <b>In line with earnings guidance to be released at AGL's FY2016 Annual General Meeting on 28 September 2016.</b>

#### Supply chain

Work with our suppliers to ensure their commitment to our sustainable practices outlined in the AGL Supplier Code of Conduct to meet the expectation of AGL and the community.

#### FY2017 Target / Commitment

AGL Supplier Agreements signed in FY2017 to include the AGL Supplier Code of Conduct<sup>20</sup>: **100%**

✓ Met / ✗ Not Met

1. Rate is defined as the number of substantiated issues relating to unacceptable behaviour in the workplace per number of FTE employees.
2. As of 30 June 2016, two of the 13 issues raised were still being investigated.
3. Score achieved in RobecoSAM corporate sustainability assessment for the Corporate Governance section.
4. Based on the number of court findings in relation to issues that occurred during FY2016.
5. Based on the number of fines or penalties received in relation to incidents that occurred during FY2016.
6. Based on the number of court findings in relation to issues that occurred during FY2017.
7. Based on the number of fines or penalties received in relation to incidents that occurred during FY2017.
8. ERRFR involves the number of Environment Regulatory Reported Incidents in a 12 month rolling period, per million hours worked in that 12 month period.
9. Calculated by comparing the average of four quarterly scores to those of both Origin Energy and EnergyAustralia.
10. AGL's average of four quarterly surveys prepared by an independent third party provider was 7.26. AGL's score at the end of Q4FY2016 was 7.36.
11. Average of four quarterly measurements.
12. The average of the net promoter scores achieved over each quarter of FY2016 is -19.8.
13. Comprises premises with solar PV, batteries and/or digital meters.
14. This target applies to operational/development sites that are located within a distance of 5km, by road, of a residential community.
15. Given the relatively close proximity of AGL's hydro-electric schemes to each other, these sites are together considered as a single site for the purposes of meeting this target.
16. 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.
17. Comprises offices under AGL operational control as defined by *National Greenhouse and Energy Reporting Act 2007*.
18. ERRFR involves the number of Environment Regulatory Reported Incidents in a 12 month rolling period, per million hours worked in that 12 month period.
19. The Rehabilitation Principles are documented in the [Rehabilitation](#) section of this report.
20. The AGL Supplier Code of Conduct is on the AGL [website](#).

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Contribute to the development of an electricity market design and regulatory framework that facilitates safe, reliable, affordable and decarbonised electricity supply from centralised and distributed sources.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance ✓	FY2017 Target
Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	Publish <b>two</b> thought leadership papers which contribute to sustainable market design.

Australia's energy markets are in a state of transition, as a result of new technologies, evolving customer expectations and a global commitment to reduce greenhouse gas emissions. Over time, Australia's population will grow and change, and the values, expectations and preferences of energy consumers are likely to reflect this. By 2050, the Australian Bureau of Statistics estimates that Australia's population will grow by more than 50% to 37.6 million (with the majority of this growth within capital cities), and the number of households may grow by even more, with a greater proportion of single and couple households as the population ages. Australia's energy systems will therefore need to service a far greater number of homes and businesses than they do today, and achieving this at the lowest possible cost will involve both more efficient use of resources and improved utilisation of energy infrastructure. This is discussed in greater detail in [Australia's Economic Transformation - AGL's role in a changing society and economy](#), which is published as a supplementary document to this sustainability report.

Policy and regulatory settings that were designed for markets supplied by large, centralised (and mostly thermal) power stations, and with clearly defined generation, transmission, distribution and customers, may no longer be fit for purpose. More than 1.5 million Australian customers now produce their own electricity supply with solar PV, and new technologies such as digital meters, battery storage and energy management software may give rise to increasingly sophisticated multi-directional flows of energy to, from and between energy customers – blurring the traditional roles of market participants.

The substantial decarbonisation of Australia's electricity sector is likely to be required to achieve the Commonwealth Government's commitment to reduce greenhouse gas emissions by 26 to 28% by 2030 (relative to 2005 levels), and for emission reductions consistent with limiting global warming to less than 2°C above pre-industrial levels.

In this context, AGL's stakeholders are concerned about energy and climate change policy and regulation.

## Long-term and integrated energy policies are required if energy markets are to continue to deliver reliable and affordable energy supplies, while contributing to Australia's climate change objectives and facilitating innovation in products and services for energy consumers.

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 peer-reviewed economic and policy research. We continue to engage with relevant stakeholders and advocate for constructive public policy during this time of energy market evolution. Refer to the [stakeholder engagement](#) and [public policy engagement](#) sections for further detail.

For any area of policy reform to be effective, it must be designed with a sufficiently long-term outlook to remain relevant as industry and economic conditions change. In the past, market design and energy policy have focused on providing reliable supplies of energy at the lowest cost. Increasingly, communities expect policy makers to deliver energy security, affordability and environmental sustainability, as well as delivering greater customer choice and control over the products and services they use. Coordinated and integrated policies and market settings are required to jointly pursue these objectives.

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The following are key aspects of the energy market and policy reform agenda.

### Climate change policies and electricity market design

An enduring and sustainable climate change policy framework will be critical to making the investments in electricity supply infrastructure required for the modernisation and decarbonisation of the electricity sector as these assets typically operate across decadal timeframes.

The generation mix in the National Electricity Market is old and relatively emissions intensive. Around 75% of the installed thermal capacity is already operating beyond its original design life. Both renewable and lower-emission fossil fuel generation will form an integral part of the energy mix throughout the transition to a low-emission global economy. A long-term vision and trajectory for this transition is essential, to ensure continued investment in zero-emission energy sources, and the orderly retirement of old and emissions-intensive power stations. Policy to progressively close ageing coal power stations is required to provide sustainable market outcomes for new renewable energy investments.

AGL's 2015 [Greenhouse Gas Policy](#) outlines our commitment to contribute to the achievement of Australia's climate change objectives. AGL has committed that it will not extend the operating life of any of its coal-fired power stations, and that by 2050, AGL will close all existing coal-fired power stations in its portfolio. We are also committed to continuing to invest in renewable and low-emission technologies, and will make available innovative and cost-effective solutions to customers (such as distributed renewable generation, battery storage and demand management products). Furthermore, AGL will advocate for effective long-term government policy to reduce Australia's emissions, that will enable further investment in renewable and low-emission power generation. Refer to the [climate change \(greenhouse and energy\)](#) section for further information.

**TRANSITION**  **By 2050**  
All AGL's existing coal-fired power stations will be closed

Australia's Renewable Energy Target (RET) has been legislated to increase the proportion of renewable electricity supply to 2020, however policy volatility and underlying market conditions have created challenges for renewable energy investments in recent years. To meet the RET an estimated 5,000 MW of new renewable projects will be required nation-wide, representing over \$10 billion of investment.

During FY2016, AGL announced the development of the Powering Australian Renewables Fund (PARF), an innovative financing vehicle for renewable energy which will develop and own around 1,000 MW of large-scale renewable generation (investment worth \$2 to 3 billion). In July 2016, AGL announced QIC, on behalf of its clients the Future Fund and those invested in the QIC Global Infrastructure Fund, as its equity partner in the Fund. QIC will provide \$800 million in equity funding, with AGL contributing equity of \$200 million. The balance of PARF's funding will be debt raised at a project-by-project level. To support projects developed through PARF, AGL intends to provide relatively firm short-term power-purchase-agreement style support with renegotiation parameters beyond approximately five years. The Fund has been designed to provide an opportunity for new kinds of investors to enter the renewables sector, and to better balance the allocation of price and market risk amongst participants. This will complement AGL's recent delivery of Australia's largest utility-scale solar projects in Nyngan and Broken Hill in New South Wales. Refer to the [renewable energy](#) section for further information.

Over the long-term, other challenges will also need to be addressed to achieve electricity sector decarbonisation. Research authored by AGL economists has shown that the interaction between renewable energy targets and energy-only electricity market design may not be sustainable with high penetration of non-firm renewable generation. As more intermittent renewable supply enters the market (such as wind and solar), wholesale electricity prices are likely to become volatile, with very low prices for much of the year and a handful of extreme pricing events (during which generators can recover their fixed costs). This volatility is unlikely to be acceptable to either investors or consumers, and policy makers should begin to assess whether a new fit-for-purpose market design is necessary to incentivise both the entry of lower-emission generation capacity, and firm capacity to be available at times of low renewable output or high demand (to maintain security of supply and system stability).

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### Energy affordability and vulnerable customers

Electricity is an essential service and consumer protections afforded to energy users ensure that they have access to competitively priced, reliable and high quality energy supplies. AGL acknowledges the need to meet community expectations to support vulnerable customers. AGL supports a shared responsibility approach to energy hardship, where energy suppliers, governments and the community sector work together to deliver sustainable improvements.

AGL has consulted extensively with community groups to develop the program of improvements outlined in the AGL Affordability Initiative, a three-year, \$6.5 million programme launched in December 2014 to proactively identify and support customers experiencing financial hardship. Refer to the [energy prices and affordability](#) section to read more about this initiative.

The reform of government concession arrangements represents a key opportunity to support customers experiencing financial difficulties – ensuring that for energy concessions in all jurisdictions: eligibility for is targeted based on customer need; an adequate level of support is provided based on energy usage (rather than a flat rate); and programs are easily accessible to those who need them.

### New technologies

New energy technologies such as digital meters, distributed generation, electric vehicles and battery storage (along with the products and services that are enabled by these technologies) have the potential to unlock benefits in Australia's energy markets such as reducing customers' energy bills, increasing energy efficiency, and improving the utilisation and productivity of existing energy infrastructure. Additionally, these technologies can give customers more control over their energy use and increase market participation and demand response through access to accurate real-time information.

To realise these benefits, policy and regulatory frameworks should provide competitive neutrality between different technologies, different suppliers and between existing and new energy resources – so that customers are able to select products and services that suit their circumstances from a wide range of options. Robust ring-fencing provisions are required so that regulated entities are not able to derive competitive advantage from their position as a monopoly service provider and regulated revenues should be strictly for monopoly services, and not used to provide contestable services 'beyond the meter'.

AGL supports a customer-led approach to distributed resources where households and businesses are able to capture personal value from devices (e.g. for managing in-home comfort and energy spend), as well as offer services to networks or in the wholesale market. In this way, customers are able to share in the benefit delivered to the energy supply chain.

Read more about AGL's involvement in this area in the [distributed energy services](#) section.

### AGL Applied Economic and Policy Research Working Paper Series

For several years, AGL economists have authored economic research that provides critical analysis of energy market trends and policy settings to industry stakeholders and policy makers. These articles are submitted to academic journals and are subject to a formal (blind) peer-review process prior to publication.

During FY2016 the following new pieces of research were published:

- [Australia's National Electricity Market – optimising policy to facilitate demand-side response](#): This article examines ways to encourage greater levels of consumer participation in electricity markets, to improve capacity utilisation and outcomes for consumers – including a proposal to value demand response at the wholesale level in the National Electricity Market. The authors found that consumers are likely to be better off by responding to retail, rather than wholesale generation, pricing. This is because retail prices reflect potential savings across all supply chain costs, including the primary driver of recent price increases, capital-intensive networks. Conversely the wholesale electricity generation market is currently oversupplied in some regions and savings for consumers may therefore be limited.
- [Redesigning a 20th century regulatory framework to deliver 21st century energy technology](#): This article explores how electricity systems are shifting from a once highly centralised regulated model to become more renewable, distributed and consumer-centric. Australia has some of the highest installation rates of embedded renewable electricity generation in the developed world, and the emergence of cost-effective distributed battery storage and energy management systems may fundamentally alter the electricity industry – which has been largely unchanged for decades. Evolutionary economics indicates that firms must adapt to new technologies and market conditions or they will become extinct. The author found that energy markets will only evolve if regulatory frameworks continuously adapt to ensure that consumer preferences for reliability, control and environmental outcomes are able to be achieved at lowest cost – concluding that regulators will need to ensure that facilitating efficient consumer decision making is prioritised.

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- > **Climate and electricity policy integration:** Is the South Australian electricity market the canary in the coalmine? This article examines the dynamics of the South Australian market and finds that decarbonisation-related policy objectives for the electricity system are unachievable with continued reliance upon an energy-only market. To avoid extreme pricing volatility and possible security of supply issues, it is vital that Australia urgently review its energy market frameworks to ensure they are better integrated with environmental policies.
- > The role of the utility and pricing (published in the book **Future of Utilities: Utilities of the Future**): This chapter explores the role of the utility and grid-connected electricity pricing in the transition to a greater penetration of distributed electricity generation and battery storage. It found that coexistence, rather than complete grid substitution (i.e. “going off-grid”) was likely as most customers anticipate accessing the grid for back-up. At the same time, tariffs are being shifted away from “average cost” throughput pricing to more cost-reflective demand based tariffs, with different pricing structures applied by utilities in different jurisdictions (depending on business strategy). Over the coming years, the Australian market will provide evidence as to the success or failure of these pricing strategies in embracing and profiting from emerging technologies and new business models.
- > **Relief in sight: Why residential electricity costs in Eastern Australia may fall between 2015 and 2020:** This article explores how average residential electricity consumers in Australia’s National Electricity Market have reduced their consumption by 18% since 2009 in response to sharp price increases. The authors undertake a bottom-up analysis of the component costs for residential electricity supply – including wholesale energy, network and renewable costs, and find that in aggregate these may decrease in real terms between 2015 and 2020. Observed price elasticity factors suggest that average household demand may therefore ‘rebound’ to some extent, and the continued evolution of recently deregulated energy markets may result in an increasing diversity of offers in the market and increased ‘switching’ by consumers. By combining these factors, the authors conclude that a reduction in household energy bills in 2020 is possible, particularly for those who seek out the best market discounts, and that policy makers should focus on the continued roll-out of ‘behind the meter’ energy management solutions and consumer education and empowerment.
- > **Australia’s coal seam gas boom and the LNG entry result:** In this article, the authors explore how Queensland experienced extraordinary growth in coal seam gas (CSG) reserves, rising from 3,400 PJ in 2005 to 41,200 PJ in 2013. Given annual domestic consumption of ca. 700 PJ/a, 2P reserves rapidly shifted from 14 to 72 years supply and profit-maximising firms sought to speed up commercialisation of reserves through the development of three liquefied natural gas (LNG) export plants at Gladstone. The article presents forecasts of Australia’s east coast interconnected gas system with daily resolution using a dynamic partial equilibrium model. Modelling results show the rapid development of LNG plants combined with restrictive CSG development policies in NSW may result in unserved load from 2016. Relaxing development constraints or delaying construction of one LNG terminal by 1 year could have avoided the risk of Unserved Load events in the domestic gas market. The authors conclude that lessons can be learned from this CSG-LNG boom scenario, and that facilitating new gas supplies is the most efficient way of alleviating the impacts of the CSG-LNG boom on domestic markets in the medium term. In the long-term, Australian policymakers may consider the merits of a National Net Benefits Test to maximise welfare through appropriate coordination – as is done by policymakers in the USA – as opposed to protecting local industries through ‘domestic gas reservation policies’.

Importantly, the views are those of the authors and not necessarily those of AGL. For more information about economic and policy research authored by AGL economists, visit the [AGL Blog](#).

### Related Information

[AGL Greenhouse Gas Policy](#)

[Supplementary report: Australia’s Economic Transformation](#)





# How We Operate

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At AGL, we recognise that we have responsibilities to all our stakeholders (our employees, customers, investors, and the community) and to the environment in which we live. 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. The AGL values 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

Operating honestly, transparently and ethically is of utmost importance to us. This section focuses on how these overarching principles inform the way 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 on relevant issues in ways that are most appropriate to each group.
- > **Ethical conduct** – we are aware of our responsibility to our customers, shareholders, the community and the environment. We seek to balance these interests in a way that is ethical, shows integrity, and is transparent.
- > **Public policy engagement** – AGL provides stakeholders with access to information outlining the full implications (both positive and negative) of proposed changes to government policy that impact 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.
- > **Legislative compliance** – AGL integrates compliance risk management practices in all business processes and operations to drive consistent, effective and accountable decision-making
- > **Corporate governance** – best practice corporate governance principles support sustainable performance by AGL over time. This section outlines AGL's approach to corporate governance, recognising how the principles of honesty, transparency and ethics are demonstrated from the top down.



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## 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 our engagement with each of these groups during FY2016 and the outcomes of that engagement, is provided below.

Memberships of think-tanks and industry associations, including fees paid, are detailed in this section. Further information on the approach of AGL and these entities in relation to public policy advocacy is included in the [public policy engagement](#) section. AGL's approach to public policy and stakeholder engagement will be regularly reviewed by the Safety, Sustainability and Board Committee during FY2017.

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 and what we hope to achieve

#### ^ Employees

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 (including enterprise bargaining agreements); personal wellbeing; and a fair, equitable and inclusive workplace.

The AGL Engagement Survey is undertaken annually and provides employees with the opportunity to give feedback about the organisation. In FY2016, the response rate to the survey was 69%. Refer to the [employee engagement](#) section for survey results

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

AGL Enterprise Leadership Team (Executive Team members and their direct reports) forums are used throughout the year to discuss key priorities, projects and goals 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.

Our people are supported with a variety of reward and recognition programs that acknowledge their contributions and performance. For example, AGL's Living the Values program recognises those employees who demonstrate outstanding commitment to our values either in the workplace or in the community.

We also prioritise engagement with employees about safety and wellbeing. Refer to the [health and safety](#) section for information about safety walks and conversations.

The key purpose of these engagement activities is to ensure that all AGL employees understand AGL's strategic direction and are engaged and safe in their specific locational workplaces.

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### ^ 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, including, but not limited to, our investments in fossil fuels.

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.

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 report to provide a broader spectrum of information regarding social, environmental and economic performance.

AGL participates in the CDP Climate Change Program and other investor surveys. 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 briefings.

The key purpose of AGL's engagement with the investment community is to ensure AGL is compliant with its continuous disclosure obligations as an ASX listed business.

### ^ Government

AGL's business is affected by the policy decisions and commitments of governments at 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 accepted policy principles. These principles 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; 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.

Where possible, AGL utilises peer reviewed research published by AGL economists and other academics to engage with governments around issues related to the energy industry and public policy. This research can be found on the [AGL blog](#).

The key purpose of AGL's engagement with governments is to inform public policy development with a view to maximising the benefits to AGL's shareholders, customers and the communities in which we operate.

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### ^ 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 with consumer protections and other parts of the regulatory framework; compliance with environmental licencing and other requirements.

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

The key purpose of AGL's engagement with regulators is to inform regulatory developments with a view to maximising the benefits to AGL's shareholders, customers and the communities in which we operate. Such engagement also allows AGL to receive feedback on its performance and benefit from the expertise of regulators in understanding emerging issues.

### ^ 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 and Sunverge Energy Boards.

### ^ 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 FY2016, AGL participated in several industry associations. AGL paid the following membership fees to these organisations over FY2016:

- > Business Council of Australia (\$65,000)
- > Australian Industry Group (\$24,426),
- > Clean Energy Council (\$61,309)
- > American Chamber of Commerce (\$0)
- > Australian Energy Council (formerly the Energy Supply Association of Australia and the Energy Retailers Association of Australia) (\$167,688)
- > The Carbon Market Institute (\$6,000)
- > Sustainable Business Australia (\$0)
- > Committee for Economic Development of Australia NSW (\$0) and Queensland (\$7,200)
- > Australian Financial Market Association (\$33,251)
- > Australasian Investor Relations Association (\$6,950)
- > Group of 100 (\$7,500)
- > Financial Executives Institute of Australia (\$5,500)
- > Alliance to Save Energy (\$15,000)
- > Green Building Council (\$17,875)
- > Committee for Gippsland (\$6,650)
- > Gippsland Regional Executive Forum (\$2,550)
- > Gippsland Regional Infrastructure Development (\$0)
- > Strategic Industry Research Foundation (\$0)
- > Corporate Tax Association (\$13,273)
- > CSIRO (\$165,700)
- > SAP Australian User (\$2,018)

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### ^ Energy Industry

AGL does not make separate payments to these associations for specific projects related to influencing political projects. Membership and participation in these bodies is undertaken for the interests of AGL and does not reflect the private interests or preferences of AGL directors and officers.

Importantly, AGL does not always agree with the policy positions these associations take, and attempts to clarify this with other stakeholders where appropriate. Areas where our position differs from associations where we are a member is outlined in the [public policy engagement](#) section.

During FY2016, we elected not to renew our membership of several associations including the Australian Petroleum Production and Exploration Association and the Minerals Council of Australia. In FY2017, AGL will become a member of the Climate Partner program of The Climate Institute (\$30,000).

The key purpose of AGL's engagement with associations and think-tanks is to develop mutually beneficial agreed positions on relevant issues, with a view to maximising the benefits to AGL's shareholders, customers and the communities in which we operate. Such engagement also allows AGL to receive feedback on its performance and benefit from the expertise of these organisations in understanding emerging issues.

### ^ 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.

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.

AGL's Customer Connections program provides opportunities for AGL to interact with small groups of customers in an open discussion about their experiences with AGL. In FY2016, AGL held three 'Customer Face to Face' sessions with 76 customers and 60 employees.

As part of our Voice of the Customer satisfaction program, we also undertook nearly 1,100,000 retail customer surveys during FY2016. 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.

[The AGL Community](#) allows AGL and the community to connect, contribute and collaborate on any matter relating to energy. Other feedback mechanisms available to customers include an online information request facility and social media such as Twitter and Facebook.

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### ^ 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 impacted communities. AGL's [website](#) also provides detailed information on individual energy projects.

Community Consultative Committees (CCCs) are in place for a number of projects, including the proposed Coopers Gap Wind Farm, the proposed Silverton Wind Farm, the Macarthur Wind Farm, the Camden Gas Project and the Gloucester Gas Project. Each CCC is chaired by an independent chairperson and includes local council appointed representatives, local residents, local environment groups and AGL representatives. For other operational projects AGL meets with the local community on an as needs basis.

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, published research, and rapidly evolving energy policies. The [AGL Blog](#) is updated frequently, with 317 blog posts by AGL contributors in FY2016. The blog had over 19,000 users and over 49,000 page views during FY2016.

The [YourSayAGL](#) website provides information about our gas projects to the community and an opportunity for stakeholders to ask questions and share feedback.

The key purpose of AGL's engagement with communities is to listen and engage on relevant issues, with a view to maximising the benefits to AGL's shareholders, customers and to the communities in which we operate. Such engagement also allows AGL to receive feedback on its performance and benefit from the expertise of communities in contemplating major project decisions and in understanding emerging issues.

### ^ 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 WWF-Australia, Australian Conservation Foundation, and The Climate Institute.

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

The key purpose of AGL's engagement with NGOs is to develop mutually beneficial agreed positions on relevant issues, with a view to maximising the benefits to AGL's shareholders, customers and the communities in which we operate. Such engagement also allows AGL to receive feedback on its performance and benefit from the expertise of these organisations in understanding emerging issues.

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### Ethical conduct

Act ethically in all activities in accordance with the AGL Code of Conduct.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance ✓	FY2017 Target
Reduction in the rate <sup>1</sup> of substantiated issues relating to unacceptable behaviour in the workplace ≥ <b>33%</b>	Reduction in the rate of substantiated issues relating to unacceptable behaviour in the workplace: <b>55%</b> <sup>2</sup>	Number of substantiated issues relating to unacceptable behaviour in the workplace: <b>0</b>

**Given we have relationships with over 3.6 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 engagement](#).

### 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 has a Code of Conduct (**Code**) that applies to AGL and its directors, employees and contractors working on behalf of AGL (all of which are referred to as "employees" in the Code).

The Code sets out a number of overarching principles of ethical behaviour which are set out under the following headings:

- > Acting honestly and with integrity;
- > Observing the law, voluntary commitments and internal standards;
- > Valuing and maintaining professionalism;
- > Respecting confidentiality;
- > Managing conflicts of interest;
- > Looking after our employees; and
- > Looking after the community.

The Code of Conduct is reviewed by the Board Safety, Sustainability & Corporate Responsibility Committee for endorsement and approval by the Board every two years. During FY2016, the Code was reviewed, with a refreshed Code and enhanced information about Whistleblowing options communicated to our people on 1 July 2016.



## How We Operate

# Ethical conduct

### How We Operate

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Ethical conduct ☆

Public policy engagement ☆

Legislative compliance

Corporate governance

☆ = Material Issues

### Ethics Panel

The Code is administered by the AGL Ethics Panel. The Ethics Panel comprises the General Counsel & Company Secretary, Executive General Manager People and Culture, 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 any changes to the Board Safety, Sustainability & Corporate Responsibility Committee for endorsement and approval by the Board;
- > putting in place procedures for the effective dissemination of, and compliance with, the Code;
- > where appropriate, investigating any breaches of the Code; and
- > reporting breaches of the Code to the Board (or a Committee of the Board to which that responsibility has been delegated).

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.

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.

Any breach of the Code is taken seriously, and may result in a range of disciplinary actions, including coaching, warnings, impacts to the payment of performance incentives, to dismissal.

### 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 essentials;
- > Privacy;
- > Risk management;
- > 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.

On an annual basis, AGL employees are required to complete mandatory compliance training topics. During FY2016, over 92% of all eligible AGL employees completed this training. 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 and discrimination.

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). AGL is committed to protecting and respecting the rights of a person who reports wrongdoing in good faith. The Policy includes a reporting and investigation mechanism that is objective, confidential and independent which protects the employee from reprisal or disadvantage.

## How We Operate

# Ethical conduct

### How We Operate

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**Ethical conduct** ☆

Public policy engagement ☆

Legislative compliance

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☆ = Material Issues

### Privacy

Digital metering and other energy management technologies enable the collection of large volumes of energy data, and as a result, issues relating to cyber security and privacy are likely to be increasingly important to our customers.

Customers and other 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](#).

### FY2016 performance

During FY2016, AGL addressed 13 issues relating to unacceptable behaviour in the workplace (compared with 10 in FY2015). Three of these issues were substantiated following investigation in accordance with AGL's Workplace Issues Resolution Guidelines (FY2014: seven), representing a decrease of 55% in the rate of substantiated issues of unacceptable behaviour in the workplace per FTE employee<sup>2</sup>. Disciplinary actions taken included coaching, education sessions, written warnings and termination of employment.

- 
1. Rate is defined as the number of substantiated issues relating to unacceptable behaviour in the workplace per number of FTE employees.
  2. As of 30 June 2016, two of the 13 issues raised were still being investigated.

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### Related Information

[AGL Code of Conduct](#)

[AGL Dispute Resolution Policy](#)

[AGL Privacy Policy](#)

## How We Operate

# Public policy engagement

### How We Operate

Stakeholder engagement

Ethical conduct ☆

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### Public policy engagement

Engage transparently with governments to facilitate the development of sensible public policy.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance ✓	FY2017 Target
AGL will undertake a stakeholder engagement survey during FY2016 and publish the results.	Stakeholder engagement survey undertaken. Results are have been published on the <a href="#">AGL Blog</a> .	AGL will publish all material submissions in relation to public policy matters on the <a href="#">AGL Blog</a> .  and AGL will annually disclose all groups which it is a member of that may influence public policy.

As a supplier of an essential service to over 3.6 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. Our approach to engaging with stakeholders around public policy is found in the [stakeholder engagement](#) section of this report. Importantly, AGL has adopted a revised Political Donations policy that bans political donations. The stakeholder engagement section also contains details of industry associations and memberships that AGL had in FY2016 and their associated costs.

## 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, including 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. AGL makes available its submissions to government processes and research undertaken by AGL economists on the [AGL blog](#).

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. AGL's approach to public policy and stakeholder engagement will be regularly reviewed by the Board Safety, Sustainability and Corporate Responsibility Committee in FY2017.

### Key areas of focus

The key issues that were the focus of our engagement with government during FY2016 comprised:

- Climate change and renewable energy policies** – AGL has consistently highlighted the need for long-term and stable policy frameworks to drive reductions in greenhouse gas emissions from Australia's energy systems that are consistent with international efforts to limit global warming to no more than 2°C above pre-industrial levels. There continues to be uncertainty about the mix of policies that Australia will implement to meet its international commitments to reduce national greenhouse gas emissions by 26-28% by 2030 on 2005 levels, however as the largest source of emissions, it is expected that the electricity sector will be required to achieve significant emission reductions over the coming decades. The decarbonisation and modernisation of Australia's electricity generation will require the progressive closure of aging, emissions-intensive power stations, and the development of new renewable and low-emissions capacity. AGL's [Greenhouse Gas Policy](#) has further information on the specific policies AGL has advocated for governments to adopt. Throughout the year AGL has continued to plan for, and deliver on, the AGL specific commitments made in the AGL Greenhouse Gas Policy, including not to extend the operating lives of existing coal-fired assets, and to close all existing coal-fired power stations in our portfolio by 2050 – which will result in the closure of Liddell Power Station by 2022, reducing annual

## How We Operate

# Public policy engagement

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greenhouse gas emissions by approximately 7.5 MtCO<sub>2</sub>e. The closure of coal-fired generation (and related mines) will affect the regional communities that have relied upon the industry for employment for many years, and AGL is working with governments, local communities, research organisations, and other industry sectors to identify new opportunities for those regions most affected including the Latrobe Valley in Victoria and the Hunter Valley in New South Wales.

In response to continued challenging market conditions for the development of new utility-scale renewable energy projects, in February 2016 AGL announced the development of an innovative new financing vehicle, the Powering Australian Renewables Fund, which will establish a new corporate entity to develop and own around 1,000 MW of renewable generation, representing total investment of \$2-3 billion, or around 20% of the investment required to meet the 2020 Renewable Energy Target. AGL will contribute equity of around \$200 million, and our equity partner QIC, on behalf of its clients the Future Fund and those invested in the QIC Global Infrastructure Fund, will contribute \$800 million. The balance of funding will be debt raised at a project-by-project level. The Fund will provide an opportunity for investors to align their investment to their risk appetite, and AGL intends to provide relatively firm short term PPA-style support with renegotiation parameters beyond approximately five years.

- **Energy market evolution** – Australia's energy markets are undergoing a significant period of transition. Government policies have been introduced to reduce greenhouse gas emissions, incentivise the entry of new renewable generation, and improve energy productivity, and the long-term decarbonisation of electricity generation will continue to be a global theme for many decades. Research by AGL economists has highlighted the need for better integration of energy and climate change policy, and has shown that the interaction of energy-only markets and renewable energy targets may give rise to unsustainable market outcomes. South Australia has seen the entry of significant intermittent renewable generation and the disorderly closure and mothballing of several thermal power stations, making it increasingly reliant upon the interconnector with Victoria for supply at peak times. Policy makers should consider whether a new fit-for-purpose market design may be necessary to incentivise reliable capacity to be available at times of low renewable energy output to ensure that system stability and reliability are maintained.

The way energy consumers interact with the market is also changing. Over a million households already generate their own power with solar PV, with Australian markets now having some of the highest rates of distributed solar penetration globally. Emerging technologies are also giving rise to new kinds of demand-side participation, facilitating the development of an increasingly decentralised energy marketplace, in which consumers choose from a range of new and existing energy supply products to meet their energy needs. It is therefore timely to consider how Australia's energy market settings across the entire supply chain may need to be adjusted to ensure that market transitions occur in an orderly manner and that benefits to energy consumers are maximised. Refer to the [energy market evolution](#) section for further information.

- **Distributed energy products and services** – New energy technologies have the potential to unlock widespread benefits in Australia's energy markets, including increasing the comfort, convenience and control for customers. AGL has established its New Energy division to provide distributed energy services and solutions to all end use customers, which in FY2016 included digital metering, solar PV, battery storage and electric vehicles. AGL also partnered with academic institutions, technology providers and network businesses to trial innovative offerings, including virtual net metering and demand response, to investigate how emerging technologies can be used to balance spikes in electricity demand, reduce network costs and ultimately reduce energy costs. Future energy markets will be considerably more customer-focused and decentralised than they are today, and it is important that regulatory settings that were developed for a fundamentally centralised energy system with clearly defined market participants (generators, networks, retailers, consumers) are reviewed to ensure they reflect changing customer expectations and new technologies. Regulatory frameworks should provide competitive neutrality so that existing and emerging business models can compete on their merits, and AGL supports network regulation and ring-fencing provisions to ensure that regulated revenues (and other monopoly advantages) are not able to be used to support business activities in contestable behind-the-meter markets. Situations where conflicts of interest may arise also need to be carefully considered, such as where network businesses are seeking to offer contestable services, but continue have discretionary powers to authorise the connection of technologies to the grid by their competitors. Refer to the [distributed energy services](#) section for further information.
- **Energy affordability** – AGL supports a shared responsibility approach to energy hardship, where energy suppliers, governments and the community sector work together to deliver sustainable improvements for vulnerable customers, to ensure that they can access competitively priced, reliable and high quality energy supplies. During FY2016 AGL continued to deliver on the commitments outlined in the \$6 million [Affordability Initiative](#), which was launched in December 2014 to focus on proactively identifying and providing support to customers that are struggling financially. AGL has also worked with governments, consumer groups, and other industry sectors to identify opportunities to improve the effectiveness of energy concessions programs, targeted support to reduce high energy bills for those living in community housing, and to improve the cross-sectoral support available to vulnerable customers, including victims of domestic violence. Refer to the [energy prices and affordability](#) section for further information.

## How We Operate

# Public policy engagement

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### Submissions

During FY2016, AGL prepared a range of submissions to government and energy industry bodies across several state and Commonwealth jurisdictions. These included submissions relating to:

- > Energy market governance, compliance and strategic priorities for energy market development
- > Reviews of retail energy market competition and pricing
- > Reviews of retail energy licence conditions and exemptions
- > Reviews of solar feed-in pricing in Queensland, Victoria, New South Wales and South Australia
- > Climate change and renewable energy policy at the Commonwealth level and for Victoria, South Australia and Queensland
- > Reviews of energy efficiency schemes for New South Wales and Victoria
- > Senate Select Committee on Wind Turbines and the Queensland Draft Wind Farm Code and Guideline
- > Senate Standing Committee's consultation on carbon risk disclosure
- > Integration of new energy technologies, energy storage, demand response and local generation credits
- > Vehicle emissions
- > Proposed distribution network tariff structures for Queensland, New South Wales and South Australia
- > Improving market processes such as customer transfers and B2B frameworks
- > Wholesale gas market reviews by the ACCC and the AEMC
- > Inquiries into energy retailer hardship programs and payment plans
- > Proposed wholesale electricity market rule changes
- > Inquiry into the Victorian Environmental Protection Authority
- > The Landowners' right to refuse bill and the review of CSG landholder benchmark compensation rates in New South Wales

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

### AGL research

During FY2016, AGL economists published a range of peer-reviewed research papers, which are available behind academic publishing paywalls:

- > Redesigning a 20th century regulatory framework to deliver 21st century energy technology ([Article published in Journal of Bioeconomics](#))
- > Climate and electricity policy integration: Is the South Australian electricity market the canary in the coalmine? ([Article published in The Electricity Journal](#))
- > The role of the utility and pricing ([Article published in Future of Utilities: Utilities of the Future](#))
- > Foreign aid via 3-Party Covenant Financings of capital-intensive infrastructure ([Article published in Journal of Financial Economic Policy](#))
- > Distribution network prices and solar PV: Resolving rate instability and wealth transfers through demand tariffs ([Article published in Energy Economics](#))
- > Vertical integration in energy-only electricity markets ([Article published in Economic Analysis and Policy](#))
- > Relief in sight: Why residential electricity costs in Eastern Australia may fall between 2015 and 2020 ([Article published in Economic Analysis and Policy](#))
- > Australian climate change policy – where to from here? ([Article published in Economic Papers](#))

### Industry associations

AGL is a member of several industry associations including the Business Council of Australia, the Australian Industry Group, the Clean Energy Council, the Australian Energy Council (formerly the Energy Supply Association of Australia and the Energy Retailers Association of Australia), the Carbon Market Institute and Sustainable Business Australia. During FY2016, we elected not to renew our membership of several associations including the Australian Petroleum Production and Exploration Association and the Minerals Council of Australia.

Through our membership of industry 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. Where this occurs on material issues, AGL attempts to ensure that stakeholders are aware of these differences of view.

## How We Operate

# Public policy engagement

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During FY2016, the key areas where AGL's views differed to those of the industry associations of which we are (or were) a member comprised:

- > **Climate Change Policy** – There is general agreement amongst AGL and its industry associations about the principles that should guide Australia's greenhouse gas emission reduction targets and climate change policy framework. In 2015 the Business Council of Australia, the Australian Industry Group and the Energy Supply Association of Australia (now the Australian Energy Council), along with a range of other environmental, industry and social stakeholders, signed on to the [Australian Climate Roundtable: Joint Principles for Climate Policy](#). These articulate a goal of limiting warming to less than 2°C above pre-industrial levels, and state that policy instruments should be designed with the ability to achieve deep reductions to Australia's greenhouse gas emissions, deliver emission reduction at least cost to the economy, establish international linkages, maintain Australian competitiveness and achieve policy stability. There is also general agreement that Australia's climate change objectives are most efficiently managed at a national level, rather than by states developing jurisdictional targets and policies. There may, however, be some disagreement amongst these associations about which of these principles are most important, with different organisations prioritising industry competitiveness, the use of market-based mechanisms, accelerating the use of renewable energy, energy affordability, policy stability, or the integration of climate change and renewable energy policies. Most organisations agree that a sectoral approach for electricity generation is appropriate, involving the progressive closure of emissions-intensive coal generation or the deployment of renewable energy (or both), however there remains some disagreement about the best policy mechanisms to achieve this. AGL's [Greenhouse Gas Policy](#) states that a range of regulatory and market-based policies are likely to be needed to achieve decarbonisation and modernisation in the electricity sector. AGL's positions on climate change and renewable energy differed from those held by the Minerals Council of Australia and the Australian Petroleum Production and Exploration Association, and AGL has elected not to renew its membership of these organisations.

### 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.

## In August 2015, the Board approved a revised Political Donations Policy, prohibiting AGL from making any political donations.

The revised Political Donations Policy applies to all employees, including directors and officers of AGL Energy and its subsidiaries.

AGL's prior policy (December 2014) allowed donations to be made, providing that they were:

- > made in a bipartisan manner and in compliance with all relevant reporting requirements;
- > disclosed even if the donation amount is below the disclosure threshold;
- > proactively disclosed every quarter to AGL's Audit and Risk Management Committee and then subsequently published on the AGL website;
- > approved by either the CEO, Company Secretary or Executive General Manager Stakeholder Relations (formerly Group Head of Corporate Affairs); and
- > not made via any undisclosed proxies or third parties as intermediaries.

No political donations were made during FY2016 (both before and after the release of the revised policy in August 2015). Importantly, the policy covers both direct political donations and payments made to fund political campaigns.

In FY2016, AGL pleaded guilty to 11 offences under the Environmental Planning and Assessment Act 1979 (NSW) for failing to disclose certain reportable political donations to the NSW Department of Planning and Environment in relation to a number of planning applications made between FY2010 and FY2014. A sentencing hearing has been scheduled to occur in FY2017.

### Related Information

[AGL Political Donations Policy](#)

[AGL Code of Conduct](#)



## How We Operate

# Legislative compliance

### How We Operate

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☆ = Material Issues

### Legislative compliance

Comply with legislative requirements across the organisation.

✓ Met / ✗ Not Met

#### FY2016 Target

Number of adverse court findings in relation to Australian Consumer Law<sup>1</sup>: 0Number of fines or penalties in relation to environmental licences<sup>2</sup>: 0

#### FY2016 Performance ✓

Number of adverse court findings in relation to Australian Consumer Law: 0

Number of fines or penalties in relation to environmental licences: 3

**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 pivotal to the ongoing and sustainable growth and success of our business.**

AGL is subject to a wide range of compliance obligations, including legal, regulatory, commercial and organisational requirements. We have in place a comprehensive compliance management framework to manage these requirements. 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 AGL's [Compliance Management Policy](#). AGL's Board is responsible for approving and monitoring the implementation of policies governing AGL's systems of internal compliance, risk management and control, and monitoring AGL's compliance with obligations governing AGL's operations. These responsibilities are largely discharged through the Board's Audit and Risk Management Committee.

During FY2015, the Board approved a revised AGL Compliance Management Policy which was updated to reflect the requirements of the international standard ISO 19600: 2015 Compliance Management Systems. Importantly, the policy outlines expectations for a compliance culture within AGL, and broadens the scope of compliance obligations from legislative requirements only to include voluntary commitments (such as compliance with AGL policies and procedures).

Consistent with the AGL Compliance Management Policy, as well as 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, deliberately or recklessly breach AGL's compliance obligations, or to act unethically in the course of performing or advancing AGL's business.

## How We Operate

# Legislative compliance

### How We Operate

Stakeholder engagement

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☆ = Material Issues

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 plan monitors compliance with issues including the Privacy Act and the Competition and Consumer Act, commensurate with the level of risk. Compliance reports are provided to the Audit and Risk Management Committee approximately every two months, which provide an overview of activity, issues and breaches in relation to 22 compliance strands.

### FY2016 performance

The table below provides a summary of incidents that occurred during FY2016 that have led to AGL paying court or regulatory-imposed fines or civil penalties during FY2016, 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>3</sup>.

Issue	Details
Penalty Infringement Notices (2), Liddell Power Station, New South Wales	On 16 December 2015, AGL Macquarie received two \$15,000 Penalty Infringement Notices from the NSW Environment Protection Authority ( <b>NSW EPA</b> ) in relation to the release of approximately 6,000L of sulphuric acid solution into Tinkers Creek via an onsite stormwater drain on the 24 November 2015, resulting in pH levels below the threshold set out in the EPL. The penalty notices were issued for contravention of EPL conditions and pollution of water under section 120 of the POEO Act. Two Official Cautions were also received in relation to a breach of Section 64 of the POEO Act and for not operating plant and equipment in a proper and efficient manner.
Penalty Infringement Notice, Bayswater Power Station, New South Wales	On 7 March 2016, AGL Macquarie received one \$15,000 Penalty Notice and an Official Caution from the NSW EPA in relation to an ash pipeline failure that occurred on the 21 December 2015 that resulted in ash laden water entering Bayswater Creek. The penalty notice was issued for pollution of water under section 120 of POEO Act. The Official Caution was received for not operating plant and equipment in a proper and efficient manner.
Penalty Infringement Notice, Broken Hill Solar Plant, New South Wales <sup>4</sup>	On 2 May 2016, the NSW Department of Planning & Environment (DPE) confirmed that AGL breached condition B31 of the Broken Hill Solar Plan Project Approval requiring the upgrade of the intersection of the Barrier Highway Broken Hill and the site access road prior to the construction of the solar plant and to the satisfaction, and at no cost to, RMS. DPE issued a Penalty Infringement Notice of \$3,000.  On 12 May 2016, AGL signed an undertaking to complete the works required under the Project Approval.

## How We Operate

# Legislative compliance

### How We Operate

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☆ = Material Issues

#### *Environmental incidents*

Including the environmental issues outlined above, during FY2016 AGL notified the relevant environmental authority of 16 incidents, in accordance with legislation and environmental licences (mandatory notifications). Of these, 13 incidents were assessed to have a severity of 'High' or above under AGL's Risk Management and Assessment Framework, and three incidents had a severity of 'Moderate' or 'Low'.

Eight of the incidents related to exceedances of discharge limits; five related to abnormal discharge events following heavy rainfall or plant failure; two related to dust complaints at the Loy Yang Mine as a result of high wind events; and one was a fire resulting from plant failure.

During FY2016, in the interests of transparency and operating to best-practice reporting standards, AGL also voluntarily notified the relevant environmental authority of 17 additional environmental incidents. Of those voluntarily reported incidents, six were ambient air emission events that resulted from weather conditions or plant equipment maintenance procedures; six related to changes in water quality; four related to a leak or spill; and one was a potential fire risk.

All these incidents were investigated and corrective actions and process improvements implemented to prevent recurrence.

#### *Political donations*

In FY2016, AGL pleaded guilty to 11 offences under the Environmental Planning and Assessment Act 1979 (NSW) for failing to disclose certain reportable political donations to the NSW Department of Planning and Environment in relation to a number of planning applications made between FY2010 and FY2014. A sentencing hearing has been scheduled to occur in FY2017. Refer to the [public policy engagement](#) section of the report for further information on AGL's political donations policy.

1. Based on the number of court findings in relation to issues that occurred during FY2016.
2. Based on the number of fines or penalties received in relation to incidents that occurred during FY2016.
3. As reported in the FY2015 Sustainability Report, on 4 August 2015, AGL Macquarie received one \$15,000 Penalty Notice from the NSW Environment Protection Authority (NSW EPA) in relation to ammoniated water entering Tinkers Creek via Discharge Point 7 on 9 April 2015 which resulted in elevated pH levels exceeding the threshold set out in the environment protection licence (EPL). The penalty notice was issued for contravention of EPL condition L3.6 and two Official Cautions for a breach of Section 64 of the Protection of the Environment Operations Act (POEO Act) for not operating plant and equipment in a proper and efficient manner and for the pollution of water under section 120 of the POEO Act. As this issue related to an incident that occurred during FY2015, it has not been included in the above table. This issue does not contribute to the tally of incidents under AGL's FY2016 target of having 0 fines or penalties in relation to environmental licences.
4. This issue does not contribute to the count of environmental licence breaches as it relates to a planning approval rather than an environmental licence.

### Related Information

[AGL Compliance Management Policy](#)

[AGL Code of Conduct](#)

[AGL Risk Management Policy](#)

## How We Operate

# Corporate governance

### How We Operate

Stakeholder engagement

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☆ = Material Issues

### Corporate governance

Adopt best practice corporate governance principles.

✓ Met / ✗ Not Met

#### FY2016 Target

Governance score achieved in the DJSI Corporate Sustainability Assessment<sup>1</sup>  
 ≥ **previous year score**

#### FY2016 Performance ✗

Corporate Sustainability Assessment was not undertaken. Refer below.

## The adoption of best practice corporate governance principles 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.

The eight ASX principles are:

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

The ASX Principles include as Recommendation 7.4 that "CA listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks". This sustainability report provides that information to AGL's stakeholders.

AGL's annual [Corporate Governance Statement](#) discloses the extent to which AGL has adopted and met the ASX Principles.

During FY2015, AGL set a target to improve the score achieved in the Corporate Governance section of the RobecoSAM corporate sustainability assessment (which is used to determine companies' inclusion in the Dow Jones Sustainability Indices (**DJSI**)). During FY2016, AGL reviewed its continued participation in the DJSI, and decided to focus on publishing ESG information via this Sustainability Report so that it is available equally to all stakeholders, and direct less resources to reporting information via bespoke surveys where it is only available to selected stakeholders. This was consistent with feedback that we received from investors and other stakeholders about the limited application of the DJSI in making investment decisions in Australia. Consequently, AGL has been unable to achieve this target as the RobecoSAM score is no longer available.

# How We Operate

## Corporate governance

### How We Operate

Stakeholder engagement

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☆ = Material Issues

### AGL Board and committees

As at 30 June 2016:

- > the AGL Board comprised eight non-executive Directors and one executive Director. This includes Sandra McPhee, who retired from the Board with effect from 5pm on 30 June 2016. The executive Director is AGL's CEO, Andy Vesey; and
- > the proportion of female Directors on the Board was 33%. As noted above, AGL has included Ms Sandra McPhee, who retired from the Board with effect from 5pm on 30 June 2016. AGL has also included Ms Jacqueline Hey, who was appointed to the Board on 21 March 2016. The Board has also committed to achieving a target that, by 2018, at least 30% of non-executive directors will be female.

Detailed information about the structure, responsibility and experience of the AGL Board is included on the AGL [website](#) and within AGL's [Annual Reports](#).

The Board has established four standing committees of its members that meet regularly to oversee key risks affecting the business. During FY2016, each committee set aside time at one of its meetings to review and discuss its performance over the past 12 months. Each committee was satisfied that it had been effective in performing its responsibilities under its Charter (whilst also identifying areas for continuous improvement. In addition, the Charter for each committee was revised during FY2016.

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

The Safety, Sustainability and Corporate Responsibility Committee assists the Board in (a) reviewing and overseeing the development and implementation of policies and procedures which enable AGL to operate its businesses ethically, responsibly and sustainably; and (b) monitoring the decisions and actions of management in achieving AGL's objective to be a safe, ethical, responsible and sustainable organisation. The Committee operates under a formal charter and currently comprises three non-executive and independent Directors. The Committee oversees and reviews, amongst other things:

- > AGL's actions to meet its obligation to maintain the health and safety of its people;
- > the social, environmental and ethical effects of AGL's activities, and the systems for managing compliance with AGL's sustainability policies and practices;
- > initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen;
- > the integration of safety, sustainability and corporate responsibility matters in the formulation of AGL's strategy, risk management framework, health, safety and environment management systems, and people and culture priorities; and
- > AGL's compliance with all relevant legal and regulatory requirements governing the matters within its responsibilities.

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 function is to assist the Board in fulfilling its responsibilities to provide shareholders with timely and reliable financial reports and to safeguard AGL's interests taking into account the reasonable interests of shareholders, customers, employees, the communities in which AGL operates and other relevant stakeholders through the effective identification, assessment, monitoring and management of risks.

#### *People and Performance Committee*

The People and Performance Committee operates under a formal charter. Its primary function is to assist the Board in fulfilling its responsibilities to shareholders, customers, employees and the broader community through the appropriate recruitment, retention and remuneration of senior managers and other employees with the capabilities and skills necessary to execute AGL's strategy. These responsibilities include making recommendations to the Board in relation to:

- > the remuneration of Directors
- > the remuneration, recruitment, retention and termination policies applicable to AGL's senior management;
- > talent management and succession planning for key management roles;
- > guidelines for incentive plans, particularly as they relate to the Executive Team;
- > the superannuation arrangements in place for AGL employees; and
- > AGL employment policy matters.

## How We Operate

# Corporate governance

### How We Operate

Stakeholder engagement

Ethical conduct ☆

Public policy engagement ☆

Legislative compliance

**Corporate governance**

☆ = Material Issues

#### *Nominations Committee*

The Nominations Committee operates under a formal charter. Its primary function is to assist the Board in fulfilling its responsibilities to shareholders, customers, employees and the broader community through the appropriate recruitment, retention and education of Directors. Its responsibilities include:

- > 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.

### Related Information

[AGL Corporate Governance Statement](#)

[AGL Board and Committee Charters](#)





## Sustainability Performance Customers

### Customers

Customer experience ☆

Energy prices and  
affordability ☆

Distributed energy  
services ☆

Energy efficiency ☆

☆ = Material Issues

**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 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 our customer advocacy and satisfaction scores have risen over the past year.
- > **Energy prices and affordability** – AGL understands that energy bills can contribute to the financial difficulties that some of our customers face. In FY2016 we worked collaboratively with a range of community and customer stakeholders to progress the AGL Affordability Initiative, with initiatives such as increasing support for financial counsellors, and entering into partnerships to assist vulnerable customers with high energy consumption to manage their energy use.
- > **Distributed energy services** – AGL sees opportunities to transform the way customers engage with energy, to define new business models and to be a leader in our industry in the integration of new technologies. We see a co-existence of the existing grid and distributed energy sources and associated or enabling technologies, such as batteries, digital meters and solar PV. Customers increasingly have multiple options to choose from when sourcing their energy, and AGL plans to play a leading role in this evolving energy market.
- > **Energy efficiency** – AGL aims to provide our customers with a superior choice for products and services that provides them with control, comfort and convenience, and has focused significant efforts on providing customers with the enabling technology to be able to manage their energy usage efficiently.

## Customers

# Customer experience

### Customers

#### Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

### Customer experience

Provide a superior experience that meets the needs of our customers.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance ✓	FY2017 Target
Annual mean customer satisfaction score <sup>1</sup> : <b>&gt; major competitors</b>	Annual mean customer satisfaction score: <b>7.26</b> , which was higher than that of our major competitors <sup>2</sup>	Net Promoter Score <sup>3</sup> : Improvement in average annual NPS score compared to FY2016 <sup>4</sup>

AGL continues to focus on maximising the experience of energy customers. AGL operates in a highly competitive retail environment, and improving our customer experience remains a core part of delivering on our strategy. AGL's Customer Charter provides clear standards of service that customers can expect from AGL on key issues impacting their energy accounts.



 [Visit our Data Centre](#) | Customer satisfaction score

The [data centre](#) shows that AGL's average annual customer satisfaction score has been higher than that of our major competitors since 2012.

AGL monitors a range of other 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](#)
- > [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.



 [Visit our Data Centre](#) | Customer churn rates

# Customers

## Customer experience

### Customers

#### Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

AGL has continued to focus on improving our customer satisfaction throughout FY2016 by streamlining and expanding our communication channels to make it easier for our customers to interact with us, and by developing innovative and customer-focused product offerings.

### Listening to our customers

During FY2016, we have strengthened our communications platforms so customers can communicate with us when and how they want to:

- > **The AGL Community** – The AGL website has been refreshed to make it easier for customers to find the answers they are looking for. We have integrated our traditional FAQs with our online forum ([The AGL Community](#)), so our customers can now use crowd-sourced as well as AGL-curated content to find answers to their questions quickly.
- > **Social media** – AGL has a team dedicated to optimising our social media strategy and functionality. We have seen an average increase of 15% per quarter in engagement across our Facebook, Twitter and AGL Community pages during FY2016, and we have responded to over 10,000 comments and online feedback. Satisfaction from customers communicating via these channels is high, and as at June 2016 was 80%.
- > **Customer surveys** – Feedback from our customers is invaluable for informing decision-making to improve our business. Through expanding our after-call and voice-of-customer surveys in FY2016, we provided more customers with the opportunity to share their views, which in turn provides us with more opportunities to align our products and services to our customers' needs.

### Improved products and services

While continuing to deliver value for money in our core gas and electricity products, AGL is also focused on utilising digital innovation as a way to improve our product and service offerings to our customers. The [energy efficiency](#) section discusses AGL's focus on offering customers the enabling technology to be able to manage their energy consumption through AGL's entry into the market for digital meters. AGL's subsidiary, Active Stream, installed its 50,000th meter in early July 2016.

Another focus over FY2016 has been on improving the ease and convenience with which customers can interact with AGL online, with features including:

- > the capability to sign up online using a mobile phone browser;
- > a simplified sign up process for business customers;
- > a simplified fast track 'move-in' process that allows customers to transfer their existing plan, billing and account settings to their new premises rather than starting again; and
- > improving the ease with which customers can manage their accounts, personalise their experience and pay their bills.

We are also piloting proactive usage alerts for customers whereby AGL advises them via email of changes in their energy use patterns and/or sends them a mid-bill update so customers feel more in control of their energy use, and can manage their consumption accordingly.

Our online sales channel has proved successful over FY2016, with a 55% growth in online sales compared to FY2015.

Furthermore, in response to customer feedback and complaints analysis, AGL launched the Customer First program in FY2016. This program introduced a number of projects and initiatives to improve and resolve systemic issues that can cause problems for customers, and reduce 'customer effort' across various interactions with AGL. Two key initiatives that were rolled out in FY2016 comprised:

- > **Complaints Management** – AGL has changed how calls are received in our contact centres to ensure that complex matters are referred immediately to one of our more experienced agents, and complaints are escalated and resolved more quickly. This has resulted in a 25% reduction in ombudsman complaints from FY2015.
- > **Billing Experience Enhancement (BEES)** – BEES is a continuous improvement project designed to streamline AGL's billing processes and ensure that bills are delivered accurately and on time to all customers.

# Customers

## Customer experience

### Customers

#### Customer experience ☆

Energy prices and  
affordability ☆

Distributed energy  
services ☆

Energy efficiency ☆

☆ = Material Issues

### Improved channels of communication

Increased digital features and redesign of our operational communications provides more personalised, clearer options for how customers can engage with AGL and manage their energy use. For example:

- > **AGL App** – As discussed in the energy efficiency section, AGL has expanded the features of our free AGL App to support our customers. We have also improved the functionality of the App, including enabling simplified bill payment capability and an alert tool which makes it easier for our customers with digital meters to monitor their energy usage, set usage alerts to stay on track with their energy consumption, and predict how much their next bill will be. There has been an overall growth in downloads of the AGL App, and by the end of FY2016, there were over 114,000 downloads. Approximately 45% of users access the App in any given month.
- > **Communications Redesign** – AGL's operational correspondence was streamlined and redesigned in FY2016 to provide shorter, clearer and more direct messages to our customers. In recognition of the improved environmental sustainability of issuing online bills instead of paper bills, in FY2017, AGL will start charging an additional amount for customers to receive paper bills to encourage greater uptake of online bills. We are also doing this in order to keep costs down for customers as far as possible, in light of recent postage price increases implemented by Australia Post. Paper bills will still be issued at no charge to customers on our Staying Connected program and there are other measures in place to ensure that vulnerable customer segments will not be impacted by this change.

1. Calculated by comparing the average of four quarterly scores to those of both Origin Energy and EnergyAustralia.
2. AGL's average of four quarterly surveys prepared by an independent third party provider was 7.26. AGL's score at the end of Q4FY2016 was 7.36.
3. Average of four quarterly measurements.
4. The average of the net promoter scores achieved over each quarter of FY2016 is -19.8.

### Related Information

[AGL Customer Charter](#)

[AGL Dispute Resolution Policy](#)

# Customers

## Energy prices and affordability

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

### Energy prices and affordability

Provide affordable energy solutions for our vulnerable customers.

#### FY2017 Target

Delivery of commitments under the Affordability Initiative: **100%**

### Energy regulation and pricing

AGL continues to be a strong supporter of price deregulation on the grounds that competition delivers innovation and improved consumer outcomes. During FY2016, deregulated retail energy prices were in place in all States except New South Wales (gas) and Queensland (electricity). Queensland electricity prices were deregulated in July 2016, and New South Wales gas prices are scheduled to be deregulated from July 2017 (subject to an increase in competitive market offers, particularly in regional New South Wales).

AGL increased its electricity prices in New South Wales, Victoria and South Australia, as well as some gas prices in June 2016, driven mostly by the cost and availability of coal and gas supply for electricity generation, and the changing mix of generation output. The price changes vary by State and depending on a customer's tariff type, their usage, and their existing energy plan, however the increases were greatest in South Australia, where average households using 5.02 MWh of electricity per year will experience an average increase of \$4.40 per week.

AGL understands that energy bills can comprise a significant proportion of some households' living expenses, and we implemented a range of cost reduction measures to ensure that these price rises were as low as possible. We understand that sustainable energy market deregulation is entirely dependent on addressing customer affordability issues. AGL has been a proactive industry leader in this area, launching our comprehensive Affordability Initiative in December 2014. Our [Affordability Initiative](#) is a program of work through which AGL aims to better understand the issues associated with customers facing financial hardship, and provide targeted and effective support.

### Electricity tariff reform

There continues to be a need for network tariff reform in Australia, so that average-cost volumetric pricing is transitioned to more cost-reflective tariff structures. This will ensure that all customers contribute more equitably to the cost of the delivery of shared network services, and will reduce cross-subsidies between customers. Current energy tariffs result in consumer inequity and economic inefficiencies, as customers pay the same 'average' tariff for all energy use throughout the year, while system costs are primarily driven by demand during peak times. Customers with air-conditioning (which increases peak demand) and solar PV (which reduces average energy use supplied by the network, although typically not during peak times) are therefore cross-subsidised by those customers without access to these technologies. See [research](#) by AGL economists on the inequity of flat-rate electricity tariffs.

AGL is a strong advocate for demand tariffs at a network level, as such tariffs price electricity more efficiently, and enable customers to experience the costs and benefits associated with different energy choices. This incentivises demand-response in a way that benefits individual customers as well as the wider system - including through the use of new products and technologies, such as battery storage to manage demand peaks. AGL will continue to work with customers and other stakeholders to promote the benefits of network tariff reform.

## Customers

# Energy prices and affordability

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

### Energy Affordability

## 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 putting in place mechanisms to better identify, respond to, and change to meet the needs of our customers.

Throughout FY2016, AGL continued to implement improvements to support vulnerable energy consumers, which were established in the \$6 million Affordability Initiative. In FY2016, AGL committed a further \$0.5 million as part of the Queensland Government's consumer information and education campaign. From an operational perspective, AGL has been focused on changing its processes to ensure that appropriate support is being provided to vulnerable customers at the right time, from the point of sign-up through to addressing the issues faced by customers with long-term payment difficulties. For example, we have and will continue to review our policies relating to debt recovery against residential customers, and will not pursue legal action, including not pursuing bankruptcy proceedings, for residential debt where there are clear signs of customer vulnerability, or where the outstanding debt is not significant.

**\$6.5M** AGL has committed to invest \$6.5 million over three years from FY2015 to support hardship customers



Further detail in relation to each of the commitments is available in AGL's [Affordability Initiative](#).

#### *Financial Counselling resources increased*

In response to feedback from the community sector that financial counselling resources are under strain, and acknowledging the important role that counsellors play in assisting customers to address complex debt issues, AGL is investing \$1.2 million over three years to increase financial counselling resources in Queensland, New South Wales, Victoria and South Australia. AGL has established partnerships with YFS Logan, Wesley Mission, Kildonan UnitingCare and Uniting Communities, to ensure that additional resources are dedicated to supporting vulnerable consumers, connecting them wherever possible with appropriate support services.

#### *Integrated partnerships to assist vulnerable consumers with high energy consumption*

AGL research released in 2015 highlighted that customers participating in our energy hardship program, Staying Connected, consumed, on average, around 40% more electricity per year when compared to AGL's average customer base. High energy consumption can be driven by a large number of factors including poor building fabric, large numbers of people in the one home, time spent within the home and home appliances that have a relatively lower upfront capital cost but higher consumption cost associated with greater energy use.

AGL has been working with community organisations and State governments to develop targeted and integrated pilot programs to help vulnerable customers reduce energy consumption and costs through the installation of solar panels and efficient appliances, combined with education programs which target behaviour change to encourage greater energy efficiency. Further, as outlined in the energy efficiency section, \$1.5 million of energy saving programs will commence in FY2017, arising out of partnerships established in FY2016 with Uniting Communities in South Australia and Kildonan UnitingCare in Victoria. These partnerships are designed to enable customers on Staying Connected to receive home visits by community workers who will provide customers with energy efficiency advice and advice of other relevant support programs available to them. There will be a significant focus over the coming year on outcomes-based measurements such as the impact on customer debt accrual rates, to ensure that support is delivered in the most effective way.



# Customers

## Energy prices and affordability

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

*Support for customers impacted by domestic violence*

### AGL implemented an integrated domestic violence policy in September 2015, to better support our people and customers who are impacted by domestic violence.

Support for our people includes access to 10 days domestic violence leave, referral to counselling through the employee assistance program and flexible work arrangements. The new customer support policy ensures calls are transferred to hardship specialists, the availability of flexible payment arrangements and debt relief on a case-by-case basis, and additional steps to protect account privacy.

Acknowledging the shared-responsibility of addressing domestic violence across all sectors in the Australian community, AGL was the first corporate to participate in and support the Victorian Government's 'Victoria Against Violence' campaign and the Queensland Government's 'Not Now, Not Ever' campaign.

### FY2016 performance

AGL closely monitors data reflecting key affordability indicators in order to gain insight into our customers' experiences in paying their energy bills and in order to most effectively structure our customer support programs. Visit the [data centre](#) to view or download information on the following topics:

- > the number of customers who typically go through each of the steps in our standard [customer collections process](#);
- > [average debt levels of customers on Staying Connected](#); and
- > the number of [wrongful disconnections](#) that AGL has performed over FY2016.

### Related Information

[AGL Affordability Commitment](#)

## Customers

# Distributed energy services

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

### Distributed energy services

Provide a market-leading range of energy products and services that maximises customer value from distributed energy technologies.

#### FY2018 and FY2020 targets

Number of smart connections<sup>1</sup>: **1 million** (by 2020)

and

Proportion of AGL fleet comprising electric vehicles: **10%** (by 2018)

There are major shifts occurring that are transforming the energy industry from the traditional centralised generation model to a more distributed and integrated energy supply chain. This significant transformation is being driven by new emerging technologies, evolving policy, and changing customer demands and needs. Consumers are now more energy conscious and energy literate, and expect to be able to actively manage their energy consumption decisions. As the electricity grid continues to modernise, distributed energy resources such as storage and solar PV technology can help facilitate the transition to a more efficiently-operating grid.

**AGL recognises that to remain competitive in this changing landscape, energy companies must innovate and focus on creating a broader suite of energy services for consumers.**

To help achieve this, AGL has invested in empowering technologies, such as by operating a digital metering business, and offering more flexible methods of financing and paying for solar through AGL Solar. AGL is also providing more 'in home' energy services such as energy/battery storage.

During FY2016, AGL focused on the following initiatives:

- Solar Smart Plan** – In February 2015, AGL became the first major Australian electricity retailer to formally launch a solar power purchase agreement (**PPA**) product, which has been refined and improved during FY2016. Under this plan, customers buy their power from a solar system which is installed on their roof and owned and maintained by AGL. The customer pays for the energy produced by the solar system at less than average grid energy prices for the term of the agreement, and at the end of the term (usually seven years), customers are given the option to take ownership of the system and the energy it generates.

**240%** GROWTH in sales of solar PV systems in FY2016



AGL's significant growth in sales of solar PV systems has placed it in the top three solar retailers in the National Electricity Market, based on the number of solar systems sold and installed in FY2016<sup>2</sup>.

- AGL Solar Command** – During FY2016, AGL offered a new monitoring product for solar PV customers. AGL Solar Command helps solar owners monitor their system's output to identify under-performance problems and optimise solar energy generation and energy use. As a standard inclusion in all new AGL solar system sales from July 2015, AGL Solar Command provides solar customers with a real-time dashboard which can be accessed from any smart device. The monitoring can also be fitted to any other solar power system, giving customers with existing solar systems the opportunity to get more out of their investment and peace of mind the system is working at its best. In FY2016, this monitoring was made accessible via the AGL Energy App, allowing AGL customers even greater insight into their energy usage. See the [energy efficiency](#) section for more information on AGL Solar Command.

## Customers

# Distributed energy services

### Customers

Customer experience ☆

Energy prices and  
affordability ☆

Distributed energy  
services ☆

Energy efficiency ☆

☆ = Material Issues

- > **Electric vehicles (EVs)** – AGL is striving to remove the obstacles to EV ownership and to enhance the ownership experience. In June 2016 AGL announced a new “all you can eat” capped energy plan that will enable EV drivers to charge their vehicle at home as much as they want for \$1 per day (including carbon offsetting). This product will be available from November 2016. Building on from the pilot program commenced in 2015, AGL is also continuing to develop EV products for corporate fleets. Our bundled offering is a complete and tailored solution for EVs including needs assessment, charging, procurement options, energy supply, reporting and certification. AGL will continue to scale our business customer offering through FY2017 in line with new EV model launches. AGL is also committed to purchasing EVs for our own business fleet, and during FY2016 AGL announced our target for 10% of the AGL fleet to be electric by mid-2018.
- > **AGL Power Advantage** – In May 2015, AGL became the first major electricity retailer to launch energy storage to our customers. These systems enable the storage of excess solar energy so that it can be used when needed instead of being exported back to the grid. Our initial product was for residential and small business customers, giving consumers more control over managing their energy consumption, and included a range of battery storage devices based on lithium-ion technology. During FY2016, AGL added two other products to the range, with larger battery sizes (11.6 kWh and 10.4 kWh) being made available to complement the existing 7.2 kWh battery.
- > **Investment in Sunverge Energy Inc** – AGL’s battery storage management capabilities were further enhanced with our announcement in February 2016 of a US\$20 million investment in leading US-based energy storage and management company, Sunverge Energy Inc. This investment was designed to significantly enhance AGL’s energy storage management and ‘virtual power plant’ capabilities and help accelerate the adoption of energy storage in the Australian market.
- > **Demand-response trial** – During FY2016, AGL ran the first retailer-led trial to investigate how emerging technologies can be used to balance spikes in electricity demand due to hot weather, and ultimately reduce electricity system augmentation costs. This four month demand response trial was undertaken with 68 residential customers in Carrum Downs in Melbourne, in conjunction with local network provider United Energy. All customer homes had cloud-interfaced air conditioning units installed and connected to virtual power plant software. In addition, six of the homes had batteries installed, which integrated with existing solar PV systems.  
  
The trial involved customers’ air conditioners being sent commands to slightly increase the set temperature, so as to reduce demand from the grid. Customers were able to opt-out of particular hot weather events before or during each event. For homes with batteries, solar energy stored in the battery was dispatched back to the grid during an event. The main aim of the trial was to prove the technical capability to reduce at least 25 kW of energy being drawn from the grid for the duration of each hot weather event as a demonstration of alternative ways to balance peaks in energy demand, which the trial was able to demonstrate.
- > **Alternative generation energy assets** – We own and operate a wide range of embedded energy assets including cogeneration and small renewables, as well as transport assets across Australia. This comprises 21 energy assets covering landfill generation and flaring, biogas and biomass generation, co-generation and compressed natural gas refuelling. These assets generate over 450 GWh per annum, and our compressed natural gas refuelling facilities refuel over 800 buses and 50 commercial vehicles.

1. Comprises premises with solar PV, batteries and/or digital meters.

2. Based on transactions performed through the REC Registry, managed by the Clean Energy Regulator.

### Related Information

AGL Solar

# Customers

## Energy efficiency

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

### Energy efficiency

Provide innovative energy efficiency solutions for our customers, enabled by digital metering.

#### FY2020 target

Number of smart connections<sup>1</sup>: **1 million** (by 2020)

AGL aims to provide our customers, both residential and business, with a superior choice for competitive and connected products and services that provide them with control, comfort and convenience in managing their energy efficiently.

AGL has prioritised providing energy efficiency solutions to many of our customers, and has focused significant efforts on providing customers with the enabling technology to be able to manage their energy usage efficiently, for example, through the entry of AGL's wholly-owned subsidiary, Active Stream, into the contestable digital metering market.

Digital meters empower consumers to control their energy usage by providing timely data, and enable the provision of innovative retail service offerings. Active Stream offers a range of innovative digital metering products and services to retailers, distributors and other businesses, including the installation and maintenance of digital metering devices (on the retailer's behalf) and provision of metering data to the customer's retailer, and the relevant network operator and AEMO for billing and settlement. Digital meters enable retailers to improve their customer service by offering accurate, reliable and more granular consumption data to bill from. They also offer customers a wide range of operational and efficiency benefits such as:

- > greater control over their energy bills by providing customers with more information to monitor and manage their usage. Customers can track their energy usage and bills online in half hourly increments, and tap into the full functionality of tools such as My AGL IQ and the AGL App, allowing them to set up usage alerts to help them control their energy usage and bills;
- > access to more flexible and innovative pricing options that are more tailored to customers' specific usage scenarios; and
- > the elimination of manual meter reads and estimated reads, which results in more accurate meter reads and billing.

Digital meters are also a key enabler to building a more intelligent and sustainable electricity network, such as through demand response capability and electricity storage, which are addressed in more detail in the [distributed energy services](#) section.

AGL has also embraced technological advancements which assist customers to manage their efficient energy usage through significant developments to our mobile App over FY2016, including:

- > enabling support for all types of meters, both digital and standard, for electricity and gas, so that the App can now support all energy customers;
- > releasing of a version of the App for Android devices, and broadening the accessibility of the App to almost all smart phone users; and
- > adding a 'solar' tab that integrates the AGL's Solar Command functionality, and allows customers to see in real time their solar system health, the energy being produced by the solar system, and the energy being consumed by the premises, thereby allowing customers to optimise utilisation of the energy produced by their solar systems (more information on AGL Solar Command is contained in the [distributed energy services](#) section).

# Customers

## Energy efficiency

### Customers

Customer experience ☆

Energy prices and affordability ☆

Distributed energy services ☆

Energy efficiency ☆

☆ = Material Issues

We also make energy-saving tips readily available to our customers, including by providing information on our website on practical ways to conserve energy at home. This includes a 'do-it-yourself Energy Audit', which is a fast and effective way for residential customers to identify the largest energy-using appliances in their home.

During FY2016 we also delivered energy productivity solutions that helped our larger customers make their businesses more productive and successful, while also saving energy and money, through services including the following:

- > **AGL Insight** – AGL Insight is a Cloud-based software platform that enables customers to access their AGL electricity and gas billing data, and capture emissions, water and pollutant data for reporting purposes. Our customers can also access AGL Business IQ, a web-based reporting portal.
- > **AGL Electroserv** – AGL Electroserv is an AGL business that focuses on electrical efficiency, and provides energy productivity services to AGL's commercial and industrial customers in order to reduce energy costs. By improving how efficiently customers use electrical energy, Power Factor Correction equipment can significantly reduce energy costs for business customers paying demand based charges. AGL Electroserv specialises in the design, manufacture, installation and service of Power Factor Correction Equipment.
- > **Energy productivity studies** – AGL worked with commercial building customers to undertake site assessments and makes recommendations to assist them in optimizing energy use across key equipment and identifying any faults. This also included providing assistance in planning and implementing efficiency projects across their electrical systems and equipment.
- > **Other projects** – AGL also focused on identifying key projects which can help customers' businesses reduce energy consumption such as through building optimisation analytics; lighting upgrades; solar PV systems; and the delivery of HVAC (heating, ventilation and air-conditioning) solutions.

Further, improving energy efficiency at our electricity generation assets has taken on an increased focus over FY2016, with the appointment of an efficiency engineer to scope projects for implementation and more explicitly incorporate efficiency considerations into decision making across AGL's large generation sites. For example, AGL has commenced preliminary discussions about the use of complementary technologies for use at its large power plants which would conserve conventional fuel use.

As mentioned in the [energy prices and affordability](#) section, AGL works collaboratively with community organisations and State governments to improve the delivery of support to vulnerable customers, including the delivery of energy efficiency advice. In FY2016, AGL partnered with Uniting Communities in South Australia and Kildonan UnitingCare in Victoria to allow for customers participating on AGL's Staying Connected program to receive home visits, where advice can be provided by community workers on how to reduce energy use, connect customers with other support services and where appropriate, replace old inefficient appliances. Assisting high-consumption, low-income customers reduce their ongoing energy costs is a priority for the program, with a renewed focus in FY2017 on the development of an outcomes-based measurement framework which includes and takes account of customer debt accrual rates and customer satisfaction levels.

1. Comprises premises with solar PV, batteries and/or digital meters.





## Sustainability Performance Community

### Community

Community engagement ☆

Community investment

☆ = Material Issues

**AGL is committed to ensuring that our operations and 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.**

We understand that members of the communities in which we operate have differing views on our power generation and coal seam gas production projects. 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 activities, how we minimise risks to the environment, and the scientific approach we take to risk assessment. 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, as well as through more personal channels including information sessions, site tours and community events. We base our responses to issues that are of concern in the community on evidence, and use scientific methods to quantify the risks and effects of our projects.

Sitting alongside AGL's local community engagement is AGL's corporate citizenship program, [Energy for Life](#), through which we seek 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** – this section looks at AGL's approach to community engagement over the past year in areas in which its electricity generation and gas production projects are located, including practical ways in which AGL has provided support and assistance for local community activities and initiatives. AGL has also engaged with local communities in structuring transitional arrangements, which will be implemented in the areas in which AGL has ceased activity, or has proposed to do so in the future.
- > **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 ☆

### Community investment

☆ = Material Issues

## Community engagement

Work side by side with the community to develop mutually beneficial energy projects.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance	X	FY2017 Target
AGL will host at least four community events at each operational/ development site to allow for community views to be raised and discussed in public.	While this target was met or exceeded at 15 operational sites where there are strong community views, we did not meet the target for four of our facilities.		AGL will host at least four community events at each operational/development site <sup>1</sup> to allow for community views to be raised and discussed in public <sup>2</sup> .

### AGL's engagement with local communities

Community engagement is of paramount importance to AGL and over FY2016 we have actively engaged with the communities in which our operations and projects are located. AGL's community engagement activities are formalised in community consultation plans and reports for its project areas. These reports contain details of AGL's objectives, strategies and proposed activities for community engagement in each project area, and key metrics are reported to the AGL Board and senior management regularly.

## In FY2016, the responsibility for community engagement programs for all projects was consolidated within a single team in the Stakeholder Relations business unit, to deliver a consistent approach to community engagement.

In FY2017, this will be formalised in the development of a Community Engagement Standard, which will establish a common, best practice approach to community and stakeholder engagement across all of AGL's operational sites and projects.

We prioritise open, transparent, and honest communications and consultations with local communities through a range of different channels including:

- supporting and participating in regular Community Consultative Committee (CCC) meetings in many of our project areas. Minutes of these meetings are available on the project websites<sup>3</sup>;
- sharing information about our assets, and being available to answer questions on AGL's 24-hour 1300 and 1800 phone numbers, and at AGL's local project offices;
- 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.

Indicating the significance we place upon community engagement, we set ourselves a performance target over FY2016 that we would host at least four community events at each operational or development site to allow for community views to be raised and discussed in public. While we exceeded this at almost all of our operational sites, including sites where there are strong community views about our operations or practices, we did not meet this target at our Dartmouth hydro-electric facility, the Somerton peaking power station, the Wattle Point Wind Farm, and at our Oaklands Hill Wind Farm. Dartmouth and Somerton are a considerable distance from residential communities, and the nearest communities have not expressed concerns regarding AGL's operations for the 10 years that AGL has operated at these locations. It has been difficult to identify any impacted community for these assets. AGL has not met its target for community events at Oaklands Hill, but has events planned for the second half of 2016. Similarly, two community events were held at the Wattle Point Wind Farm in FY2016, with additional meetings being held with the local council to plan further appropriate community events. These events have been scheduled for the first half of FY2017.

# Community

## Community engagement

### Community

#### Community engagement ☆

#### Community investment

☆ = Material Issues

As a result of our experiences this year, we have amended our performance target for FY2017 to apply to operational/development sites that are located within a distance of 5km, by road, of a residential community comprising at least 250 people. In addition, given the relatively close proximity of all of AGL's hydro-electric facilities to each other, we will consider these sites as a single site for the purposes of meeting this target.

**We consider that such a target will enable us to hold ourselves to a high standard of accountability on community engagement, with priority being placed upon the communities that have the strongest views on our operations and projects.**

The following table summarises the number of community events that AGL has engaged in over the course of FY2016 at its various project sites:

Asset / project	Number of events during FY2016
AGL Torrens	7
Eildon Power Station (Hydro)	6
Kiewa Scheme, McKay Bogong, Clover, West Kiewa (Hydro)	4
Dartmouth Power Station (Hydro)	0
Somerton Power Station	0
AGL Loy Yang	16
AGL Macquarie	9
Camden Gas Project	10
Newcastle Gas Storage Facility	5
Silver Springs Gas Storage / Wallumbilla LPG Plant	4
Gloucester Gas Project	27
Broken Hill Solar Plant	14
Nyngan Solar Plant	12
Macarthur Wind Farm	8
Silverton Wind Farm (proposed)	4
Coopers Gap Wind Farm (proposed)	4
Wattle Point Wind Farm	2
Hallett Wind Farms	5
Oaklands Hill Wind Farm	1

The following sections outline the approach AGL has taken to community engagement over FY2016, focusing on our newer projects or those that have generated particularly strong community sentiment.

### Renewable generation facilities

*Established wind farms and solar plants – Macarthur Wind Farm, Wattle Point Wind Farm, Hallett Wind Farms, Oaklands Hill Wind Farm, Nyngan Solar Plant and Broken Hill Solar Plant.*

AGL has wind farms and photovoltaic solar plants operating in Victoria, New South Wales and South Australia. These are included in the map contained in the [about AGL](#) section.

**Community sentiment towards AGL has been positive overall in areas where these assets operate. In addition to the stable employment opportunities created by these assets, the communities are interested in learning about renewable energy and technologies.**

# Community

## Community engagement

### Community

#### Community engagement ☆

#### Community investment

☆ = Material Issues

However, a small number of opponents exist, who, throughout FY2016, have continued to raise their concerns about perceived health impacts caused by infrasound generated by wind turbines. Infrasound is sound waves below the lower limit of human audibility or below 20Hz. Sound at or below these levels is considered to be inaudible to the human ear. AGL has continued to engage with these community members, with the wider local community, and with key stakeholders. AGL has also supported new scientific research into wind turbines and infrasound health impacts, announced by the National Health and Medical Research Council in 2016.

During FY2016, the Commonwealth Parliament established the Office of the National Windfarm Commissioner, a role intended to aid in the conciliation and resolution of community concerns and disputes relating to wind farms in Australia. AGL has actively engaged with National Wind Farm Commissioner and is co-operatively working with the Commissioner to resolve complaints made to his office.

Refer to the [air, waste and noise](#) section for further information.

AGL has worked closely with the communities in which its solar plants at Nyngan and Broken Hill are located, and has received a largely positive reception to its solar activities. For example, over 800 people attended the recent open day at our Broken Hill Solar Plant. The solar plants have proven to be strong attractors of tourism into the area, and communities generally value the associated economic and social benefits that this has delivered.

#### *Proposed renewable energy projects – Silverton and Coopers Gap Wind Farms*

AGL is progressing with the development approval process for the Silverton Wind Farm project in New South Wales (proposed to have a capacity of up to 200 MW) and for the Coopers Gap Wind Farm project in Queensland (proposed to have a capacity of up to 350 MW).

As part of the consultation process for the wind farm projects, CCC's have been established for a number of years. The CCC's aim to foster relationships with the communities, to share information about the projects and to address any concerns and topics of interest. In addition to the CCC meetings, AGL engages with the community in less formal ways, holding one-on-one meetings, participating in local events and activities and by having our people living and working in the areas local to the projects.

The CCC meetings continue to be well attended by the local community and key stakeholders. With both projects moving closer to final approval and to construction, the communities are increasingly interested in the employment and business opportunities generated by projects of this scale, as well as the look and sound of wind farms.

### Gas production and exploration operations

FY2016 has seen significant changes in AGL's upstream gas portfolio. After a comprehensive review, the decision was made in July 2015 to divest a number of non-core gas production assets including the Camden Northern Expansion (which had been on hold since February 2013), the Hunter Gas Project assets, AGL's interests in the Cooper Oil Project, Spring Gully ATP and the Moranbah assets, and to sell back to the New South Wales government a number of Petroleum Exploration Licences (PEL 2, 4 and 267).

Following a further review in February 2016, AGL announced that we had taken a strategic decision that exploration and production of natural gas assets would no longer be a core business for the company. We announced that apart from gas storage and related plant at Wallumbilla, we planned to sell our Queensland natural gas assets at Moranbah, Silver Springs and Spring Gully. We also announced that we would not proceed with the Gloucester Gas Project, and that we would cease production at the Camden Gas Project in 2023, twelve years earlier than previously proposed. AGL announced that we would commence a comprehensive decommissioning and rehabilitation program for our well sites and other infrastructure in the Gloucester region. In addition, the Camden site and wells will be progressively decommissioned and the sites rehabilitated.

Despite these substantial changes to our gas operations, we have continued to prioritise community engagement at our operational sites, particularly where the community has concerns about our activities or the impact of our operations, and at those sites where we are undertaking rehabilitation activities in preparation for ceasing operations at the site. We set out below some key community engagement activities over FY2016 at our various gas projects.

#### *Gloucester Gas Project*

Even after our decision to cease operating the Gloucester Gas Project, we have continued to be involved in the community through regular CCC meetings that have been held quarterly throughout FY2016, and through our project decommissioning and rehabilitation activities. As at 30 June 2016, we had received all regulatory approvals to undertake decommissioning, which is due to be completed by the end of 2016. Following the rehabilitation process, the New South Wales Environment Protection Authority and the New South Wales Division of Resources and Energy (part of the New South Wales Department of Industry, Trade and Investment) will provide their approval of AGL's activities through regulatory sign-off. AGL will then relinquish the Petroleum Exploration Licence to the State government.

# Community

## Community engagement

### Community

### Community engagement ☆

### Community investment

☆ = Material Issues

The community has expressed some concern about the decommissioning process, particularly about the ongoing structural integrity of legacy infrastructure (including cemented wells), that will remain on the site indefinitely. There has also been concern expressed about the management, treatment and disposal of produced water from the Gloucester project. AGL has proactively responded to these concerns by holding regular community information sessions, by inviting different regulatory agencies to brief the CCC members about the progress of AGL's decommissioning activities, and through the regular dissemination of information through channels such as letterbox drops, newspaper articles and advertisements, and electronic newsletters. We propose to treat and reuse or dispose of all remaining stored produced water in FY2017 as part of our rehabilitation activities.

## AGL has also established a \$2 million Gloucester Independent Community Legacy Fund to support initiatives that bring long-term, sustainable economic benefit, training or employment pathways to the greater Gloucester region.

A Community Panel has been set up for the purposes of administering the Fund. Expressions of interest for funding initiatives were invited by the end of July 2016, with successful applicants being invited to submit a full application that will be assessed at the Panel's first quarterly assessment meeting in October 2016.

This funding is in addition to the Local Community Investment Program (LCIP) that AGL has supported over the course of FY2016. To qualify, community organisations needed to submit applications which were assessed by the Gloucester Community Investment Program community committee, made up of AGL representatives and local community members. One of the initiatives endorsed by the LCIP community committee was for sporting organisations receiving AGL grants to be part of the Good Sports Program, which is a community initiative designed to assist sporting clubs set standards on issues such as unhealthy alcohol habits, mental health issues, and other health issues such as smoking and obesity.

AGL also continues to engage a community development consultant in a Regional Strategic Partnership role. Fully funded by AGL, the consultant works with government, businesses, community groups and locals to support organisations to identify and apply for community grants. The role leverages opportunities to enhance local industry and grow the greater Gloucester regional economy. This role also provides advice and support for the Gloucester Independent Community Legacy Fund Panel.

### Camden Gas Project

While AGL has announced that production at our Camden Gas Project will cease in 2023, we continue to be involved with the Macarthur community. Camden CCC meetings continue to be held quarterly and we have organised several site tours of the Camden Gas Project with community, business and environmental stakeholders.

Over the course of FY2016 some members of the community expressed concerns about issues such as methane emissions, and the impact and management of produced water, with some expressing a preference for the Spring Farm wells sites to be decommissioned immediately. In response to community concern about produced water at Camden, AGL has published information about the composition of produced water on [yoursayagl.com.au](http://yoursayagl.com.au), AGL's online forum dealing with community issues associated with its gas operations. Through this forum, we have attempted to dispel a number of misleading ideas about produced water that had been generated on social media.

In April 2016, we also announced our partnership with the Gas Industry Social and Environmental Research Alliance (GISERA). GISERA was founded almost five years ago by the CSIRO, Asia Pacific LNG and QGC Pty Ltd to research the economic, social and environmental impacts of the natural gas industry. GISERA now has Federal and State Government support, and through its partnerships with AGL, Santos and Origin plans to expand its research into regional New South Wales. In particular, AGL entered into this partnership with GISERA with the aim of providing quality assured scientific research into issues that are of concern to our community members.

## Over the course of FY2016, we have also begun to broaden our scope of community engagement on issues beyond our gas operations. The community has been particularly interested in AGL's initiatives in the areas of solar and other New Energy products and services.

# Community

## Community engagement

### Community

#### Community engagement ☆

#### Community investment

☆ = Material Issues

AGL partnered with Macarthur Disability Services in FY2016 to provide solar energy to its respite service care home, Sunflower Cottage, which provides support for children with serious disabilities and their families. AGL donated a solar energy system to this facility, which provides energy cost savings.

AGL continues to partner with the Greater Narellan Chamber of Commerce. In FY2016, AGL held a number of workshops and surveyed the members to educate and identify opportunities that could further reduce their energy costs through the benefits of solar products and other AGL services.

### Coal-fired electricity generation facilities

As outlined in the [electricity generation](#) section, AGL operates a diverse portfolio of electricity generation assets. With our 2015 [Greenhouse Gas Policy](#) commitments about the long term closure of our coal-fired power stations, however, we have commenced discussions with communities in the Latrobe Valley (where AGL Loy Yang is located), and in the Hunter area (where AGL Macquarie is located), about how transitional arrangements may be structured over the medium to long term.

#### *Loy Yang A power station and mine*

The Hazelwood Mine Fire Inquiry (**Inquiry**) has been an issue of significant community interest in the Latrobe Valley. The final report of the Inquiry was released by the Victorian Government on 14 April 2016. AGL's Loy Yang was an active contributor to the Inquiry, making formal submissions, participating in public consultations, appearing before the Inquiry, and publicly supporting the Inquiry Board's recommendations. While AGL has no financial interest in the Hazelwood Mine (or any associated entity), some of the Inquiry Board's recommendations have impacted the safety standards that companies, including AGL, will now need to meet and actions that such companies will need to undertake. We have and will continue to consult with and inform the community on how we are meeting these revised safety standards.

The Loy Yang Environment Review Committee (similar in structure to CCC's that operate in other areas) meets quarterly, and considers and discusses the environmental, social and community implications of AGL's Loy Yang power station. A public forum hosted by the Environment Review Committee occurred in May 2016 with discussion topics covering many of the issues covered by the Inquiry including the environmental performance of the industry, as well as AGL's future prospective mine closure and changes to mine rehabilitation plans, and AGL's transitional arrangements in the community. The forum also included a facilitated session seeking input from attendees on how AGL Loy Yang can improve its engagement with the local community.

## AGL has received considerable community, government and industry support for its launch of a post-combustion carbon capture project at Loy Yang in 2016.

Working with CSIRO, Brown Coal Innovation Australia and Japanese engineering partner IHI Group, a two year trial is underway to demonstrate commercially viable post-combustion carbon capture technology.

#### *AGL Macquarie power stations*

Community support in the Hunter region for the Bayswater and Liddell power stations has remained favourable over FY2016, as AGL Macquarie plays an important role in the community as a stable employer and active community participant.

There has been recent community concern about environmental and safety issues following the temporary closure of Lake Liddell after *Naegleria fowleri* was detected during routine water monitoring. *Naegleria fowleri* is a naturally occurring amoeba that lives predominantly in warm fresh waterways and is quite common in northern parts of Australia. AGL released a statement that even though the chances of human infection are assessed as extremely low, since most infections from the amoeba are fatal it has determined that as a precaution it would keep the lake closed to public recreational activity until further tests can be conducted. There is no risk of infection from the amoeba by consuming fish caught in the water, or through drinking or touching the water. The amoeba is only capable of causing harm if it enters the body through the nose, such as if infected water is inhaled or if a person submerges his/her head underwater (as this enables migration of the amoeba to the brain). AGL has obtained advice from an expert Health-Risk Assessor for the ongoing and longer-term management of the lake.

In FY2016, in recognition of the impact that transformations in the electricity sector and the rise of renewable energy will have on the Hunter community, AGL set up the Hunter Energy Transition Alliance, which is an alliance of industry and community partners, to help identify future jobs and opportunities for new energy investment and skills development for the Hunter region. The Alliance is being undertaken in collaboration with the Newcastle Institute of Energy and Resources, and is an approved project under the New South Wales Government's Energy Innovation Knowledge Hub. This Alliance held a consultation meeting in January 2016, with representatives from Hunter region businesses, the education sector, government and community organisations. The Alliance is proving an effective engagement model through which AGL can proactively manage the economic and employment impact of the prospective closure in 2022 and 2035, respectively, of the Liddell and Bayswater power stations.

# Community

## Community engagement

### Community

### Community engagement ☆

### Community investment

☆ = Material Issues

### Economic contributions to local communities

An important way in which AGL seeks to show its support for the local communities where its operations are based is through providing financial support, sponsorship, and staff involvement in projects and events that are of particular importance to these communities. AGL appreciates that these activities can assist communities to thrive, and in supporting these measures AGL can demonstrate its commitment to these local communities and contribute towards their ongoing success. See the [community investment](#) section to see how AGL has contributed to local communities through its various Community Funds and Community Support Programs.

During FY2016, we continued to measure our investment in local businesses and the local communities in which are gas exploration projects are located. During FY2016 our local employment rates for the Gloucester and Camden gas projects were 45% and 46% (respectively) with a combined salary spend on local employees of over \$2.8 million.



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

1. This target applies to operational/development sites that are located within a distance of 5km, by road, of a residential community comprising at least 250 people.
2. Given the relatively close proximity of AGL's hydro-electric schemes to each other, these sites are together considered as a single site for the purposes of meeting this target.
3. Community engagement activities for individual projects are documented on [AGL's website](#).

### Related Information

[YourSayAGL](#)



# Community

## Community investment

### Community

#### Community engagement ☆

#### Community investment

☆ = Material Issues

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 people the opportunity to get involved in causes they are passionate about by participating in matched workplace giving and paid volunteering leave programs.

### Strategic partnerships

AGL is investing more than \$3 million over the six years from 2012 in Energy for Life 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.**

These partnerships complement ongoing commitments to addressing hardship through regulatory obligations, hardship programs such as Staying Connected and our overarching Affordability Initiative (refer to the energy prices and 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 FY2016, AGL contributed nearly \$220,000 to The Smith Family under this partnership agreement. AGL people also support The Smith Family by volunteering their time to mentor students through the iTrack mentor program.

#### > **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 FY2016, AGL contributed over \$335,000 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 FY2016, 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 FY2016, AGL contributed \$19,250 to Julian Burton Burns Trust under this partnership agreement.

# Community investment

## Community

### Community engagement ☆

### Community investment

☆ = Material Issues

During FY2016, AGL has continued to focus on further integrating Energy for Life with core business initiatives to improve employee and customer engagement with the program. AGL's eBills have a permanent space dedicated to promoting AGL's strategic charity partners. In addition to engaging support for these charities from our customer base, this also helps to increase customer awareness of the support AGL provides through our strategic partnerships.

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

**5,301** HOURS  
Volunteering leave taken by  
our employees



#### Visit our Data Centre | Employee Volunteering and Employee Giving participation rates

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 FY2016, AGL's Executive Team spent their volunteering day with Matthew Talbot Homeless Services (part of the St Vincent de Paul Society), preparing and serving meals to those in need. In June, AGL Executive Doug Jackson, as well as General Manager Loy Yang, Steve Rieniets, participated in the Vinnies CEO Sleepout, raising funds and awareness about homelessness in Australia. Some other volunteering opportunities that have been taken up by AGL employees over the course of FY2016 included:

- > cooking and serving meals for the homeless at Fareshare;
- > sorting toys and books for The Smith Family's Christmas appeal;
- > clearing undergrowth and fallen branches to help maintain the Gippsland Plains Rail Trail, which is used by cyclists and walkers; and
- > assisting *beyondblue* at the Sydney Mardi Gras to help raise awareness of depression and anxiety.

AGL has been working to achieve a volunteering participation rate of 35% (by headcount) for Employee Volunteering. In late FY2015, AGL partnered with 'Goodcompany' to provide a platform of easily accessible skilled and unskilled volunteering opportunities with over 1,300 charities. In FY2016, 21% of the workforce recorded a volunteering leave day, down from 24% in FY2015. Despite falling short of our goals, we are proud that this represented over 5,300 hours being given to the community by our people.

Through AGL's Affordability Initiative (refer to the [energy prices and affordability](#) section), we are working to leverage our existing relationships and programs aimed at long-term alleviation of financial hardship. 'Bring your bill' days are being developed as a key way for integrating employee volunteering with the Affordability Initiative, and Energy Literacy workshops and briefing sessions are being developed through organisations such as Uniting Communities and Financial Counselling Australia, which will also enable employee volunteering.

# Community

## Community investment

### Community

#### Community engagement ☆

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☆ = Material Issues

### Employee giving and fundraising

AGL people 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.

During FY2016, a review of the charities supported by the Employee Giving program was undertaken. AGL people were surveyed about the causes and charities that they felt passionate about. The results of the survey were considered alongside existing giving rates and AGL's strategic values and key sustainability challenges, and a revised list of Employee Giving charity partners was subsequently launched in April 2016.

AGL's revised list of charity partners comprise: Australian Marine Wildlife Research and Rescue Organisation, *beyondblue*, Cancer Council Australia, CARE Australia, Julian Burton Burns Trust, RSPCA, St Vincent de Paul, The Salvation Army, The Smith Family, Westpac Rescue Helicopter Service, White Ribbon Australia and WWF-Australia.

Donations to charity partners<sup>2</sup> through the Employee Giving program totalled \$190,700 in FY2016 (including employee donations and AGL's matched contribution), a 6% increase from FY2015, when \$180,000 was donated.

During FY2016, the average monthly participation rate in the Employee Giving program was 7.7%, up from the FY2015 rate of 5.6%.

In addition to funds raised through employee giving in FY2016, AGL people raised \$54,300 through charity partner fundraising events such as RSPCA Cupcake Day, Australia's Biggest Morning Tea and Earth Hour. 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 \$30,100.

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

### Valuing our contribution to the community

AGL's total community investment (including cash, volunteering and in-kind contributions) in FY2016 has been valued<sup>3</sup> at over \$3,180,500, comprising \$2,864,200 in cash donations, \$5,700 in-kind and \$310,600 in time.

OVER **\$3.1M** invested in community programs and sponsorships



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

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 investment

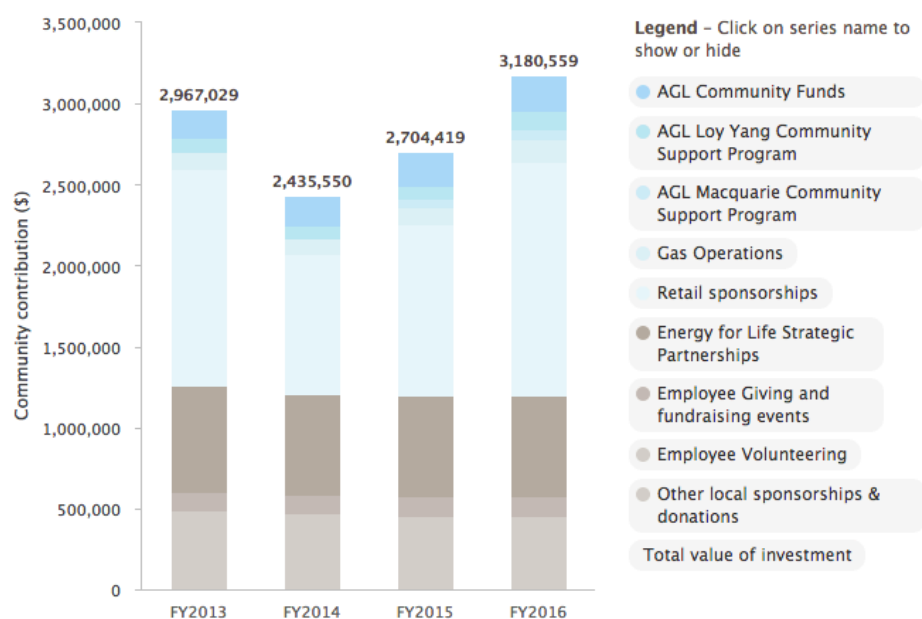
## Community

Community engagement ☆

Community investment

☆ = Material Issues

## Community contribution by program area



AGL has invested over \$3.1 million in the community during FY2016.

### Notes

- > Amounts reported under 'Employee Giving and fundraising events' represents AGL's matched funding only, not the donations given by employees.

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](#).

1. Energy Advice Packs are updated periodically. Visit the [AGL Blog](#) for the most recent version of the packs.
2. This includes donations to Kids Helpline, CanTeen and Habitat for Humanity, who were included as Employee Giving partners until June 2016.
3. 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.

## Related Information

[Energy for Life](#)

## Sustainability Performance

# People

### People

Employee engagement

Talent

Diversity and inclusion

Health and safety ☆

☆ = Material Issues

The energy landscape is changing dramatically. To survive and thrive in this changing environment, we are doing things differently which enables our people to deliver on our strategic initiatives, including fully embracing an anticipatory mindset.

Our anticipatory mindset means that we are focused on seeing the big picture, acting decisively, and continually learning and adapting. This leads to a rapid learning organisation, agility, and the ability to transform both in response to and in anticipation of changing customer needs and technology.

**To have a sustainable and successful future where we deliver for our customers, our shareholders and our people, we must embrace transformation; and the change we are undertaking will position us well for the future.**

Executive remuneration at AGL is linked to achievement of key human capital management objectives. FY2016 Performance and Development Review objectives for all Executive Team and Enterprise Leadership Team members include safety, engagement and diversity metrics. For Executive Team members, their Short Term Incentive is determined by both 'Scorecard Measures' and 'Individual Measures', with individual measures for team effectiveness including alignment with AGL Core indicators (including meeting safety, employee engagement and diversity objectives) and demonstration of AGL's values and core expectations.

# 3,358

**EMPLOYEES (FTE)**  
Down 5% since FY2015



 **Visit our Data Centre** | Employees by location

This section focuses on:

- > **Employee engagement** – in our rapidly changing energy industry, maintaining and improving engagement is vital to attract and retain talented people, and, ultimately, to optimise business results.
- > **Talent** – attracting and retaining the highest standard of talent in the market supports AGL's ability to meet its key strategic goals and deliver shareholder value.
- > **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.
- > **Health and safety** – AGL is committed to providing our people 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.

# People

## Employee engagement

### People

#### Employee engagement

#### Talent

#### Diversity and inclusion

#### Health and safety ☆

☆ = Material Issues

### Employee engagement

Maintain an engaged workforce in order to optimise business results.

✓ Met / ✗ Not Met

#### FY2016 Target

#### FY2016 Performance ✗

Employee engagement score: ≥ 75%

Employee engagement score: 70%

Employee engagement measures the degree to which people 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 engagement is increasingly important for attracting and retaining talented people and, ultimately, for the delivery of business results.

**70%** **ENGAGEMENT SCORE**  
Down 6 percentage points from FY2015



#### Visit our Data Centre | Employee engagement

This year's engagement score has fallen short of our target to achieve an engagement score of 75% or higher. Whilst engagement remains high at 70%, our FY2016 score reflects a decrease of six percentage points compared to FY2015. The decrease from last year reflects the impact of the significant transformation agenda that has been underway since the last engagement survey was undertaken, and indicates that we have more to do to work together in an environment of change.

Our strategic decision to impose closure dates on existing gas production assets and exit coal seam gas exploration activities early in 2016 affected a large number of people within the organisation, as has the very necessary processes of organising our business for the future and focusing on making our processes lean and more responsive to change. Understandably, these have affected engagement levels.

To help build our culture and drive engagement, AGL is focusing on:

- > aligning, connecting and consistently reinforcing our strategy;
- > making the customer connection stronger for everyone at AGL;
- > refreshing our values aligning them closely to our strategy;
- > creating a vision of leadership for the future; and
- > defining new ways of working that become our habits.

In FY2016, performance assessment for the Executive Team and their direct reports was linked to AGL's engagement score. The reward opportunity for these individuals has been reduced as a consequence of the FY2016 engagement score being below the target of 75%. Operational leaders and employees were measured on their contribution to engagement action plans and other initiatives that aimed to positively affect employee engagement.

From FY2017, AGL will move from measuring employee engagement on an annual basis to every two years. This change aims to provide sufficient time and opportunity to plan, deliver and measure outcomes of engagement action plans. The survey will be run again during FY2018.



# People Talent

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☆ = Material Issues

## Talent

Attract and retain the right people to meet strategic objectives.

✓ Met / ✗ Not Met

### FY2016 Target

Key talent retention: ≥ 80%

### FY2016 Performance ✓

Key talent retention: 94%

**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 imperative to embrace transformation.**

## 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 requisite 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 people. 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 our people's motivations are aligned to what AGL can offer, thereby being more likely to be engaged and succeed at AGL.

## Talent management

AGL's Talent Management Program focuses on providing the appropriate learning and development opportunities for all our people, especially leaders, and 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 is a quarterly agenda item for the Executive Team and business unit talent sessions are held as input to those discussions. Outputs include 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** – AGL reports on the bench strength of its senior leadership as well as development moves, recruitment and succession plans to the Executive Team and the People and Performance Board Committee. An end-to-end review of the talent management process and supporting systems has been undertaken in FY2016 and implementation of recommendations is planned for FY2017.

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## 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 starters that includes receiving a comprehensive information and welcome pack, completing compulsory compliance training modules and attending an AGL Welcome Day.
- > AGL's online learning platform, Empower, provides a central portal for the delivery of compliance training and offers our people improved access to learning and development opportunities.
- > AGL also offers training programs to support its focus on Lean process improvement. In FY2016, 96 employees participated in Lean training which supported them to undertake process improvement activities across the business.
- > AGL's Assisted Education Program supports our people who are completing formal qualifications at secondary and tertiary level, by providing financial support and allowing time off work to study.

AGL's leadership development programs provide training and development opportunities to all levels of leadership. AGL continues to review its leadership development programs to ensure AGL has the leadership capability that it will need as it transforms to meet the changing energy environment. Key leadership development opportunities available during FY2016 include:

- > Undertaking diploma and advanced diploma of management qualifications.
- > Participating in one to two day programs run throughout the year, which are available to leaders of all levels.
- > Participation in the Illuminate leadership development program for women. In FY2016, 18 talented female leaders participated in the program which combines group work, one-on-one coaching and workshops with participants' leaders. A further six high-talent senior leaders participated in Illuminate Plus which also provides the opportunity to shadow Executive Team members.

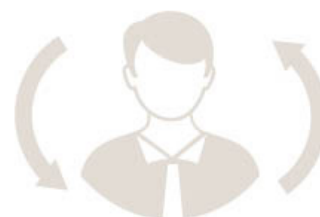
A new Frontline Leadership Program for operational sites has been in development in FY2016 and will be implemented in FY2017.

During FY2016, over 137,500 hours of training<sup>1</sup> (averaging 40.5 hours per FTE) was delivered to our people, including over 4,600 hours of leadership training, over 13,600 hours of compliance training, over 37,200 hours of contact centre training and more than 74,400 hours of group operations technical, safety and systems training.

## Turnover

Total turnover, which includes voluntary turnover (attrition) and involuntary turnover, increased to 19% in FY2016 from 15% in FY2015, reflecting the organisational transformation and restructuring process which commenced during FY2015 and continued during FY2016.

**10%** VOLUNTARY TURNOVER



 [Visit our Data Centre](#) | Turnover

# People Talent

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Voluntary turnover (attrition) remained steady at 10%, as was reported in FY2015. A breakdown of attrition rates and new hires by age and gender is available in the [data centre](#). Underlying attrition rates reveal higher rates in younger age bands, which is reflective of contact centres, that traditionally have low levels of retention, and corporate functions where there are greater numbers of external opportunities. Attrition rates in older age bands are traditionally lower, reflecting our power generation facilities such as AGL Macquarie, AGL Torrens and AGL Loy Yang, which have a high percentage of older, longer-serving male employees with high retention. This is also reflected in the overall attrition statistics which show lower rates for male employees. However, FY2016 has seen an increase in attrition of those in the 'over 60' age bands, reflecting the impact of a changing organisation on traditionally static groups of employees.



During FY2016, the retention of key talent<sup>2</sup> across AGL was 94%, just below 95% recorded in FY2015 (based on employee-initiated (voluntary) turnover). This met our target to keep retention of key talent above 80%, and highlights that AGL continues to provide an employee value proposition that retains those in the senior leadership pipeline. Retention of key talent based on total turnover was 84%, reflecting the impact of the organisational transformation process that has displaced some key talent as the business focus and skills needs have changed.

### Enterprise Bargaining Agreements

AGL commenced negotiating new Enterprise Bargaining Agreements for AGL Loy Yang in late July 2015. A proposed Agreement went to a ballot in November 2015, but was rejected by the workforce. The negotiation process is continuing (as of 30 June 2016).

Negotiations have also commenced at AGL Macquarie for a replacement Enterprise Agreement. The current Agreement is due to expire on 31 December 2016.

In negotiating new industrial agreements, AGL is seeking to balance the long-term interests of our site operations, the workforce, community and our electricity customers.

1. Categories include co-ordinated and structured in-house and outsourced vocational and leadership training but exclude other training organised by individuals or their leaders, such as attendance at training courses and conferences.
2. Based on employee-initiated (voluntary) turnover. Not all employees are reviewed through the Talent process.

### Related Information

[AGL Careers](#)

[AGL Employee Benefits](#)

# People

## Diversity and inclusion

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

An inclusive workplace where our people 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. Furthermore, 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.

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 CEO and Managing Director, Andy Vesey, and during FY2016 comprised eight 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, training and decision making;
- > expanding areas of focus beyond gender to ensure support for other priority needs of our people (including mature age employees, cultural diversity and support for people impacted by domestic violence);
- > building greater alignment and engagement of diversity and inclusion strategies to support the changing needs of the customers we serve and the communities in which we operate;
- > maintaining our focus on gender equity with an emphasis on removing barriers for women to increase their representation in leadership; and
- > translating flexibility for our different businesses and workplaces, and equipping leaders to confidently manage a flexible workforce.

### Diversity survey

In March 2016, AGL asked our people to voluntarily complete a confidential employee engagement survey, which included questions related to workforce demographics. The response rate to the survey was 69%, and the data shows<sup>1</sup>:

- > 28.5% of survey respondents were born overseas, with AGL employees identifying with over 40 different cultures and having fluency in more than 22 languages. AGL's workforce broadly reflects Australia's multicultural society, with 2011 Australian census data identifying that 28% of the Australian population was born overseas<sup>2</sup>.
- > 2.7% of survey respondents identified as Indigenous, comparable with an estimated 3% in the general Australian population<sup>3</sup>.
- > Lesbian, gay, bisexual, transgender and intersex (**LGBTI**) employees represent almost 8% of AGL's workforce, with the full diversity within the LGBTI community represented within this population, including transgender and intersex. Australians of diverse sexual orientation, sex or gender identity may account for up to 11% of the Australian population<sup>4</sup>.
- > 4.2% of survey respondents reported having a disability. Approximately 18.5% of Australians have a form of disability<sup>5</sup>.
- > 52.3% of survey respondents reported having carer's responsibilities, compared to 38.2% of employees in Australia with unpaid caring responsibilities<sup>6</sup>.

### Gender diversity

AGL monitors gender diversity at each level of the organisation, in particular the representation of women in leadership. 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<sup>7</sup>. 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.

Commencing 1 July 2015, AGL set a target of achieving a 50%<sup>8</sup> female appointment rate to the Senior Leadership Pipeline<sup>9</sup> by FY2016. The female appointment rate for external appointments to the Senior Leadership Pipeline at June 30 2016 was 41% (compared to 33% of external appointments in FY2015). AGL has set a target to increase the number of women in the Senior Leadership Pipeline to 40% (by FY2019).

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**41%** **APPOINTMENT RATE (EXTERNAL)  
OF WOMEN TO THE SENIOR  
LEADERSHIP PIPELINE**



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

AGL has a Board Nomination Committee and supporting Charter. The Committee is responsible for reviewing the skills, knowledge and experience a director should have, having regard to AGL's operational, financial and strategic objectives. The Committee is also responsible for developing succession plans for non-executive Directors to maintain an appropriate mix of skills, experience, expertise and diversity on the Board. The gender composition of the Board is one consideration in this process.

In addition, AGL's Board has also committed to achieving a target that, by 2018, 30% of the Directors will be female. Jacqueline Hey was appointed to the AGL Board in March 2016, while Sandra McPhee retired from the Board effective close of business 30 June 2016, resulting in a net neutral change to gender diversity on the Board.

AGL continues to monitor gender pay equity through various forums including the Diversity and Inclusion Council and the People and Performance Board Committee. AGL's most recent pay equity analysis was undertaken using non-EBA payroll data as of 31 March 2016. Of the 150 roles that enabled a male/female pay comparison, eight roles (5%) (up from three roles in FY2015) 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 2016 Remuneration Review.

Gender pay equity analytics and reporting are embedded in AGL's annual remuneration review system. Supporting processes, such as training for leaders involved in remuneration decisions, ensure gender equity is at the forefront of people processes. AGL's diversity and inclusion strategy includes initiatives to address the drivers behind AGL's gender pay equity gap, including improvements to hiring practices, implementation of inclusive leadership training and leading talent programs designed for women at emerging and senior levels roles to support their development and career progression.

Gender diversity is monitored at all levels of the organisation. In May 2016, AGL submitted the Workplace Gender Equality Report to the Workplace Gender Equality Agency, complying with the Workplace Gender Equality Act 2012. As indicated in the FY2015 Sustainability Report, AGL decided not to participate in Workplace Gender Equality Agency's Employee of Choice for Gender Equality process in FY2015, opting instead to use other tools to measure and benchmark our progress. To this end, we have identified opportunities to improve our recruitment processes – ensuring we have women represented on the shortlist for senior roles and less-traditional occupations, on hiring panels and that the Appointment Rate of women to leadership roles is regularly reported, as a key performance measure.

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

### Flexibility at work

AGL recognises that to ensure we have the right human capital to deliver on our strategy, work practices need to keep in step with changes occurring in the workplace environment: ageing population, carer responsibilities, worker expectations, and technological changes. Our practices also need to enable ways of working more efficiently, while still delivering value to our customers.

As part of AGL's commitment to build a diverse workforce and an inclusive workplace culture, in FY2016 AGL launched a strategy to create a workplace where working flexibly is the norm, and not the exception. This means that flexibility, in some form, can be considered for all new and existing roles.

Before launching the strategy company-wide, the proposed approach to flexible working was piloted in the Marketing & Retail Customers team, which contains roles in field sales, the contact centre and office based environments. The results of the three-month pilot were compelling, with a reported uplift in engagement and productivity across the team.

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☆ = Material Issues

In recognition that individuals, organisations and communities must all play a role in changing the way we support people impacted by domestic violence, in September 2015 AGL introduced a Domestic Violence Support Policy, which included an anti-discrimination clause, providing AGL people with up to 10 days paid Domestic Violence Leave in addition to other leave provisions, along with flexible work arrangements and access to counselling services through the Employee Assistance Program. Refer to the [energy prices and affordability](#) section for information on how AGL is supporting customers impacted by domestic violence.

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

During FY2016, AGL has continued to implement its LGBTI inclusion strategy, with the goal of driving a cultural change where our employees feel safe, and able to contribute to business outcomes in a personally authentic way.

## AGL aims to improve mental health within the LGBTI employee base, eliminate stigma and discrimination, and be recognised as an inclusive employer that incorporates LGBTI people in a leading edge diversity strategy.

During FY2016, AGL completed the Australian Workplace Equality Index (AWEI) survey for the second year. The Index is administered by [Pride in Diversity](#), and sets the national benchmark for LGBTI workplace inclusion. AGL was ranked 13th amongst the 87 employers who elected to participate in the Index this year, and 6th amongst publicly listed companies. Loy Yang General Manager, Steve Rieniets, was also recognised as the Regional Inclusion Champion of the Year for his dedication to building a safe and supportive workplace for LGBTI employees based in regional Victoria.

**SILVER** STATUS EMPLOYER  
AGL was ranked 13th in 2016 Australian Workplace Equality Index

In support of the approximately 8% of AGL people who identify as LGBTI, in early FY2016 AGL pledged support for marriage equality in Australia by becoming a corporate supporter of the Australian Marriage Equality (AME) national campaign which advocates for a change to the country's marriage laws. AGL was also proud to support the 29th Midsumma Festival in early 2016, as well as the 2016 Mardi Gras Film Festival, reinforcing our commitment to the LGBTI community.

An important part of AGL's LGBTI strategy is ensuring that employees seeking help with LGBTI-related issues have appropriate support. Employees can obtain information and support from a nominated member of the LGBTI Ally Network, AGL Shine. Nominated Shine members can provide advice and support so the employee can resolve the issue themselves; be a support person if the employee wants to raise the issue formally; and/or represent the employee to request AGL resolve the issue.

1. Percentages based on the number of respondents.
2. Census of Population and Housing data (2011), Australian Bureau of Statistics
3. Estimates of Aboriginal and Torres Strait Islander Australians (2011), Australian Bureau of Statistics.
4. National Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) Ageing and Aged Care Strategy (2012), Department of Health.
5. Disability, Ageing and Carers, Australia: Summary of Findings, 2012, Australian Bureau of Statistics.
6. Survey of Disability, Ageing and Carers, Australia (2009), Australian Bureau of Statistics.
7. This 2013 [paper](#) by Professor Robert Wood, Centre for Ethical Research summarises recent research in this field.
8. Target is exclusive of AGL Macquarie employees.
9. The 'Senior Leadership Pipeline' is defined as roles at level 12 and above based on the AGL Position Framework.

### Related Information

[AGL Code of Conduct](#)

[AGL Diversity and Inclusion Policy](#)



# People

## Health and safety

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☆ = Material Issues

### Health and safety

AGL's aspiration for health and safety is Zero Harm to our people.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance	✗	FY2017 Target
Total injury frequency rate <sup>1</sup> : ≤ <b>2.8</b>	Total injury frequency rate: <b>4.3</b>		Total injury frequency rate (AGL): <b>&lt; 3.9</b>  and Total injury frequency rate (contractors): <b>&lt; 5.5</b>

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 and Safety Policy sets out our overarching commitments in relation to health and safety as well as injury management. The policy applies to all employees, contractors, products, services and joint ventures under AGL's operational control.
- **Management system** – AGL's Health, Safety and Environmental (HSE) Management System (HSEMS) forms the framework by which we manage our HSE risks across the business. Our system 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.

The Health and Safety Management System at AGL Macquarie (which represents 44% of AGL's installed generating capacity) is certified to AS4801 (2001). The Environmental Management Systems at AGL Macquarie and AGL Torrens (together representing 56% of AGL's installed generating capacity) are certified to ISO 14001 (2004), with AGL Loy Yang (an additional 21% of AGL's installed generating capacity) also maintaining an Environmental Management System that is externally audited in line with the EPA Victoria 'Accredited Licensee System – Guidelines for Environmental Management System Certification'.

AGL's 'Lifeguard' system documents the overarching Standards which are mandatory across the business. The HSEMS provides the framework of standards, guidelines and procedures and tools in order to meet the Lifeguard standards. There are a number of different types of documents, each with their own purpose to cater for the diverse operations that exist within AGL. This provides a consistent approach to managing HSE across the business but with the flexibility to be applied to different operations and situations. The system is also a key element of ensuring compliance with HSE legislation.

Internal and external audits of the HSEMS facilitate a culture of continuous improvement. Audit findings are reflected in HSE Action Plans and in improvements to the management system, strategic direction and safety programs. During FY2016, the focus of the HSE internal audit program included Training and Licensing, Housekeeping and Inspections, Journey Management, Environmental Compliance and Risk Management. There were no material issues identified as part of the audits.

- **HSE Strategy and HSE Action Plans** – The FY2016 HSE Strategy outlines our vision for HSE at AGL and our overall goal of zero harm to people of the environment. The strategic priorities are categorised under four key result areas: culture; systems; capability; and risk. The strategy is supported by action plans, and key performance indicators provide the framework for driving change in HSE culture and performance, assisting AGL in achieving the goal of being a safe and sustainable business.

Focus areas and priorities have included: improving HSE communications (sharing lessons from incidents and HSE information through a coordinated approach); developing improved proactive metrics for safety and environment hazards; undertaking HSE risk reviews in the New Energy and Group Operations business units; developing a flexible working standard; delivering safety campaigns around issues such as dropped objects, electrical awareness and hand injury; developing a contractor management improvement plan and contractor share session framework; and undertaking a cultural safety diagnostic at AGL Macquarie.

A new program of HSE Walks and Technical Interactions was also trialled during FY2016 and will be implemented across the business in FY2017. The program is aimed at promoting visible leadership to drive a positive culture by promoting safe behaviours and rectifying unsafe behaviours. For the period 1 April to 30 June 2016, there were 706 Health and Safety Walks, 82 Environment Walks and 221 HSE Technical Interactions.

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☆ = Material Issues

- > **Leadership** – Strong and dedicated safety leadership is an essential component of our efforts to achieve a ‘zero harm’ safe 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.
- > **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.

### Safety performance

AGL measures and tracks safety performance using a number of lagging performance indicators based on reported safety incidents. AGL also tracks leading indicators of Health and Safety to provide insight into trends.



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

The total injury frequency rate (TIFR) for employees increased from 4.1 in FY2015<sup>2</sup> to 4.3, falling short of our target of 2.8. The total injury frequency rate for contractors increased from 3.3 in FY2015<sup>3</sup> to 10.9. The combined TIFR for both employees and contractors increased from 3.8 to 6.2<sup>4</sup>. The increase in the combined TIFR indicates that one of the major drivers is contractor-related injuries at AGL Macquarie. Data shows that continued emphasis on hand injuries and manual handling is required.

The occupational injury frequency rate (OIFR<sup>5</sup>) for employees decreased from 1.8<sup>6</sup> in FY2015<sup>7</sup> to 1.5. The OIFR for contractors increased from 0.4 in FY2015<sup>8</sup> to 1.1. The combined OIFR for both employees and contractors also increased from 1.2 to 1.4<sup>9</sup>.

There were 29 TIFR-related and 10 OIFR-related employee incidents in FY2016 compared to 28 and 12<sup>10</sup> respectively in FY2015, showing an increase in TIFR-related injuries and a decrease in OIFR-related injuries. Similarly, contractor TIFR-related and OIFR-related incidents changed from 15 and 2 to 29 and 3 respectively. This can be mostly attributed to the gradual integration of AGL Macquarie into AGL’s safety systems and procedures.

In FY2016, there were 18 employee and 19 contractor significant incidents (defined as incidents classified as ‘high risk’ or above), representing no change and a 24% decrease respectively compared to FY2015 (18 employee and 25 contractor significant incidents<sup>11</sup>). The data indicates that in relation to significant incidents, the major area of focus needs to remain on reducing working at heights breaches, falling objects and permit process related events.

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.

In FY2017, AGL will adopt a HSE scorecard that includes both leading and lagging indicators.

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### Wellbeing

AGL recognises that a focus purely on the workplace would ignore significant factors that can impact the health, engagement and ultimately productivity of our people – particularly in relation to chronic injuries and illness. We understand the workplace can affect an individual's health, just as we know that the home life of our people 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 our people's wellbeing can have on employee engagement and on achieving a high performance culture.**

During FY2016, AGL's Health and Wellbeing program delivered a range of initiatives aimed to prevent injuries and illnesses and to encourage our people to make informed choices that will enhance their health and wellbeing. These initiatives included:

- > **Fitness for work** – Commenced the review of Task analysis to actively manage workers' capability, prevention of injuries and to assist with the management of Return to Work Plans.
- > **Physical wellbeing** – Annual flu vaccinations; health checks; access to an online health hub with range of information, programs and wellness tracking tools for employees; employee-led initiatives such as the Pedal Power cycling initiative; corporate discount for health insurance; corporate rates for gym membership; and site-based fitness initiatives including on-site yoga programs at major offices, step challenges and boot camps.
- > **Mental health** – Resilience training program; Mental Health Awareness training programs and presentations, assistance services including the Employee Assistance Program (EAP); Critical Response Management and a leader hotline.

1. 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.
2. Including AGL Macquarie employees.
3. Including AGL Macquarie employees.
4. Including AGL Macquarie employees.
5. OIFR: number of Lost Time and Medical Treatment Injuries classified as OIFR related in a 12 month rolling period, per million hours worked in that 12 month period.
6. During FY2016, OIFR for FY2015 was revised from 1.6 (as previously reported in the FY2015 Sustainability Report) to 1.8, due to the reclassification of an injury.
7. Including AGL Macquarie employees.
8. Including AGL Macquarie employees.
9. Including AGL Macquarie employees.
10. During FY2016, the number of OIFR incidents was revised from 11 (as previously reported in the FY2015 Sustainability Report) to 12, due to the reclassification of an injury.
11. Including AGL Macquarie.

### Related Information

[AGL Health, Safety Policy](#)
[AGL Environment Policy](#)



## Sustainability Performance Environment

### Environment

Climate change  
(greenhouse and energy) ☆

Renewable energy ☆

Water management

Air, waste and noise

Biodiversity and cultural  
heritage

Rehabilitation

☆ = Material Issues

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, are held to high standards of accountability for the impact of business operations on the environment.

## AGL is committed to achieving excellence in environmental management and performance.

AGL has 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. Our health, safety and environment management system is based on the requirements in Australian Standard *AS/NZS ISO 14001 (2004) Environmental Management Systems*. The environmental management systems at AGL Macquarie and AGL Torrens (together representing 56% of AGL's installed generating capacity) are certified to ISO 14001 (2004), with AGL Loy Yang (an additional 21% of AGL's installed generating capacity) also maintaining an Environmental Management System that is externally audited in line with the EPA Victoria 'Accredited Licensee System - Guidelines for Environmental Management System Certification'.

This section focuses on:

- > **Climate change (greenhouse and energy)** – The greenhouse and energy section shows how AGL measures and manages its own operational greenhouse footprint, and how it is contributing to the transition to a carbon constrained future.
- > **Renewable energy** – AGL remains committed to the development of renewable energy in Australia, and has launched the Powering Australian Renewables Fund to encourage innovative funding of large scale renewables to help Australia reach its 2020 renewables target.
- > **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 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.
- > **Rehabilitation** – AGL recognises its responsibility to rehabilitate assets to an appropriate state upon the cessation of activity.

### Related Information

[AGL Environment Policy](#)

## Environment

## Climate change (greenhouse and energy)

## Environment

Climate change  
(greenhouse and energy) ☆

## Renewable energy ☆

## Water management

## Air, waste and noise

Biodiversity and cultural  
heritage

## Rehabilitation

☆ = Material Issues

## Climate change (greenhouse and energy)

Progressively decarbonise the energy supply to our customers.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance	✓	FY2017 Target
Compliance with AGL Greenhouse Gas Policy: <b>100%</b>	Compliance with AGL Greenhouse Gas Policy: <b>100%</b>		Compliance with AGL Greenhouse Gas Policy: <b>100%</b>  and  Annually offset the greenhouse gas emissions from electricity consumed at AGL's corporate workplaces <sup>1</sup> .

As Australia's largest scope 1 (direct<sup>2</sup>) greenhouse gas emitting business, and given that emissions from Australia's electricity generation sector comprise around one-third of Australia's total emissions inventory, we recognise that we have a key role to play in gradually reducing greenhouse gas emissions while providing secure and affordable energy for Australian households and businesses.

AGL is committed to structuring its activities and operating its generation portfolio in a manner broadly consistent with the Commonwealth Government's commitment to a global agreement to limit global warming to less than 2°C above pre-industrial levels. Achieving the '2 degree' outcome will require transition to a decarbonised generation sector. This is likely to take several decades given the sheer scale of replacing the existing generation fleet with low-emissions substitute technology. Furthermore, it will require an evolution of public policy as the existing framework is insufficient to deliver significant cuts in emissions by mid-century.

AGL's approach to greenhouse gas emissions and climate change is documented within the [AGL Greenhouse Gas Policy](#). The policy, which was revised in April 2015, states that AGL acknowledges that Australia is moving to a carbon-constrained future and provides a framework within which AGL will structure its carbon reduction activities, and presents a pathway for the gradual decarbonisation of the AGL generation portfolio by 2050.

The Policy states that AGL will:

- > continue to provide the market with safe, reliable, affordable and sustainable energy options;
- > not build, finance or acquire new conventional coal-fired power stations in Australia (i.e. without carbon capture and storage)<sup>3</sup>;
- > not extend the operating life of any of its existing coal-fired power stations;
- > close, by 2050, all existing coal-fired power stations in its portfolio;
- > improve the greenhouse gas efficiency of its operations, and those over which it has influence;
- > continue to invest in new renewable and near-zero emission technologies;
- > make available innovative and cost-effective solutions for its customers, such as distributed renewable generation, battery storage, and demand management solutions;
- > incorporate a forecast of future carbon pricing into all generation capital expenditure decisions; and
- > continue to be an advocate for effective long-term government policy to reduce Australia's emissions in a manner that is consistent with the long-term interests of consumers and investors.



## Environment

## Climate change (greenhouse and energy)

## Environment

Climate change  
(greenhouse and energy) ☆

## Renewable energy ☆

## Water management

## Air, waste and noise

Biodiversity and cultural  
heritage

## Rehabilitation

☆ = Material Issues

AGL's approach to climate change is built around the importance of stakeholder engagement. AGL is committed to engaging with all of its stakeholders in relation to the issues of climate change and reducing greenhouse gas emissions. It is important that investors, customers, employees, communities in which we operate, the broader community, and governments are all aware of the strategic steps AGL is taking to reduce emissions.

In recognition that it is critical for organisations like AGL to be part of the conversation about decarbonisation of the energy sector and to provide certainty through our actions, in September 2015, AGL signed up to three specific commitments under the [We Mean Business Coalition](#), a joint initiative of the Carbon Disclosure Project, the UN Global Compact and other global organisations. These public commitments comprise using an internal carbon price, reporting comprehensive climate change information in mainstream reports, and ensuring responsible corporate engagement regarding climate change policy.

As part of our commitment to constructive engagement advocacy, in September 2015 AGL, together with a range of high profile organisations including BHP and Westpac, made a [joint public statement](#) on the importance of developing long-term policy to address climate change.

During FY2016, AGL undertook modelling to understand the risks and opportunities associated with decarbonisation of AGL's large scale generation fleet. Utilising PLEXOS<sup>4</sup> modelling software, three scenarios of the National Electricity Market were analysed:

- > no carbon constraint;
- > a carbon constraint that provides a linear pathway from emissions in 2016 to a 26-28% reduction in 2030; and
- > a carbon constraint that represents a carbon budget consistent with limiting climate change to 2 degrees above pre-industrial levels.

Achieving significant cuts in emissions will require substantial new investment in renewable energy capacity and the gradual cessation of operations by existing thermal generators. This will take decades but AGL is committed to working with both employees and broader impacted communities with a view to developing new industries and opportunities.

The modelling shows that AGL's power stations are likely to maintain much of their value in the shift to a carbon constrained world due to their relative low-cost and high efficiency. While the modelling is subject to significant uncertainty given the decadal timeframes involved, it is instructive for demonstrating the robustness of AGL's assets across a range of potential outcomes.

The full analysis is presented in [Carbon Constrained Future – AGL's approach to climate change mitigation: a scenario analysis](#), which is published as a supplementary document to this sustainability report.

## 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 gas 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 of 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 44 MtCO<sub>2</sub>e in FY2016, an increase of around 13% compared to FY2015.

**Visit our Data Centre** | Operational greenhouse gas footprint (by activity type)

The increase in emissions compared to FY2015 was predominantly due to the first full year of generation from AGL Macquarie (FY2015 emissions covered AGL Macquarie for the period of AGL ownership from 2 September 2014 onwards).



## Environment

## Climate change (greenhouse and energy)

## Environment

## Climate change

## (greenhouse and energy) ☆

## Renewable energy ☆

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## Rehabilitation

☆ = Material Issues

## Greenhouse gas intensity

The greenhouse intensity of AGL's operated generation portfolio in FY2016 remained consistent with FY2015

**0.96** tCO<sub>2</sub>e/MWh  
Average carbon intensity of AGL  
operated generation portfolio



 **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. Comprises offices under AGL's operational control as defined by National Greenhouse and Energy Reporting Act 2007.
2. 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.
3. The term conventional is used to refer to coal-fired power plants that have a higher lifecycle emissions intensity than a combined cycle gas turbine (CCGT).
4. See <http://energyexemplar.com/software/plexos-desktop-edition/> for further information on the PLEXOS modelling software.

## Related Information

[AGL Greenhouse Gas Policy](#)

[Supplementary report: Carbon Constrained Future](#)

## Environment

# Renewable energy

### Environment

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(greenhouse and energy) ☆

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Rehabilitation

☆ = Material Issues

### Renewable energy

Continue to be Australia's leading privately-owned operator of renewable energy.

#### FY2017 Target

Development of first project to financial close, through the Powering Australian Renewables Fund.

**AGL is committed to playing a leading role in developing a pathway to a modern, decarbonised generation sector, in part through investment in new renewable and near-zero emission technologies.**

Australia's Renewable Energy Target requires electricity retailers (such as AGL) to progressively increase the proportion of renewable energy being supplied to customers. It is anticipated that between now and 2020, investment in around 5,000 MW of new wind-equivalent renewable capacity will be required.

In FY2016, little investment occurred. A range of factors have been cited as contributing to this lack of investment including: oversupply in the energy generation sector and associated barriers to exit for ageing coal-fired power stations; policy uncertainty with the Renewable Energy Target having undergone several reviews and adjustment in recent years; and declining demand for grid based electricity.

Some commentators have highlighted the reticence of large retailers to provide long-term offtake agreements for renewable energy investments as an issue. However, the credit ratings of many of the liable entities under the Renewable Energy Target are insufficient to attract potential debt and equity providers. Therefore, to facilitate new investment it is necessary for financing innovation to occur.

It is in this context that AGL launched an innovative new investment vehicle called the Powering Australian Renewables Fund during FY2016. The fund is aimed at facilitating the construction of approximately 1,000 MW of renewable generation. It is anticipated that this will involve investment of between \$2 billion and \$3 billion.



AGL has committed to provide \$200 million in equity to the vehicle with our equity partner, QIC (on behalf of its clients the Future Fund and those invested in the QIC Global Infrastructure Fund) contributing \$800 million. AGL intends to provide relatively firm short-term PPA support for individual projects with renegotiation parameters beyond five years.

This vehicle is designed to address a range of challenges faced by developers, retailers and investors. Specifically, the structure and nature of the fund enables:

- > the opportunity for investors with long term investment mandates to invest directly into renewable energy at a funding level that provides appropriate economies of scale;
- > diversification of risk across the supply chain (retailers, debt and equity providers and project developers) through the use of shorter term offtake arrangements and provisions for renegotiation;
- > efficiencies of scale with regard to financing, risk and governance arrangements leading to a reduction in cost of project delivery; and
- > the ability to better manage risk through geographical diversification of renewable energy investment.

By gradually increasing investment in large-scale renewable energy capacity and not extending the operating lives of existing fossil fuel based generation, AGL is effectively reducing the greenhouse gas emissions intensity of the Australian electricity system.

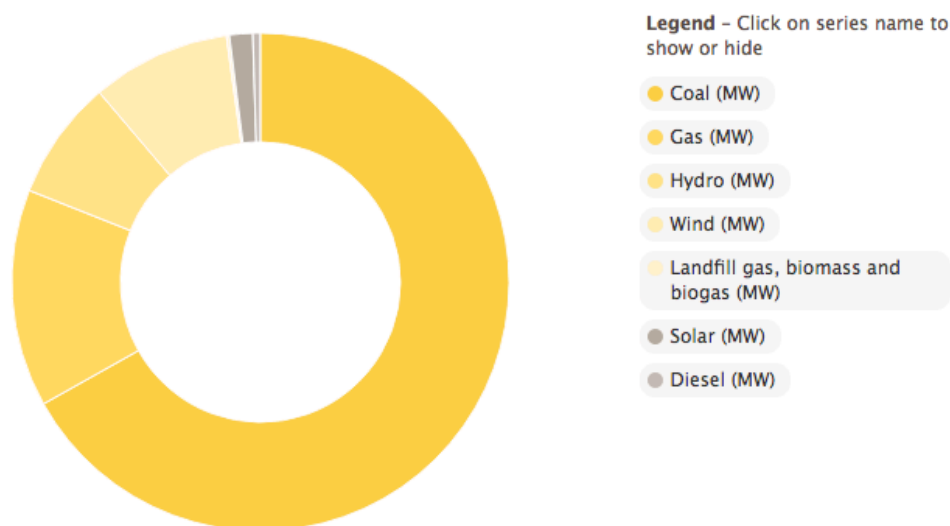
## Environment

# Renewable energy

### AGL's portfolio of renewable energy

As of 30 June 2016, AGL operated 1,894 MW of renewable generation capacity, representing 18% of AGL's total operating portfolio. AGL's renewable energy portfolio represents 66% of the large scale solar capacity and 22% of the wind capacity in the National Electricity Market (NEM), and AGL remains Australia's largest non-government owner, operator and developer of renewable energy generation.

### Installed capacity of operated generation assets



The installed capacity of AGL's operated generation assets increased by 53 MW during FY2016, following the completion of the Broken Hill Solar Plant.

#### 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.
- > Historical data is available in the download file.

#### GRI Reference: EU-1

 **Visit our Data Centre** | Installed capacity of operated generation assets

AGL's 53 MW Broken Hill Solar Plant commenced commercial operation in FY2016, and was officially opened along with the 102 MW Nyngan Solar Plant (completed in FY2015) in January 2016. These plants are currently Australia's largest utility-scale solar photovoltaic power plants, and together will produce enough electricity to power more than 50,000 average Australian homes annually.

During FY2016, AGL has also been progressing planning activities for wind farms in Coopers Gap and Silverton, however a final investment decision has not yet been made. These projects may be developed through the Powering Australian Renewables Fund.

Visit the [data centre](#) to view the output from our operated renewable assets, and the capacity factors for our wind farms.

### Related Information

[AGL Greenhouse Gas Policy](#)   [Powering Australian Renewables Fund](#)

## Environment

# Water management

### Environment

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☆ = Material Issues

## Water management

Manage water resources sustainably.

✓ Met / ✗ Not Met

### FY2016 Target

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

### FY2016 Performance

✓

AGL makes material water data available through the [AGL Water Portal](#) as well as the AGL [website](#) and this Sustainability Report.

**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.

### 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 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.

As discussed in the [about AGL](#) and [community engagement](#) sections, on 4 February 2016 AGL announced that following a review, it had taken a strategic decision that exploration and production of CSG would no longer be a core business for the company. This meant that in New South Wales, AGL decided not to proceed with the Gloucester Gas Project and announced its decision to cease production at the Camden Gas Project in 2023. This followed a decision announced in July 2015 to divest from the Hunter Gas Project. In Queensland, primarily due to the fall in long-term Queensland price forecasts, AGL impaired its Queensland natural gas assets and finalised its divestment of the Galilee Gas Project.

### 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 management 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.

In October 2014, AGL launched the [AGL Water Portal](#), which gives the community direct access to the same water monitoring data that is made available to AGL scientists, regulators and the government. The AGL Water Portal provides water levels and electrical conductivity along with recent water quality information from monitoring points across our project areas, with many of the bores transmitting live information. Given AGL's strategic decisions outlined above, the Water Portal was decommissioned for the Hunter and Gloucester Gas Projects during FY2016. Data continued to be displayed for the Camden Gas Project for the duration of FY2016.

Key water studies and monitoring networks include:

- **Camden Gas Project** – Due to 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.

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# Water management

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As at 30 June FY2016, the Camden Gas Project groundwater monitoring program included 17 dedicated monitoring locations (no change from FY2015).

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** – Following AGL's announcement in February 2016 that the Gloucester Gas Project would not proceed to final investment stage, we have commenced a process to relinquish Petroleum Exploration Licence (PEL) 285 to the NSW Government and will commence a comprehensive decommissioning and rehabilitation program for well sites and other infrastructure in the Gloucester region.

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 a groundwater monitoring program, we have published all our technical reports. We also prepare annual water resource status reports (detailed on our [website](#)).

AGL commenced decommissioning of the Gloucester groundwater monitoring network in June 2016. As of 30 June 2016, there were 62 groundwater and surface water monitoring sites in place (down from 63 in FY2015) with all of these sites to be decommissioned in FY2017. The monitoring program enabled us to build our understanding of the shallow aquifers and deep groundwater systems in the proposed Stage 1 development area in association with new exploration activities.

AGL had government-approved water management [plans](#) in place for our Waukivory pilot testing and irrigation activities at Gloucester. Intensive monitoring programs 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 has delivered 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 funded a full time water scientist position at the Council, and this position was held up until part way through FY2016.

- > **Hunter Gas Project** – On 6 July 2015 AGL announced that the Hunter Gas Project assets would be divested and AGL would not proceed with coal seam gas exploration in the area. 44 groundwater and surface water monitoring sites were decommissioned in FY2016 with none remaining at the end of FY2016. The decommissioning process involves removing the surface and downhole equipment such as data loggers, solar panels, cables and sensors so the site can be rehabilitated. The rehabilitation of groundwater monitoring sites involves cutting the bore casing and removing the cement slab prior to grouting to the surface. The small area disturbed at the surface is backfilled with soil and seeded with pasture or native grasses to compliment the adjacent land use. Groundwater bores have been decommissioned in accordance with the *Minimum Construction Requirements for Water Bores in Australia* (National Uniform Drillers Licensing Committee). Despite no exploration activities occurring, the water monitoring program continued to September 2015 (when the sites were decommissioned), enabling us to continue to build a comprehensive understanding of the groundwater systems in the area. 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 was 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. AGL finalised divestment of the Galilee Gas Project in August 2015, and has not conducted any monitoring of this Project since that time.

## Environment

# Water management

### Environment

#### Climate change

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☆ = Material Issues

### Water monitoring network

As at the end of FY2016, AGL's groundwater and surface water monitoring networks across the Camden and Gloucester projects comprised:

- > 55 dedicated groundwater monitoring bores;
- > 9 perched water monitoring bores; and
- > 10 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.**

Regular water monitoring reports are produced for the [Camden Gas Project](#), [Gloucester Gas Project](#) (up to the end of FY2016) and the [Hunter Gas Project](#) (up to decommissioning in September 2015). 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. The final Hunter Gas Project Annual Status Report was published in December 2015. As mentioned above, water monitoring data is also available on the [AGL Water Portal](#).

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. 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<sup>1</sup>.

# 2.6

ML

The volume of water produced from AGL's Camden Gas Project in FY2016 was around the same as one Olympic sized swimming pool



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

The volume of water produced in FY2016 increased to 2.6 ML from 2.1 ML in FY2015, and arose entirely from the Camden Gas Project which is AGL's only field that produces water.

During FY2016, AGL completed the flow testing of four Waukivory gas wells that were drilled around three years earlier, located within the Stage 1 area of the Gloucester Gas Project. The wells had been drilled into the deep coal seams and completely sealed off from surrounding rock layers and beneficial aquifers. The purpose of the pilot project was to gather data from the wells to show how much water is produced from the coal seams, to assess the natural gas potential of the wells, and to determine the impact (if any) on overlying groundwater systems. As at the end of FY2016, these wells were shut-in (capped and suspended) pending decommissioning scheduled for Q1 FY2017. Around 2.06 ML of flowback water was transported, treated and disposed offsite during FY2016. No further water will be produced from the Waukivory Pilot wells and all water storage infrastructure has been removed from site.

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



# Environment

## Water management

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### Produced water quality, storage and disposal

In FY2016, produced water was either stored on-site in lined, aboveground holding ponds or tanks, or transported off-site for approved disposal. 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 transported from site to a third party EPA-licensed treatment facility where most water is treated and discharged to sewer, and a small volume is treated and recycled.

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](#).

#### Gloucester Gas Project

From the recommencement of the Waukivory Pilot in June 2015 until the wells were shut-in in December 2015, flowback water was transported to Queensland for offsite treatment and disposal by Toxfree Solutions. No further water will be produced from the Waukivory Pilot wells and all water storage infrastructure associated with the Waukivory Pilot has been removed from site.

As of 30 June 2016, approximately 28 ML of water remains in storage in three 20 ML lined turkey's nest dams at AGL's Tiedmans property in Gloucester. This water is derived from a mix of produced water from historical exploration programs (pre the Waukivory Pilot) which was blended with freshwater in preparation for beneficial reuse through irrigation, paddock runoff from the irrigation area, and direct rainfall.

This water will be treated onsite in FY2017 for beneficial reuse through irrigation.

### 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 as well as seawater and surface water used for cooling the AGL Torrens and Liddell power stations (respectively) that is returned to the source (referred to as "[managed water](#)").

# 7,528<sub>GL</sub>

The volume of water passed through our hydroelectric generation facilities is equivalent to around 13.5 times the volume of water in Sydney Harbour



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

1. Produced water volumes reported do not include other water streams (drill water, fracture stimulation/flowback water and brine water) that usually require separate water management.

### Related Information

[AGL Water Portal](#)

# Environment

## Air, waste and noise

### Environment

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### Air emissions

AGL has a portfolio of power generation plants, many of which operate via the combustion of fuels. This process results in the emission of combustion products to the atmosphere. AGL's gas production and storage 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 Bayswater Power Station, Liddell Power Station, Rosalind Park Gas Plant (Camden Gas Project) and the Newcastle Gas Storage Facility by the New South Wales Environment Protection Authority (EPA), AGL is also required to publish air monitoring data on our [website](#).

During FY2016, work continued on the AGL Loy Yang precipitator upgrade project. This refurbishment project involves the progressive replacement of electrodes in the plant's electrostatic precipitator flows which are used to manage particulate (dust) emissions to further enhance our controls. Each refurbishment takes approximately 20 weeks to complete.

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

- > [Carbon monoxide \(CO\)](#)
- > [Particulates \(PM10\)](#)
- > [Sulphur dioxide \(SO2\)](#)
- > [Oxides of nitrogen \(NOx\)](#)
- > [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 [climate change \(greenhouse and energy\)](#) section of this report.

#### *Fugitive emission studies*

During FY2016, AGL published the Annual Leak Detection and Repair Summary Report covering the period 22 December 2014 to 11 December 2015 for the Camden Gas Project. The report, required under AGL's Environment Protection Licence, follows comprehensive, independent testing with highly sensitive gas detectors. The testing program uses the US Environment Protection Agency's 'Method 21' for leak detection, where the detector probe is placed at or on the component being tested. This can find leaks that are otherwise undetectable if the probe is moved just a few centimetres away.

During the monitoring period, 30 leaks were identified across 14,000 gas well components and 10 at the gas plant across more than 6,000 components. All were repaired on the same day or within the EPA's required timeframe. The report is available on the AGL [website](#).

During FY2016, AGL undertook a trial using compressed air instead of coal seam gas to operate control instrumentation components on coal seam gas wells across the Camden Gas Project. The trial proved successful and AGL is now installing this technology across all production well sites at Camden. This will eliminate the need for AGL to use methane from the wells to operate instrumentation, and will contribute to reducing fugitive methane emissions from wells.

During FY2016, AGL also published the Annual Leak Detection and Repair Summary Report covering the period 6 August 2014 to 5 August 2015 for the Gloucester Gas Project. Seventeen sites were inspected and 719 components were surveyed for gas leaks. Two minor gas leaks were detected at separate wellheads which were repaired within the timeframe required by the Environment Protection Authority.

In November 2015, AGL published the results of independent testing to measure background levels of methane in the air in the Gloucester region. The testing was commissioned by AGL at the request of Gloucester Shire Council. Using a highly accurate vehicle-mounted laser spectrometer, air samples were taken by Pacific Environment for a total of 80 hours (in one second measurements) while covering local routes totalling 3,200 kilometres between July 2013 and May 2015. The methane monitoring was undertaken before, during and after drilling and hydraulic fracturing of wells at the Waukivory Pilot Project.

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## Air, waste and noise

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The report found the average methane concentration over the entire monitoring period was 1.8 parts per million which is consistent with the global average background level as established by the World Meteorological Organisation. The highest methane readings were recorded near Gloucester's sewage treatment plant and in residential areas where methane levels are typically slightly higher. The study also found that there has been no change in background methane levels from when baseline monitoring was conducted in 2013 to the period during and after hydraulic fracture stimulation of the Waukivory Pilot wells. The report is available on the AGL [website](#).

During FY2015, AGL agreed to participate in a research project being undertaken by the CSIRO on behalf of the New South Wales EPA to determine background levels of fugitive methane emissions across a range of industry types in New South Wales. Field monitoring was completed during FY2016, and results are yet to be published.

## 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.

A strategic review of waste management service contracts was undertaken during FY2015, with new standard terms and conditions developed for AGL waste management contractors to assist AGL in resource recovery and risk reduction. During FY2016, waste management contractors at AGL Macquarie have implemented improved tracking of individual waste streams, and are working towards establishing a recycling target. The location of waste receptacles has also been improved to assist operators segregate and dispose of waste correctly and a major clean-up of obsolete materials and equipment has been completed.

Visit the [data centre](#) to view or download the amount of hazardous and non-hazardous waste disposed and recycled from AGL's facilities. Refer to the [water management](#) section for information about the disposal of produced water.

## Noise

The generation of noise is an unavoidable characteristic of some of AGL's business activities. Many of AGL's projects involve the 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 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".

In February 2015, the National Health & Medical Research Committee (NHMRC) released an updated [statement](#) which found, in summary: "Examining whether wind farm emissions may affect human health is complex, as both the character of the emissions and individual perceptions of them are highly variable. After careful consideration and deliberation of the body of evidence, NHMRC concludes that there is currently no consistent evidence that wind farms cause adverse health effects in humans. Given the poor quality of current direct evidence and the concern expressed by some members of the community, high quality research into possible health effects of wind farms, particularly within 1,500 metres (m), is warranted".

During FY2016, the Federal Government appointed a National Wind Farm Commissioner and established the Independent Scientific Committee on Wind Turbines. AGL aims to work with the Commissioner and the community to resolve any issues that may arise.

Noise monitoring conducted in FY2016 at AGL's Oaklands Hill and Macarthur Wind Farms has confirmed that the wind farms are operating within the permitted noise levels.

AGL commissioned Wilkinson Murray to conduct operational noise monitoring of two well sites at the Camden Gas Project during March 2016 to assess compliance. Noise levels generated by these well sites were found to comply with the relevant operational noise criteria during the day, evening and night time periods.

## Related Information

[Continuous air monitoring data](#)
[National Pollutant Inventory](#)

## Environment

# Biodiversity and cultural heritage

### Environment

Climate change

(greenhouse and energy) ☆

Renewable energy ☆

Water management

Air, waste and noise

**Biodiversity and cultural heritage**

Rehabilitation

☆ = Material Issues

## AGL operates and develops energy generation 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 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. Of particular note during FY2016:

- **Management of Aboriginal objects at Newcastle Gas Storage Facility (NGSF)** – The development and implementation of an Aboriginal Heritage Management Plan (AHMP) in consultation with local Aboriginal stakeholders was a requirement of the conditions of approval for the construction of the NSGF. As outlined in the AHMP, during vegetation clearing and civil work preparations AGL provided an opportunity for local Aboriginal stakeholders to inspect the site, and also drew upon their expertise when potential Aboriginal objects were identified by civil work contractors. A total of 91 stone artefacts were identified during the project, with the artefacts stored on site during construction. Following ongoing consultation with the local Aboriginal stakeholders, it was agreed that the collected Aboriginal objects would be buried on site once construction had ceased. On Tuesday 14 July 2015, the Aboriginal objects were buried in the bushland area surrounding the NSGF site. The location coordinates of the burial are recorded on the NSW Aboriginal Heritage Information Management System.
- **NGSF Nest Box Monitoring** – In August 2012, 100 nest boxes were installed on AGL owned land adjacent to NSGF as a requirement of the project approval. Four different box types were installed to suit a variety of arboreal mammals including: Sugar/Squirrel Glider, Brushtail/Ringtail Possum, Pygmy Possum and Microchiropteran bat. Monitoring of the boxes is undertaken annually. The 2015 nest box monitoring programme undertaken in August 2015 has shown that the boxes continue to provide hollow dependent fauna with a den resource, with 62% of boxes exhibiting signs of use (41% in 2014). The observation of juvenile threatened Squirrel Gliders is a positive sign for this species in the area.
- **AGL Loy Yang Cultural Heritage Management Plan** – A voluntary Cultural Heritage Management Plan (CHMP) was prepared in consultation with local Aboriginal stakeholders for the management and protection of Aboriginal cultural heritage during the course of activities associated with the construction of the travel path for the relocation of travelling stacker TS4 from its current location on the external Overburden Dump into the mine. During the assessment process, a single Aboriginal stone artefact was identified. As per the requirements of the CHMP, a salvage program was undertaken in the proximity of the artefact occurrence, and training was provided to personnel associated with the project to ensure appropriate responses to any further Aboriginal cultural heritage artefacts that may be encountered during the earthworks activities.
- **Gloucester Gas Project Wards River Pilot** – An Aboriginal cultural heritage assessment was undertaken in consultation with local Aboriginal community members as part of a review of environmental factors for the Wards River Pilot. 19 stone artefacts were recovered during the test excavation process. An artefact scatter was also identified during the survey in an area outside of the project area on an eroding creek bank, susceptible to flooding and which had the potential to further displace or remove the Aboriginal objects from their recorded location. On 27 February 2016, Aboriginal stakeholder representatives, a consulting archaeologist and the landowner met to return to country the artefacts recovered from the test excavation along with the relocated contents from the eroding creek bank. The meeting included a smoking ceremony and input from the available Aboriginal stakeholders.
- **AGL Macquarie Compensatory Habitat** – A Compensatory Habitat of approximately 15 hectares was established in 2006 adjacent the Antiene Rail Coal Unloader. On 27 April 2016, a grassfire occurred as a result of rail grinding works being carried out on the Drayton Rail Loop by a third party. The fire extended into and spread throughout most of the Compensatory Habitat area. Initial inspections indicated that there appeared to be no loss of established trees. A further formal assessment is planned in FY2017.

### 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.

### Related Information

[AGL Biomass Policy](#)

# Environment Rehabilitation

## Environment

Climate change

(greenhouse and energy) ☆

Renewable energy ☆

Water management

Air, waste and noise

Biodiversity and cultural  
heritage

Rehabilitation

☆ = Material Issues

AGL's fleet of assets has undergone, and will continue to undergo, changes in its composition. As discussed in the [community engagement](#) section, AGL made the strategic decision to exit coal seam gas exploration earlier in 2016, and imposed closure dates on all its operational gas production assets. We have also articulated in our [Greenhouse Gas Policy](#) that we intend to close all existing coal-fired power stations by 2050.

In addition to its ongoing legislative and regulatory requirements, AGL recognises its responsibility to rehabilitate these assets and sites to an appropriate state upon the cessation of activity.

**AGL is committed to responsibly engaging with all our stakeholders (customers, investors, communities, landowners, policymakers and employees) to develop a shared understanding of the best ways to perform these activities in a manner consistent with community and societal expectations.**

AGL's approach to the rehabilitation of assets is guided by the following underlying principles:

- > **Transparency** – AGL will provide stakeholders with information to enable better understanding of the issues related to rehabilitation of AGL sites.
- > **Engagement** – AGL will undertake ongoing engagement with stakeholders to ensure a diverse range of views are considered in rehabilitation plants and processes.
- > **Accountability** – AGL will publish relevant information at least annually to enable external assessment of rehabilitation activities.

AGL is conducting a detailed review of the technical characteristics and costs of rehabilitation at major generation sites and will be providing further information on the outcomes of this review in FY2017.

### *Gloucester Gas Project*

In June 2016, AGL commenced the rehabilitation of coal seam gas exploration wells and water monitoring bores in the Gloucester and Stratford regions.

- > The rehabilitation process involves:
- > removal of all equipment at the top of the well;
- > filling the well with purpose-specific cement;
- > cutting the top of the well casing at least 1.5 metres below surface level so that it does not interfere with future land use;
- > affixing a steel cap, which contains attached information such as the name of the well, its exact location, the well depth and when it was decommissioned; and
- > rehabilitating the site to the satisfaction of the land owner and AGL's licence requirements.

At the conclusion of the rehabilitation program, which is expected to be at the end of 2016, AGL will seek sign-off from the regulatory authorities and surrender its Petroleum Exploration Licence for the region.

### *AGL Loy Yang*

AGL is committed to the progressive and long term rehabilitation of the Loy Yang open cut mine. In FY2016, a five-year Rehabilitation Investigation Project commenced. The aim of the project is to investigate the construction of rehabilitated slopes that will remain safe, stable and durable. The outputs from these trials are expected to contribute to the design of slopes and identify the controls to ensure a long term stable environment. The north-west corner of the mine was selected as the site for the first stage of the rehabilitation trial. Construction of the trial slope site commenced in February 2016 with vegetation and infrastructure removal and slope shaping using a cut and fill method. The slope shaping was completed in May 2016. Clay capping of the slope commenced in June 2016 with clay sourced from onsite.





## Sustainability Performance Economic Performance

### Economic Performance

Profitability ☆

Electricity generation

Energy sales

Supply chain

Taxation

☆ = Material Issues

**AGL is focused on unlocking growth opportunities, with targeted investments in new capabilities, an initiative to stimulate investment in renewables, and investing in digital capabilities to improve customer experience. Opex and capex savings, as well as asset sales and working capital reduction targets, are driving productivity and value for shareholders.**

This section focuses on:

- > **Profitability** – AGL's strong performance in FY 2016 was driven by improvements in consumer EBIT per customer, higher generation volumes and cost savings from the targeted operating cost initiatives.
- > **Electricity generation** – AGL is the largest generator in the National Electricity Market, and also has the largest privately owned, operated and controlled portfolio of renewable generation assets in Australia.
- > **Energy Sales** – 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's New Energy business has been established to capitalise and embrace the significant transformations occurring in the energy sector, in order to underpin retail growth and facilitate AGL's expansion into new areas.
- > **Supply chain** – AGL recognises that embedding sustainability considerations as part of its procurement processes and strategy is a long-term commitment that will require changes to the traditional sourcing approach.
- > **Taxation** – AGL is committed to transparency in meeting all tax compliance obligations.

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



## Economic Performance

# Profitability

### Economic Performance

#### Profitability ☆

#### Electricity generation

#### Energy sales

#### Supply chain

#### Taxation

☆ = Material Issues

### Profitability

Drive value and earnings growth.

✓ Met / ✗ Not Met

FY2016 Target	FY2016 Performance	✓	FY2017 Target
Absolute Total Shareholder Return: ≥ 9%	Absolute Total Shareholder Return: <b>22%</b>		Underlying profit: <b>in line with earnings guidance to be released at AGL's FY2016 Annual General Meeting on 28 September 2016.</b>

AGL delivered an Underlying Profit of \$701 million for FY2016, up 11.3% compared to the prior corresponding period, and within the upper end of the profit guidance range of \$650-720 million previously indicated to the market. AGL's strong performance was driven by improvements in consumer EBIT per customer, higher generation volumes and cost savings from the targeted operating cost initiatives.

**\$701M** UNDERLYING PROFIT  
in line with earnings guidance



Visit our Data Centre | Underlying profit

The Board of Directors declared dividends totalling 68 cents per share for the full FY2016, up 6% compared to FY2015 payments of 64 cents.

At AGL's Annual General Meeting on 28 September 2016, earnings guidance will be provided for FY2017.

**CREDIT RATING Baa2**

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



Visit our Data Centre | Credit rating

During FY2016, Moody's initiated coverage on AGL, with a public credit rating of Baa2 with a stable outlook (equivalent to the previous rating of BBB by Standard and Poors) assigned in February 2016. The change in rating agency was driven by the view that Moody's is a better fit for AGL. Moody's takes more consideration of the domestic market in which AGL operates, as opposed to Standard and Poors, which is more driven by the regulatory and legislative environment in the US when deriving its methodologies. In assigning the rating, Moody's indicated that AGL's strong retail market position and the low cost position, scale and operating track record of its generation fleet enables AGL to navigate the challenges presented by the evolving energy market in Australia. The retention of AGL's strong credit rating, along with improved capital efficiency, substantially enhances AGL's ability to fund future growth, and 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 [return on equity](#) and [consumer net OPEX to gross margin ratio](#). Detailed financial information will also be available in AGL's 2016 Annual Report.

### Related Information

[AGL Annual Reports](#)

[AGL Financial Results](#)

## Economic Performance

# Electricity generation

### Economic Performance

Profitability ☆

Electricity generation

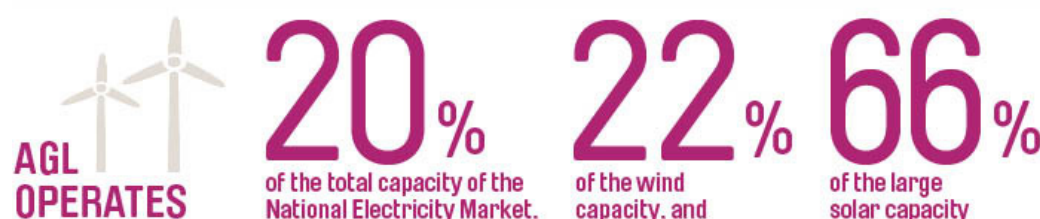
Energy sales

Supply chain

Taxation

☆ = Material Issues

**AGL is the largest generator in the National Electricity Market (NEM), and also has the largest privately owned, operated and controlled portfolio of renewable generation assets in Australia.**



As of 30 June 2016, AGL's total operated capacity was 10,241MW, 1,894MW of which is renewable. More than 80% of AGL's generating capacity is located in New South Wales and Victoria, which corresponds with AGL's two largest customer bases.

AGL has continued to make disciplined investments to grow our generation portfolio. Construction of the 53 MW Broken Hill Solar Plant was completed in FY2016. The first 26 MW of power was connected to the grid on 17 September 2015, with the plant achieving full generation in October 2015. This followed the 102 MW Nyngan Solar Plant, which achieved full generation in June 2015. As outlined in the [renewable energy](#) section, AGL is also progressing planning activities for wind farms in Coopers Gap and Silverton, however a final investment decision has not yet been made. These projects may be developed through the Powering Australian Renewables Fund (refer to the [renewable energy](#) section for further information).

In June 2016, AGL announced the deferral of previous plans to mothball four generating units at the Torrens Island Power Station in South Australia by 2017. These units are known as 'A station' and have a capacity of 480 MW. As a result of the recent retirement of other baseload generation assets in South Australia, market conditions have changed to the extent that there has been a significant tightening of supply to the market. In deferring the mothballing of A station, AGL will continue to play a key role in maintaining South Australian security of energy supply. Market conditions will be reviewed annually to determine future plans for A station.

The current and future earning potential of AGL's electricity generation portfolio is influenced by many factors as well as the wholesale market price, including the operational efficiency of the assets and their availability and ability to start reliably.

In March 2016, AGL approved a \$63 million project to install a Distributed Control System (DCS)<sup>1</sup> at the Bayswater Power Station. Installation of the new DCS is expected to commence in September 2017, and will enhance safety, improve power station reliability and enable the plant to operate more efficiently.

Early in 2016, an external boiler tube leak and subsequent inspections and repairs substantially reduced the availability of the Liddell Power Station. The financial impact of the outages was estimated at \$15 million to \$20 million net profit after tax, reflecting both the direct loss of generation revenue and estimated broader impacts on the electricity trading portfolio.

Visit the [data centre](#) to view or download the following information about our generation portfolio:

- > [Installed capacity of operated generation assets](#)
- > [Electricity output](#)
- > [Equivalent availability factor](#)
- > [Wind farm generation](#)

## Economic Performance

# Electricity generation

### Economic Performance

Profitability ☆

Electricity generation

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☆ = Material Issues

The existing centralised energy supply market is expected to provide near- to mid-term opportunities for wholesale market revenue. AGL's assets have some of the lowest short-run marginal costs in both the New South Wales and Victorian markets, and the portfolio is flexible enough to rapidly respond to market signals, with 1,000 MW able to be dispatched within five minutes, and an additional 4,400 MW within three hours. Wholesale electricity prices are rising from a low base, largely driven by changes in the fuel landscape. The decline in residential electricity demand is also stabilising, however the market remains oversupplied.

AGL recognises that the NEM needs to be refreshed, with around 75% of the thermal plants in the NEM now exceeding their original design life. The oversupply in the market is blocking new investment in the approximately 5,000 MW of new renewable energy required by 2020 to meet the Renewable Energy Target, as the cost of building new plant must compete with the cash-only running costs of sunk investment.

The Powering Australian Renewables Fund was developed by AGL during FY2016 as a potential solution to encourage investment in renewable energy. It provides the opportunity for AGL to partner with other investors (QIC and the Future Fund) to directly invest in renewables and includes an innovative structure for offtake arrangements. Instead of investing in single assets, the Fund provides an opportunity for investors to finance a portfolio of renewable assets, to diversify risk and reduce costs. Further information is available in the [renewable energy](#) section.

As Australia progressively decarbonises its electricity system, a higher proportion of renewable energy output is likely to increase volatility within the NEM energy-only gross pool market. AGL has taken a leadership position on this issue, as discussed in the [public policy engagement](#) section.

As outlined in the [energy market evolution](#) section, government policy support to close old generation assets is also required to facilitate new investment in renewables.

1. A DCS is a semi-automated system that monitors, controls and instructs the various parts of a power station, to help manage efficient performance and operation.

### Related Information

[AGL Greenhouse Gas Policy](#)

[AGL Annual Reports](#)

[AGL Financial Results](#)

[Powering Australian  
Renewables Fund](#)

## Economic Performance

# Energy sales

### Economic Performance

Profitability ☆

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**A core part of AGL's strategic framework is to unlock growth, and an important way that we are doing this is by building our digital capability and enhancing our customers' experience. Another strategic goal of AGL is to drive productivity, and one of the ways we are doing this is to leverage market opportunities and implement our customer value strategy.**

### AGL's Retail Strategy

A critical component of our retail innovation strategy is to give customers the ability to take control of their energy consumption and usage decisions, and a key way we propose to achieve this is through the pursuit of digital innovation. We have moved from an environment characterised by features such as centralised generation, quarterly reads of mechanical meters, simple tariffs, and paper bills that customers pay by cash or cheques, to an environment in which customers generate their own energy via rooftop solar PVs, have access to remotely read digital meters, which enables them to better manage their energy consumption, battery storage and home energy management options, mobile phone apps, time of use tariffs, and where customers receive and pay bills electronically.

The decline in residential electricity demand per customer that has been occurring for some time continues to show signs of flattening. Consumer Market electricity volumes decreased 1.5%, offset by an increase in volumes sold to wholesale customers. Consumer Market gas volume decreased by around 5.7%, again offset by an increase in wholesale gas sales.

AGL continues to face an increasingly competitive retail market, with over 35 active retailers across the National Electricity Market (NEM). However, our Customer Value Strategy combined with targeted operating cost initiatives is driving strong returns. AGL's internal marketing channels now contribute over 80% of total sales and retentions, and our customer loyalty and reward participation increased over 45% during FY2016, delivering improved customer loyalty.

**AGL's customer churn was 15.7%, and was once again lower than the churn experienced in the rest of the market (19.7%), evidencing the strong focus that has been placed on the retention of high value customers.**



**Visit our Data Centre** | Customer churn

AGL continued to prioritise product innovation during FY2016. AGL intends to continue to launch 'first to market' innovations, incorporating new ways to use technology to improve customer comfort, reduce costs, and give customers a greater ability to manage their own energy consumption. For further information, refer to the [customer experience](#), [energy efficiency](#), and [distributed energy services](#) sections of the report.

## Economic Performance

# Energy sales

### Economic Performance

Profitability ☆

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☆ = Material Issues

### Key performance metrics

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

OVER 3.6M CUSTOMER ACCOUNTS OVER 1.9M DUAL FUEL CUSTOMER ACCOUNTS

 **Visit our Data Centre** | Retail markets by state and fuel type

Total customer accounts decreased by 1.4% across the portfolio, due to continued strong competition in the market. During FY2016, AGL launched an inactive and unidentified consumption program, resulting in a 67% reduction in inactive and negative value accounts, and a corresponding impact on customer numbers of around 46,000.

Consumer gross margin per customer account rose 9.1% to \$216 and consumer EBIT per customer account increased 25.6% to \$108 through disciplined and effective price management, changing customer mix and reduced operating costs through targeted operating cost initiatives. The consumer net operating costs to gross margin ratio also decreased by 6.6 percentage points to 49.9%.

The cost of serving each customer account decreased by 4.2% compared to FY2015, predominately due to lower bad and doubtful debts and other operating costs.

### New Energy

AGL's New Energy division has been actively investing in emerging distributed technologies. This team was set up to capitalise upon and embrace the significant transformations occurring in the energy sector, in order to underpin retail growth and facilitate AGL's expansion into new areas. The New Energy team has seen positive results at the consumer level over the course of FY2016, with sales of solar PV systems increasing; entry into the contestable market for digital meters through our subsidiary, Active Stream; an expansion of our range of energy storage products; and a successful four month demand response trial taking place in Victoria.

### AGL's wholesale gas portfolio

AGL has also focused on securing long term strategic arrangements to optimise our wholesale gas portfolio. Despite delays in the start-up of the LNG projects in Queensland, AGL has continued to secure portfolio optimisation opportunities in FY2016. AGL is to supply the GLNG project with 254 PJ of gas over 11 years from January 2017, which represents AGL's third sale from its gas portfolio into the Queensland LNG projects. AGL has also secured a number of longer term opportunities, which represent additional value to AGL's wholesale gas position. For example, AGL has secured additional gas storage rights to the Iona Gas Storage Facility, which positions us to meet the peak demand requirements of our customers into the next decade. Further, AGL is continuing to explore long term gas supply opportunities with a number of gas producers for supplies commencing in and going beyond 2020.

AGL's gas storage facilities at Newcastle and Silver Springs continue to provide a strategic reserve of natural gas, helping to secure continuity of supply during periods of peak demand or supply disruptions.

### Related Information

[AGL Annual Reports](#)

[AGL Financial Results](#)

## Economic Performance

# Supply chain

### Economic Performance

Profitability ☆

Electricity generation

Energy sales

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Taxation

☆ = Material Issues

With a supply base in excess of 5,000 suppliers, our sustainability performance can be influenced by our suppliers.

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

In 2014, AGL developed a Supplier Code of Conduct, outlining a 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. This Code of Conduct also supports the AGL Procurement Policy.

A new procurement framework has been developed to better align how different parts of the business procure goods and services with Sustainable Procurement being a component in the supplier risk assessment and supplier selection processes.

All suppliers, irrespective of the outcome of the sustainability risk assessment, are required to comply with obligations outlined in the AGL Supplier Code of Conduct and complete a Supplier Code of Conduct Questionnaire. New suppliers identified as being of high value / risk are also required to complete a detailed Sustainable Procurement Questionnaire as part of their submissions to AGL. This requirement is embedded in AGL's standard contract templates to ensure it applies to all new contracts. Areas of non-compliance are identified and a corrective action plan is developed in collaboration with the supplier to address them.

### Related Information

[AGL Supplier Code of Conduct](#)



## Economic Performance

# Taxation and Transparency

### Economic Performance

Profitability ☆

Electricity generation

Energy sales

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Taxation

☆ = Material Issues

AGL has adopted a Tax Risk Management Policy, which is endorsed by the Board and is updated at least every two years. The purpose of the policy is to set out clear objectives and accountabilities for managing tax risk. AGL's tax risk management practices are consistent with AGL's [Compliance Management Policy](#) and [Code of Conduct](#). Group Tax reports all material tax risks and compliance issues in a timely basis through to the Chief Financial Officer and ultimately the Board Audit and Risk Management Committee.

## AGL is committed to meeting all its tax compliance obligations including the payment of all taxes by the relevant due dates.

AGL manages its Australian tax obligations in line with the expectations of the Australian Tax Office (ATO). Due to AGL's market capitalisation and gross revenue, AGL is defined as a "key taxpayer" under the ATO's risk differentiation framework (RDF), and is therefore subject to increased levels of review by the ATO.

In the interests of good corporate citizenship and transparency, AGL maintains regular direct contact with the ATO in a cooperative manner. AGL's open dialogue includes an annual pre-lodgement compliance review with the ATO.

AGL has a strong history of paying fully franked dividends to its shareholders. The franking credits attached to the dividends are a direct function of the income taxes paid each year.

Under Australian taxation law, AGL has formed two tax consolidated groups (TCG) whereas for accounting purposes, are consolidated and reported as one. AGL and its wholly owned subsidiaries form one TCG and a non-wholly owned group, AGL Generation Holdco Pty Ltd (AGL Generation) form a second TCG. The latter TCG has prior year tax losses.

AGL does not have any material operations outside Australia. In February 2016 AGL announced that it made a US\$20m investment (22% ownership) in a US company, Sunverge Energy Inc, however, there are no additional tax obligations on AGL.

### Performance

For the FY2016 year, AGL paid various taxes in Australia totalling \$609 million, including \$223 million in income tax. AGL's tax contribution summary is available in the [data centre](#).

AGL's effective tax rate on underlying profit for FY2016 was 29%, which is in line with the Australian corporate tax rate of, and its historical average of, around 30% (refer to the [data centre](#)).

Effective Tax Rate	FY16 \$m
Gross Revenue	11,150
Underlying Profit Before Tax	989
Underlying Income Tax	(287)
Non-controlling Interest	(1)
Underlying NPAT	701
Effective tax rate	29.0%

## Economic Performance

# Taxation and Transparency

### Economic Performance

Profitability ☆

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**Taxation**

☆ = Material Issues

AGL reports both “underlying profit” and “statutory profit”. Statutory profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with the International Financial Reporting Standards. Underlying profit is the statutory profit adjusted for significant items (usually associated with the acquisition/disposal of investments, impairment of assets and major restructure costs) and changes in the fair value of financial instruments. AGL believes that underlying profit provides a better understanding of the performance of its underlying and ongoing operations. AGL’s dividend policy is also determined by underlying profits i.e. around 60% of underlying profit.

Broadly, any differences from the corporate tax rate of 30% are normally related to the following items:

- > Non-deductible expenses that are expensed for accounting
- > Benefits arising from research & development
- > Recognition of unbooked tax losses
- > Adjustments arising from accounting/tax differences on disposals.

#### *Reconciliation of accounting profit to taxable income*

Under the accounting standards, income tax expense is calculated on accounting profit. Broadly, there will be differences between a company’s income tax expense and actual cash tax paid primarily because income tax expense includes amounts that will not be paid/received in the current year. These are referred to as deferred tax expenses.

There are a number of income and deduction items that are recognised at different points in time for accounting and tax purposes. Some examples of these items are: depreciation; capitalised interest expense; accrued expenses and provisions; unrealised gains and losses on derivatives; amortisation of intangibles; impairment of assets; and recoupment of prior year tax losses. Accounting profit is adjusted for such differences in arriving at taxable income which is taxed at 30%. The tax liability is then reduced for any tax offsets such as research and development.

In the final quarter of calendar year 2016, the ATO will be publishing details of gross revenue, taxable income and income tax for certain entities based upon tax returns for the year ended 30 June 2015.

Being in a capital intensive industry, AGL’s taxable income generally is lower than its accounting profit due to the fact that tax depreciation is broadly greater than accounting depreciation. Visit the data centre for the reconciliation of FY2015 accounting profit to taxable income for both TCGs.

### Related Information

[AGL Code of Conduct](#)

[AGL Compliance Management Policy](#)