

Corporate Governance Statement 2020



Progress for life

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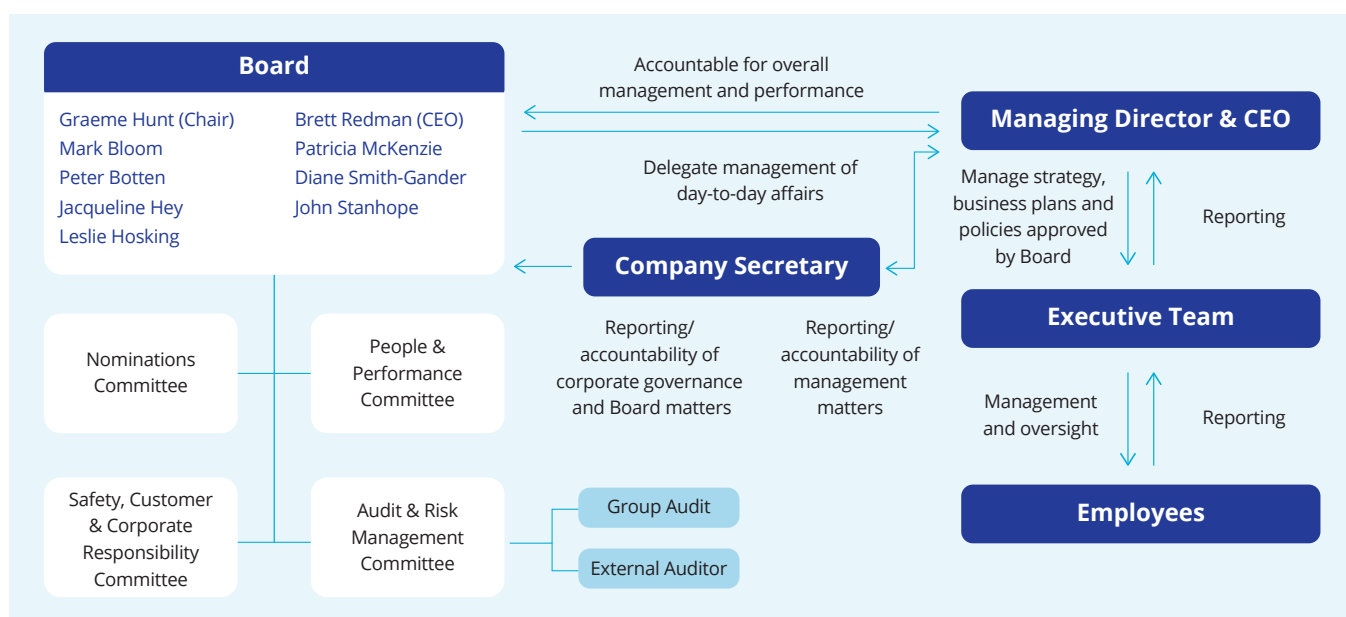
Corporate Governance Framework

This corporate governance statement describes AGL's corporate governance framework, policies and practices. This statement has been approved by the Board and is current as at 13 August 2020.

Throughout FY20, AGL's corporate governance arrangements were consistent with the fourth edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles). Our Appendix 4G, which is a checklist cross referencing the ASX Principles to the relevant disclosures in this Corporate Governance Statement, the 2020 Annual Report and the AGL website, has been lodged with the ASX.

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

AGL's governance framework is summarised below.



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

AGL's Purpose and Values

AGL undertook a comprehensive review of its purpose and values during FY19 to ensure we had the right framework to evolve our organisational culture, guide our decision-making and support our communication. The outcomes were a refreshed purpose statement with the concept of Progress for life as its central theme, and a refreshed set of values that build on this theme, while recognising the power of our 180-year heritage.

AGL's Purpose – Progress for life



Our Purpose is centred on
Progress for life

At AGL we have a passionate belief in progress – technological and human – and a relentless determination to make things better for you, our communities, the Australian economy, and our planet.



The theme of progress recognises our proud history of delivering innovative outcomes for customers, as well as how we are continuing to evolve how Australians produce, share and consume energy.

To us, progress means helping customers achieve better ways of living day-to-day by enabling them to take greater control over their energy and other essential services. It also means investing in new ideas, partnerships and infrastructure – renewing and expanding our portfolio of energy sources and other products to make them more sustainable, reliable, affordable and useful.

At an enterprise level, AGL's Purpose provides AGL and its Directors, employees and contractors with the foundations for actions and together with AGL's Values, guides AGL's thinking and decision-making. Further information about AGL's Purpose can be found on [AGL's website](#).

AGL's Purpose and Values (continued)

AGL's Values

AGL's five core Values are set out below, which are disclosed on [AGL's website](#).

Care in every action

- Physical and psychological safety first
- Responsible and sustainable in all our actions
- Always considering our environment
- Putting yourself in other people's shoes

Integrity always

- Doing the right thing
- Being open and accountable
- Having courageous conversations
- Keeping our promises

Better together

- Breaking down silos
- Being respectful and inclusive of all
- Seeking out diverse perspectives
- Building collaborative partnerships

Deliver your best

- Going the extra mile for our customers
- Constantly looking to improve
- Staying resilient when setbacks happen
- Making excellence part of every day

Shape tomorrow

- Having courage to explore new possibilities
- Embracing opportunities to grow
- Approaching challenges with a 'can-do' attitude
- Keeping the future in focus

These Values underpin AGL's operations and the Board and senior management are guided by these core Values when making decisions for AGL, including in relation to its corporate governance policies and practices.

The Executive Team is responsible for instilling AGL's Values across AGL and continually references and reinforces those Values with staff, including through Values campaigns.

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

AGL's Board

As at 13 August 2020, AGL's Board comprised eight non-executive Directors and AGL's Managing Director and Chief Executive Officer (CEO), Brett Redman. An overview of the qualifications, appointment date, experience and special responsibilities of each Director is set out on pages 61 to 65 of the 2020 Annual Report.

Roles and responsibilities of the Board

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

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

Responsibilities specifically reserved to the Board are set out in a formal **Board Charter**, which the Board reviews at least every two years. The Board Charter was reviewed and updated during FY20.

Key aspects of the Board's roles and responsibilities, and how they were relevant during FY20, are set out in the table below.

Area of responsibility	Board's role	Relevance during FY20
Strategy	Reviewing and approving AGL's strategic direction, its business plan and budget and significant strategic initiatives and plans.	AGL has three strategic priorities: growth, transformation and social licence. Examples of initiatives and plans considered by the Board in FY20 include: <ul style="list-style-type: none"> • Growth: approving growth opportunities including the acquisition of Perth Energy and Southern Phone Company, in line with the connected customer strategy. • Transformation: considering and approving grid scale and residential battery projects. • Social Licence: overseeing initiatives to support our people, customers and community through both the bushfire emergency and the COVID-19 pandemic.
Customers	Approving and monitoring the implementation of policies governing AGL's relationship with customers.	Monitoring AGL's customer strategy, including the implementation of customer affordability measures such as the COVID-19 Customer Support Program, which provided relief to AGL's residential, small and medium sized business customers who couldn't pay their bill because they lost their job or business, or their health was impacted.
Executive remuneration	Approving the CEO's remuneration, AGL's remuneration framework and monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team and other key management roles.	During FY20, the Board agreed a number of changes to the remuneration framework to reflect the challenging conditions and need to transform the energy industry, including: <ul style="list-style-type: none"> • no adjustments to executive fixed remuneration levels for FY21 given the economic impacts arising from the COVID-19 pandemic; and • the introduction of carbon transition metrics in AGL's Long Term Incentive Plan from FY21.
Social, ethical and environmental impact of AGL's activities	Considering the social, ethical and environmental impact of AGL's activities and overseeing the system for managing compliance with AGL's sustainability policies and practices.	During FY20, the AGL Board approved a new Climate Statement, which confirms AGL's target of net zero emissions by 2050.
Governance, risk management and compliance	Approving, and monitoring the adequacy of, AGL's risk management framework and risk appetite statement and monitoring the effectiveness of AGL's systems of internal compliance, risk management and control, and systems of legal compliance that govern AGL's operations.	During FY20, the Board approved a revised risk appetite statement, updated Tier 1 Risks and a refreshed Compliance Management Policy. The Board also oversaw a compliance uplift program.
Ethical and responsible decision-making	Promoting ethical and responsible decision-making.	During FY20, the Board oversaw and monitored AGL's response to the bushfires over the summer period and AGL's response to the COVID-19 pandemic. <p>During the summer period, the AGL Board received regular updates, at least weekly, in relation to the impact of the bushfires on AGL's operations and people. The Board also approved AGL's response to support community-oriented bushfire relief and recovery related expenditure and customer concessions.</p> <p>From February 2020, the AGL Board has had close oversight of AGL's response to the COVID-19 pandemic. This has included out of cycle Board meetings, and regular updates from management (during the key period this involved updates three times a week) on areas that covered impacts on AGL's people, customers, operations, IT, finance and other key stakeholders.</p>

AGL's Board (continued)

Responsibilities of the Chairperson

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

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

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

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

Board Meetings

The Board met 15 times during the financial year. Directors' attendances are set out on page 65 of the 2020 Annual Report.

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

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

Independence

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

AGL considers a Director to be independent if the Director is independent of management and is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of AGL as a whole rather than in the interests of an individual shareholder or other party.

When assessing the independence of a Director, the Board considers the matters potentially affecting the independence status of a Director as described in Box 2.3 of the ASX Principles. Materiality is assessed on a case by case basis by reference to each Director's individual circumstances rather than by applying general materiality thresholds. As at the date of this statement, there were no relationships or associations of the kind referred to in Box 2.3 of the ASX Principles in relation to AGL's non-executive Directors.

Board composition

Skills and capabilities

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

- skills aligned to the delivery of AGL's strategic priorities - Growth, Transformation and Social Licence;
- commercial and leadership experience in large complex industrial organisations;
- an understanding of corporate finance, trading and contemporary risk and compliance management;
- experience with customer and marketing strategies;
- people and culture experience, including large workforce management;
- risk management skills and experience;
- technology literacy and digital customer service delivery experience;
- experience and skills in stakeholder management;
- strong corporate governance experience, including ASX 100 board experience;
- energy sector experience, including gas, electricity, mass market retail and capital intensive businesses; and
- diversity of thinking and perspectives, and highest standards of ethics and integrity.

A formal process was undertaken in FY20 to update AGL's Board Skills Matrix, which was facilitated by a professional external consultant. The Board Skills Matrix was updated following an analysis of the skills and experience of each Director and an assessment of the current and future strategic direction, opportunities and challenges for AGL. The analysis considered 46 skills in the following competency areas:

- AGL's Strategic Priorities
- Commercial and Leadership
- Corporate Finance
- Customer and Marketing
- People and Culture
- Risk
- Technology
- Stakeholder Management
- Corporate Governance
- Sector Experience
- Attributes.

AGL's Board (continued)

In conducting the assessment, Board members were assessed using the following skills rating levels:

Proficient – regarded to have expert or highly qualified proficiency, knowledge and experience in the subject matter or domain and has been seen to contribute these skills in board and committee conversations and critical thinking.

Practiced – developed a sound working knowledge and understanding of the subject matter through either past executive or management roles, extensive on-the-job application of skills in board and committee activities and/or through training and professional development activities.

Perceptive – possesses an awareness and base literacy around the subject / topic and its relevance to the organisation and the board.

Of the relevant skills and attributes assessed:

- 59% were rated as proficient
- 37% were rated as practiced
- 4% were rated as perceptive.

In the eleven competency areas, the Board as a whole was rated either as practiced or proficient overall, as set out in the skills matrix below.

Skills, experience & knowledge	Key Competencies	Competency Level
AGL Strategic Priorities	<ul style="list-style-type: none"> • Growth – Accelerate growth to meet evolving customer needs • Transformation – Reposition, refresh and reinvigorate AGL • Social licence – Meet and exceed rising community expectations 	Proficient
Commercial and leadership	<ul style="list-style-type: none"> • CEO/ Leadership Team experience and strategic delivery in large, complex industrial organisations • Strategic thinking • Industrial and large asset operations management • Deal making, mergers and acquisitions • Innovation and disruption • Engineering • Operational efficiency and optimisation • Project governance and management • Financial markets and trading/derivatives and futures 	Proficient
Corporate finance	<ul style="list-style-type: none"> • Large complex ASX financial management skills (including accounting, capital management, treasury, tax) • Financial governance (including internal controls, audit, financial and business performance reporting) 	Practiced
Customer & marketing	<ul style="list-style-type: none"> • Marketing, brand and reputation management • Customer experience, insight and analytics • Business to business marketing 	Practiced
People & culture	<ul style="list-style-type: none"> • Large workforce management and planning • Culture and leadership oversight and development • Remuneration, talent development, succession planning 	Proficient
Risk	<ul style="list-style-type: none"> • Risk management strategies, appetite, culture • Operational risk (safety/people & well-being, technology, security, liquidity & financial, process & systems, OH&S, business resilience and crisis management) • Strategic and emerging risk • Regulatory, prudential, compliance & legal risk 	Proficient
Technology	<ul style="list-style-type: none"> • Technology literacy • Digital marketing/customer service delivery 	Practiced
Stakeholder management	<ul style="list-style-type: none"> • Stakeholder management and communications (including staff and community) • Government and regulatory relations and policy • Shareholders and investment advisors 	Proficient

AGL's Board (continued)

Skills, experience & knowledge	Key Competencies	Competency Level
Corporate Governance	<ul style="list-style-type: none"> • ASX100 board and committee experience • Prudential and fiduciary governance • ASX100 board and/or committee Chair experience • ESG including environment and sustainability 	Proficient
Sector experience	<ul style="list-style-type: none"> • Electricity and gas • IT and telecommunications • Merchant banking • Financial markets • Mass market retail • ASX50 • Capital intensive businesses (including industrials, manufacturing, large construction) • New and emerging energy industries and businesses 	Practiced
Attributes	<ul style="list-style-type: none"> • Highest standards of ethics and integrity • Cultural alignment • Diverse thinking styles • Networks and influence 	Proficient

The skills analysis demonstrated that AGL's Board members are highly experienced and all skills that would be considered important or critical to the effective performance of the Board are present on the Board. In particular, the Board has strength in the skills and experience required for the delivery of AGL's strategic priorities – Growth, Transformation and Social Licence.

The Board uses the Board Skills Matrix as part of normal succession planning processes to assess the skills and experience that may be required on the Board in the future to support effective governance and the delivery of AGL's strategy, having regard to the ongoing transition of the energy sector.

The updated Board Skills Matrix identified the following areas that would be beneficial to augment on the Board in the future, which will be the focus for future succession planning and development plans:

- Customer and marketing
- Financial markets and trading
- Technology.

Skills in engineering and merchant banking were also identified as potential areas to supplement. However, the Board is comfortable that these skills can be accessed by external professional consultants where required.

Nominations and Appointment

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

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

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

These processes have been followed in relation to the appointment of Mark Bloom, who was appointed to the Board on 1 July 2020.

Board effectiveness

Building director capability

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

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

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

AGL's Board (continued)

SITE VISITS

The Safety, Customer & Corporate Responsibility Committee site visits during FY20 included:

- AGL Mt Beauty – hydro operations
- AGL Loy Yang – power station and coal mine
- AGL's Adelaide customer call centre – customer call listening and meeting C&I customer

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

Performance and evaluation

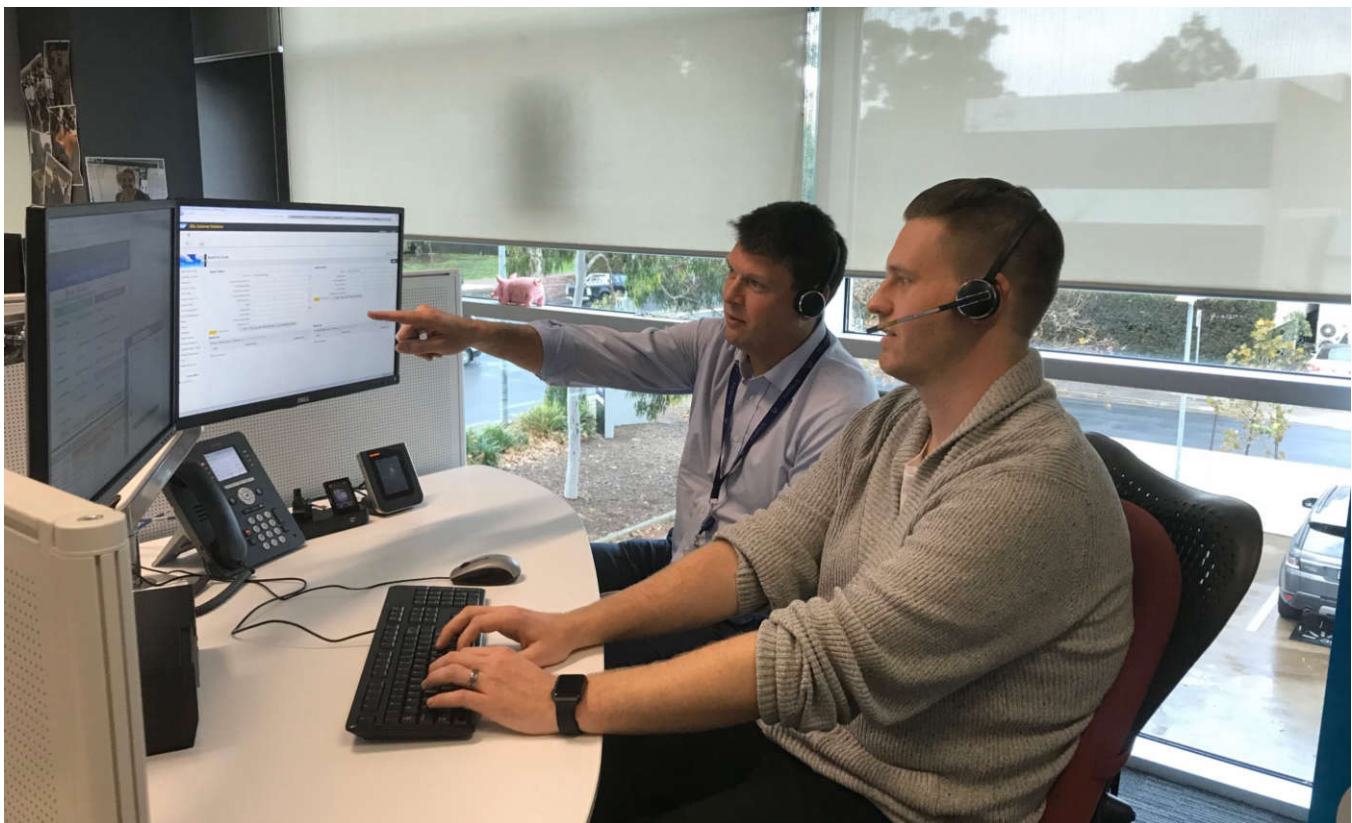
The Board regularly reviews its own performance and the performance of individual Directors. A formal review of the performance of the Board is also conducted each year.

The review conducted during FY20 was facilitated by an independent consultant with experience in conducting Board performance reviews. The review process was comprehensive and involved a review of Board papers, meeting with AGL's external auditor, Board meeting attendance by the consultant as well as meeting individually with each Director and member of the Executive Team, completion of surveys by Directors and the Executive Team all of which involved qualitative and quantitative assessments. The review also involved an assessment of the Board Committees.

The FY20 review focused on the following key areas:

- Strategic Vision, Objectives and Decisions;
- Board Skills, Experience and Attributes;
- Board Values, Behaviours and Culture;
- Board Relationships;
- Board Leadership, Roles and Accountability; and
- Corporate Governance Practices and Information.

The overall assessment was that the Board is continuing to function effectively in the discharge of its responsibilities. Following the review, the Board discussed the outcomes and identified a number of actions to further strengthen its performance in recognition of the future challenges facing AGL and the energy sector more generally. Those areas included enhanced ways of working with the Executive Team, heightened focus on AGL's future growth pathways and strategic priorities and further developing the existing depth of skills on the Board.



Board Committees

The Board has established four Committees as follows:

- Audit & Risk Management Committee (**ARMC**);
- Nominations Committee;
- People & Performance Committee (**P&PC**); and
- Safety, Customer & Corporate Responsibility Committee (**SCCR**). The SCCR was previously named the Safety, Sustainability & Corporate Responsibility Committee. As noted in the 2019 Corporate Governance Statement, the Board agreed at the end of FY19 that the name of the Committee should be changed to the Safety, Customer & Corporate Responsibility Committee and its Charter updated to reflect the increasing focus of the Committee on customer issues.

Each Committee's roles and responsibilities and membership requirements are set out in its **Charter**. Details of the number of Committee meetings held and each Director's attendance at those meetings are set out on page 65 of the 2020 Annual Report. An overview of the roles and responsibilities, composition and membership of each Committee as at 13 August 2020 is set out in the table below. Each Committee reports to the Board and makes recommendations to the full Board for its consideration as appropriate. The Corporate Governance Summary set out in AGL's 2020 Annual Report outlines the key areas of focus for the Board Committees during FY20.

Evaluation of Board Committees

The Charters for each of the Board Committees require that each Committee annually review its own performance. During FY20, in addition to the formal Board Review process, each Board Committee discussed the Committee's performance over the past 12 months. Each Committee considered, together with relevant members from management, whether the Committee had achieved its objectives for the financial year and reviewed the effectiveness of the Committee and how its members had worked together, including with management. Following this review, each Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Board Committees (continued)

Composition	Membership	Purpose and Responsibilities
Audit & Risk Management Committee (ARMC)		
Comprises at least 3 members, all of whom must be independent non-executive Directors.	John Stanhope (Chair)	<p>The ARMC assists the Board to fulfil its responsibilities through the effective identification, assessment, monitoring and management of risks and compliance with legal and regulatory requirements.</p> <p>Specifically, the ARMC's primary responsibilities include overseeing:</p> <ul style="list-style-type: none"> • the integrity of financial reporting; • external audit engagement; • independence and performance of AGL's internal audit function; • risk management controls, policies and procedures; and • policies and procedures for ensuring AGL's compliance with laws and regulations.
Chair must be a member of the Committee who is not Chair of the Board.	Jacqueline Hey	
Committee members must have working familiarity with basic accounting and finance practices with at least one member having financial expertise. Members between them must have sufficient understanding of the industry in which AGL operates.	Les Hosking	
	Patricia McKenzie	
	Mark Bloom	
Safety, Customer & Corporate Responsibility Committee (SCCR)		
Comprises at least 3 members, all of whom must be independent non-executive Directors.	Jacqueline Hey (Chair)	<p>Review and oversight of the development and implementation of policies and procedures that enable AGL to operate its business safely, ethically and responsibly.</p> <p>Assist the Board in monitoring AGL's actions to achieve its objective in being a safe, ethical and socially responsible customer-centric organisation.</p>
Chair must be a member of the Committee who is not Chair of the Board.	Peter Botten	
There must be at least 1 member from each of the P&PC and ARMC to allow for effective coordination and communication between the Committees.	Diane Smith-Gander	
	Les Hosking	
	Mark Bloom	
Nominations Committee		
Comprises all independent non-executive Directors of AGL (unless Board determines otherwise).	Graeme Hunt (Chair)	<p>The Committee's purpose is to review and recommend to the Board matters relating to:</p> <ul style="list-style-type: none"> • optimal Board composition; • performance evaluation of the Board, its Committees and individual Directors; and • succession planning for the Board.
Chair is the Chair of the Board.	Peter Botten	
	Jacqueline Hey	
	Les Hosking	
	Diane Smith-Gander	
	John Stanhope	
	Patricia McKenzie	
	Mark Bloom	
People & Performance Committee (P&PC)		
Comprises at least 3 members, all of whom must be independent non-executive Directors.	Diane Smith-Gander (Chair)	<p>The Committee:</p> <ul style="list-style-type: none"> • makes recommendations to the Board in respect of AGL's remuneration practices and framework to ensure alignment with AGL's core Values, risk appetite and desired company culture; • reviews the performance and remuneration of senior management; • approves AGL's remuneration framework and employment policies, procedures and programs; and • makes recommendations to the Board in relation to Director remuneration, employment-related policies applicable to AGL's senior management, talent management and succession planning for key management roles and measurable diversity objectives.
Chair must be a member of the Committee who is not Chair of the Board.	Peter Botten	
	John Stanhope	
	Patricia McKenzie	

AGL's Executive Team

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

The CEO's role includes:

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

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

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

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

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

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

The CEO and other members of the Executive Team regularly attend Board and Committee meetings to report on and discuss key issues and the existing and emerging risks of the business. The Directors have the opportunity, where required, to challenge the Executive Team and hold Executives to account in relation to particular issues that may arise.

Remuneration

The Remuneration Report on pages 67 to 91 of the 2020 Annual Report sets out AGL's policies and practices for remunerating non-executive Directors and executives. The arrangements that apply to the CEO and Executive Team are different to those of non-executive Directors.

Performance Evaluation

The Board reviews the CEO's and Executive Team performance annually against agreed performance objectives and other relevant factors.

Executive Team performance evaluations were conducted for FY20 in accordance with this process. Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report on pages 67 to 91 of the 2020 Annual Report.

Company Secretaries

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

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

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

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

Diversity and Inclusion

AGL's purpose, 'Progress for Life,' centres on how the organisation can improve the lives of its people, customers, communities and planet, and is underpinned by AGL's Values: Care in every action, Integrity always, Better together, Deliver your best and Shape tomorrow. Living these values requires an inclusive workplace culture where diversity is embraced and where AGL's people feel comfortable to 'speak up'.

AGL's **Diversity and Inclusion Policy** describes AGL's approach to diversity and inclusion and how these attributes are to be embedded in AGL workplaces. It provides a framework to effectively embed and support a diverse and inclusive workplace for all employees and describes behaviours, including discrimination, harassment and bullying, that are unlawful and unacceptable at AGL. The Policy includes specific provisions regarding gender diversity and the positive correlation between increased representation of women on company boards and in senior management positions and the achievement of better financial performance, higher employee retention rates and enhanced corporate image and reputation.

AGL has established a Diversity & Inclusion Council to support the achievement of a diverse workforce and an inclusive workplace culture. The Council is chaired by Brett Redman, AGL's CEO, and during FY20 comprised 12 other leaders from across AGL's major businesses, geographies and representing different diversity interests.

AGL has a commitment to review gender pay equity twice a year; separate to our yearly remuneration review. In 2019 we set a goal to bring down the pay gap percentage between male and female employees in like for like roles. As of January 2020, the average pay gap in like for like roles is 0%, down from 1.2% in January 2019.

During 2020, AGL was awarded Gold status by the Australian Workplace Equality Index (AWEI). This is an improvement from the Silver status awarded in 2019 and demonstrates AGL's commitment to providing a safe and inclusive workplace for employees who identify as LGBTI+.

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

The gender diversity objectives for FY21 are set out below, which will apply for three years (until FY23) to reflect AGL's longer term diversity aspirations:

- at least 3 directors of each gender will be represented on the Board;
- 35% representation of females at AGL;
- 50% representation of females at AGL in non-Operations roles;
- 50% representation of females in the non-Operations Senior Leadership Pipeline (SLP);
- 13% representation of females in the Operations SLP;
- increased participation of Aboriginal and Torres Strait Islanders. Target to be set during FY21 as part of the development of a Reconciliation Action Plan; and
- establishment of a program to increase participation and support for people with disabilities. Target to be set during FY21 as part of the development of a Disability Action Plan.

AGL has a clear aspiration for the overall SLP to reach 50% representation of females. A significant proportion of the workforce at AGL is weighted to traditionally male-dominated vocations, more specifically the very stable workforce at our operational sites. AGL acknowledges that a 50/50 split for our overall SLP will take longer than 3 years to achieve.

AGL's progress in achieving the FY21 objectives will be reported in the 2021 Corporate Governance Statement.

Set out below is a summary of AGL's gender diversity objectives for FY20 and progress made in achieving those objectives.

FY20 Diversity Objective	Progress made
1 At least three directors of each gender will continue to be represented on the Board – given the size of AGL's Board, this equates to not less than 30% of each gender being represented on the Board.	As at the date of this statement, the target has been achieved with 3 women on the Board and 6 men on the Board.
2 At least 50% representation of women in the Senior Leadership Pipeline (SLP) by 30 June 2022 ¹ .	As at 30 June 2020, 38% of AGL's SLP are female.
3 34% representation of females in the workforce generally by 30 June 2020.	As at 30 June 2020, 33% of AGL's workforce are female.
4 50% representation of females in the SLP (excluding Group Operations) by 30 June 2020.	As at 30 June 2020, 46% of AGL's SLP are female (excluding Group Operations).
5 Representation of females in the Group Operations SLP to improve from 7% to 9% by 30 June 2020.	As at 30 June 2020, 9% of the Group Operations SLP are female.

1. The SLP includes all persons in roles graded Level 12 and above under AGL's Position Framework. This represents approximately the top 15% of roles in AGL.

As at 30 June 2020, the proportion of women employed by the AGL Group (as compared to 30 June 2019) is as follows:

Diversity and Inclusion (continued)

	FY19	FY20
Female directors on the Board	37.5%	37.5%
Female employees in Executive Positions ¹	20%	33%
Female employees in Enterprise Leadership Team ²	49%	54%
Female employees in Senior Leadership Pipeline	38.3%	37.9%
Female employees in the AGL Group	33%	33%

1. An AGL Executive is defined as the CEO and each direct report to the CEO. As at 30 June 2020, there were 9 Executives.

2. The Enterprise Leadership Team includes the Executive Team and generally, each direct report to an Executive Team member.

AGL has supported a number of priority activities during FY20 to increase the proportion of women in SLP roles and across the AGL Group. Details of key activities and broader Diversity & Inclusion initiatives are summarised below.

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

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

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

AGL is committed to help building the representation of women in Science, Technology, Engineering and Mathematics (STEM) related professions and 'non-traditional' roles. To achieve this, AGL is partnering with educational institutions to encourage female students from primary schools to tertiary institutions to pursue career pathways in STEM.

AGL has also introduced a range of initiatives aimed at increasing the visibility of women working in STEM to raise awareness of, and provide specific support to, women working in STEM. An example is the 'Girls of IT' group launched on Yammer to provide advice and mentorship, and AGL's support of the 'Try a Trade' day.



Diversity and Inclusion (continued)

Across our operations AGL sponsored the STEM Sisters Project (partnering with the Pinnacle Foundation, Baw Baw Latrobe Local Learning and Employment Network) to host career days and site tours for schoolgirls in years 8-9. AGL also partnered with the Girl Geek Academy to host the AGL Girls in Energy Program at Loy Yang and Macquarie.

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

To support AGL's Flexible Work strategy and inclusive culture, AGL introduced Families at AGL which provides education and practical advice for our people in the important areas of families, career and wellbeing. Offered as webinars, podcasts, toolkits and workshops, the program supports the large proportion of our workforce who have caring responsibilities, including a focus on men who are primary carers. Families at AGL has also facilitated the launch of AGL's Parents Network, consisting of over 100 members across various AGL sites. The AGL Parents Network facilitates fortnightly virtual conversations on different carers related topics to support its people. In line with AGL's commitment to supporting those with caring responsibilities, AGL offers one of the highest industry provisions of paid parental leave to its workforce.

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

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

5. Employee-led initiatives to Connect, Grow and Advocate

During FY20, AGL continued work with AGL Equality, an employee network of women and men advocating for gender equality and who strive to empower women to achieve their career goals by providing opportunities to connect and grow. Each year, AGL Equality hosts a series of events celebrating International Women's Day. This year's theme #EachforEqual featured panel discussions, guest speakers at operational sites and an internal campaign promoting women in STEM, both in AGL's workplace and the broader community. AGL worked with Australia Post, NAB, Telstra and Medibank to host a progressive panel at 5 different locations across Melbourne for senior leaders to discuss 'unconscious bias' in the workplace.

6. Increase support and advocacy for people in same sex relationships

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

AGL Shine co-founded a professional LGBTI+ women's network, Rainbow Womxn, in 2018. Since then, the network has established its purpose to 'provide a space for professional LGBTIQ+ womxn, including non-binary and gender diverse womxn, to build authentic connections with one another'. This network has a vision of 'empowering professional LGBTIQ+ women to be their authentic selves in all aspects of their lives'. In FY20 the network has continued to grow to now span 3 cities, with over 60 members, across 14 industries and 39 organisations. In FY20, Rainbow Womxn received external recognition and coverage at the Pride in Practice Conference, on the We Are Living Cute podcast, Joy FM radio, at an inter-firm event hosted by DLA Piper, ANZ's International Women's Day, nbn's IDAHOBIT event, and many more.

In FY20, AGL's Parental Leave Policy was updated to include fostering, surrogacy and adoption to ensure all LGBTI+ people are supported.

7. Flexibility + Diversity and Inclusion Survey

AGL's Flexibility + Diversity and Inclusion Survey results have validated AGL's Diversity and Inclusion strategy and highlighted the company's readiness to extend its approach to wider areas which has prompted the development of a Reconciliation Action Plan (RAP) and a Disability Action Plan (DAP).

Risk management framework and financial reporting

Risk management framework

AGL faces a wide variety of risks due to the nature of its operations. Details of AGL's strategic risks, including AGL's economic, environmental and social risks and how these risks are managed, are set out in the Operating and Financial Review section of the Annual Report on pages 4 to 56.

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

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

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

Oversight	Board of Directors		
	Board Audit & Risk Management Committee		
	Governance Committees		
Accountability & responsibility	<i>1st Line of defence</i>	<i>2nd Line of defence</i>	<i>3rd Line of defence</i>
	Business Units/ Operational Management Responsible for effectively identifying, assessing & managing risk to achieve AGL's objectives in accordance with AGL's risk and compliance management standards	Group Risk & Compliance Responsible for enterprise wide risk and compliance standard systems. Oversight and support.	Group Internal Audit & External Audit Activities Responsible for independent assurance on governance, risk management and internal control processes.

AGL has issued its TCFD Report for FY20 - Pathways to 2050, which is available on [AGL's website](#). The TCFD Report includes scenario modelling outlining the potential impacts arising from four possible decarbonisation pathways on both the National Electricity Market and on AGL. The TCFD Report also outlines how AGL is managing climate-related risks.

In light of the COVID-19 pandemic, AGL has increased its focus on social risks including the creation of a Pandemic Working Group responsible for overseeing AGL's response to the COVID-19 pandemic. The Working Group is comprised of a number of members of the Executive Team and senior management, with regular reports provided to both the Executive Team and the Directors on at least a weekly basis.

AGL systematically examines all operational and financial activities to identify material risk exposures using an enterprise-wide risk program aligned with ISO 31000, the international standard for risk management. This program is supported by:

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

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

Risk management framework and financial reporting (continued)

Roles of the Board and ARMC

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

The ARMC, among other things, reviews and recommends AGL's risk management policies and material strategic risks (Tier 1 Risks) to the Board for approval and reviews and monitors the implementation of policies and procedures for identifying, assessing, monitoring and managing risk. During FY20, the ARMC and the Board considered and approved AGL's Tier 1 Risks.

The ARMC receives presentations from management on AGL's material strategic risks (both financial and non-financial) and the controls in place to mitigate or manage those risks at each meeting. The ARMC and the Board annually review AGL's strategic risks and the risk management framework to ensure that it continues to be sound and operate effectively and within the risk appetite set by the Board. AGL's risk appetite statement was updated and approved by the Board during FY20.

In addition, the ARMC has assumed responsibility for overseeing the issues, incidents and risks identified by management in the quarterly Group Audit, compliance and risk reports, and ensuring there is clear accountability for, and effective closure of, relevant issues. During FY20, the Board reviewed and approved AGL's risk management framework and found that the framework was sound and effectively operating within the risk appetite set by the Board.

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

Internal audit

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

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

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

- trained audit professionals who are part of the Group Audit function; and
- services provided by external consultants in respect of specialist technical or operational areas.

Group Audit's approach to developing the annual Audit Plan involves the consideration of existing and emerging areas of risk, as well as areas of significant change, both within AGL and across the energy industry. This is then assessed in the context of previous audit coverage and outcomes, other sources of assurance, and stakeholder input.

Financial reporting

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

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

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

AGL is committed to providing clear, concise and effective disclosure to shareholders and other stakeholders in its corporate reports. In circumstances where AGL's auditor has not been required to review a periodic corporate report, AGL conducts an internal verification exercise (with assistance from third party professional services firms where appropriate) to ensure that such reports are materially accurate, balanced and provide investors with appropriate information to make informed investment decisions. Material statements in these documents are verified by relevant business management prior to approval for release to the market.

Risk management framework and financial reporting (continued)

External auditor

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

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

AGL's **Auditor Independence Policy** contains details of the procedures for the selection, appointment, independence and performance of the external auditor.

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

Reports on the provision of auditing and related services are provided to the ARMC on a regular basis. The ARMC and the Board concluded that non-audit services provided during FY20 did not compromise the external auditor's independence requirements under the Corporations Act.

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

AGL's key corporate governance policies

Details of AGL's key corporate governance policies are summarised below – copies are available on [AGL's website](#).

Code of Conduct

AGL has a **Code of Conduct** that applies to AGL and its Directors, employees and contractors and sets out the standards of responsibility and ethical conduct required of 'our People'. AGL's commitments under the Code are as follows:

- We act with **integrity always**.
- We observe the law, our obligations, voluntary commitments and internal standards.
- We value and maintain professionalism in all of our dealings and **deliver our best**.
- We respect privacy and confidentiality.
- We manage conflicts of interest.
- We look after our People and take **care in every action**.
- We recognise our responsibilities to our stakeholders with a view to **shaping tomorrow**.
- We uphold our values and behaviours outlined in the Code of Conduct and strive to work **better together**.

In FY20 these commitments were updated to reflect, and drive behaviours, aligned with AGL's core Values. Training on the Code of Conduct is part of the induction process for new AGL people. All AGL people complete online refresher training modules on the Code of Conduct annually.

The Code provides a mechanism to enable AGL people to report actual or suspected breaches, including an independent service to allow for anonymous reporting. An Ethics Panel oversees the application of the Code in AGL, including overseeing the investigation of alleged breaches of the Code where appropriate, monitoring compliance and recommending amendments to the Board.

Any material breaches of the Code are reported to the Board and monitored until the relevant breach is considered closed.

Whistleblowing

AGL's Whistleblower Protection Policy encourages reporting of suspected unethical, illegal or undesirable behaviour and promotes a culture of honest and ethical conduct.

A third party whistleblower service provider facilitates AGL's employees and other stakeholders speaking up regarding any concerns that AGL or its people are failing to meet ethical or legal standards.

Any material incidents are reported to the Board.

Anti-bribery and corruption

AGL's Anti-Bribery, Corruption and Fraud Policy prohibits any AGL activities that cause, support, or conceal corruption or bribery in any form.

Any material breaches are reported to the Board.

Continuous Disclosure

AGL's **Market Disclosure Policy** describes AGL's continuous disclosure obligations and how they are managed by AGL.

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

Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available from AGL's **Media Centre**.

Dealings in AGL Shares

AGL's **Securities Dealing Policy** outlines when AGL employees may deal in AGL securities, or the securities of other companies.

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

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

Compliance Management Policy

AGL is committed to maintaining a culture of compliance and ethical behaviour that is underpinned by its Purpose, Values and the AGL Code of Conduct.

AGL's **Compliance Management Policy** sets out AGL's compliance management objectives, AGL's compliance management approach and clearly articulates responsibilities of all AGL personnel in relation to compliance. Building and maintaining a strong compliance culture is critical to achieving AGL's strategic, operational and commercial objectives.

Shareholder engagement

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

AGL holds regular investor briefings and asset tours, webcasts these events (where practicable) and provides all materials, archived recordings and transcripts via its website.

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

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

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

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

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

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

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

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

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

The health and safety of our people, shareholders and the communities in which we operate is of paramount importance to AGL. Accordingly, in light of the uncertainty and potential health risks created by the COVID-19 pandemic, and taking into consideration the actions taken by governments to address these concerns, this year AGL's AGM will be held virtually.

Shareholders will still have the ability to vote and submit questions in advance and "live" during the meeting. AGL considers these measures to be appropriate for the 2020 AGM given the likelihood that physical attendance will not be feasible for the vast majority of shareholders.

