

# Risk Management Policy

December 2022



## 1. Policy Statement

AGL Energy Limited (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.

A strong risk management culture is critical to enabling AGL to achieve its strategic, operational and commercial objectives and can also be a source of competitive advantage.

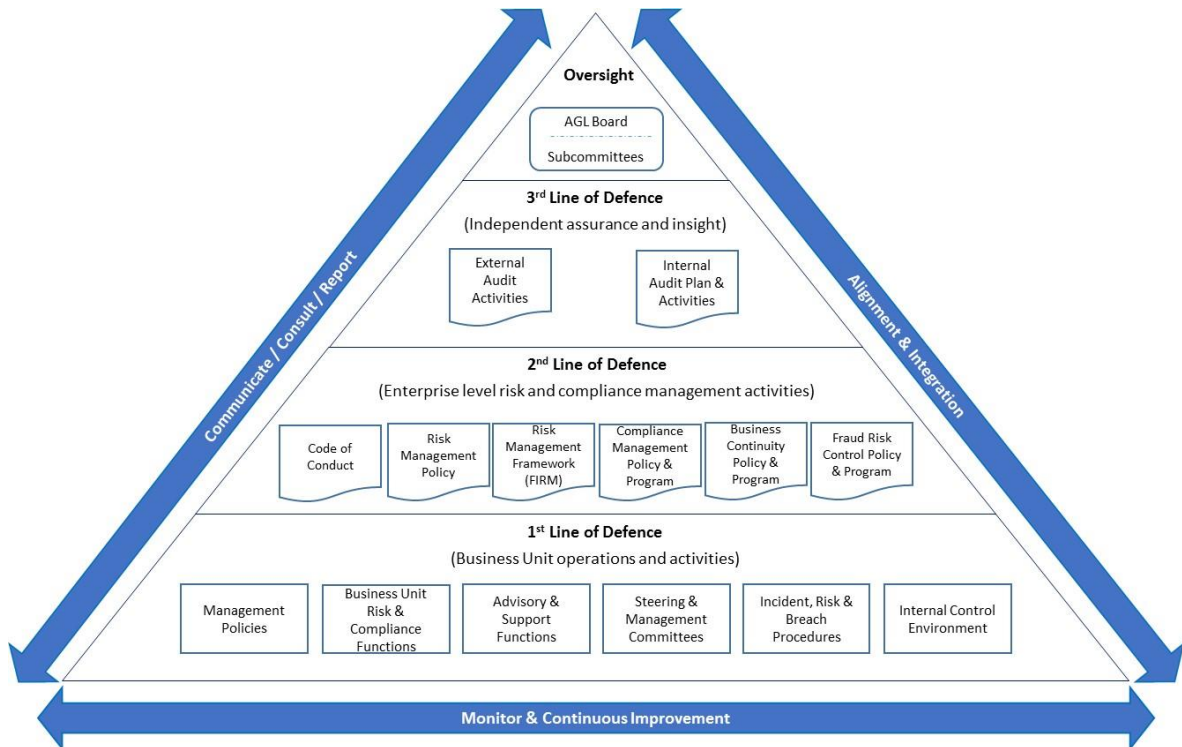
The purpose of this Policy is to set out AGL’s objectives for risk management and to clearly articulate the responsibilities of all AGL personnel in relation to the management of risk.

This Policy is supported by the AGL Risk Management & Assessment Standard (‘the Standard’) which describes the requirements and processes that underpin effective, consistent and integrated risk management practice.

This Policy aligns with the principles and requirements set out in ISO 31000 Risk Management – Principles & Guidelines and the ASX Corporate Governance Council Principles and Recommendations, and has been approved by the AGL Board of Directors (Board).

## 2. AGL Risk Management Model

AGL’s Risk Management model is based on the ‘three lines of defence’ and is illustrated in the diagram below.



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### 3. Scope

This Policy applies to AGL, its directors, and its employees, including employees working on fixed term contracts and contracted labour (collectively referred to as 'Employees').

### 4. AGL Risk Context

AGL is an integrated essential service provider, listed on the Australian Securities Exchange. AGL's core operations include the following:

- **Integrated Energy** responsible for operating AGL's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects, Integrated Energy manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products.
- **Customer Markets** is responsible the retailing of electricity, gas, telecommunications (broadband, mobile and voice), solar and energy efficiency products and services to residential, small and large business customers.

AGL also has interests in a number of investments that, together with its core business segments, contribute to the achievement of our Purpose and Business Strategy.

Risk is dynamic and is inherent in all external and internal operating environments. AGL is committed to managing all risks effectively. Effective risk management is a means for achieving competitive advantage and is pivotal to enabling the ongoing growth and success of AGL's business.

The environment in which AGL operates has changed significantly in recent years. This in turn has resulted in considerable change to AGL's internal operations, including our risk profile. To continue strengthening our position as a leading integrated provider of essential services, we need to understand the opportunities and challenges AGL's business faces today and into the future.

As our operating environment continues to transform, embedding risk management principles and practices into strategy development and day to day business processes is critical to achieving robust and favourable commercial outcomes. Just as risk is inherent in our operations, risk management is also inherent in all decision-making and management processes.

Risk management is essential to good corporate governance and is a fundamental component of good management practice.

### 5. Risk Management Objectives

Effective risk management within AGL has a number of key objectives:

- > promote an enterprise-wide approach by integrating risk management processes into core business activities and decision-making;
- > promote consistency and transparency in methodologies, assessment and management processes;
- > promote proactive recognition of external factors and anticipation of uncertainties that may affect the achievement of strategic objectives;

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- > promote confidence in operating performance, management decision-making and the achievement of expected outcomes;
  - > protect the interests of AGL shareholders;
  - > demonstrate sound business practice to counterparties, customers, employees and the communities in which AGL operates;
  - > support decision making relating to the prioritisation of initiatives and application of resources, including where business objectives conflict or are competing for limited resources;
  - > sponsor innovation and maximise value from assets, ventures and opportunities;
  - > provide appropriate, consistent and transparent ownership and accountability for risk mitigation;
  - > enable the design and implementation of appropriate controls and risk treatments that:
    - » are structured to promote effective realisation of objectives; and
    - » are resourced appropriately to effectively mitigate risk.
  - > recognise that timely and accurate monitoring, review, communication and reporting of risk is critical to:
    - » providing mechanisms for the timely identification and effective management of risk occurrences and consequences;
    - » providing confidence in management practice to the Board;
    - » providing a solid platform for growth; and
    - » generating and maintaining a sound corporate history.

## 6. Accountabilities

### AGL Board

The Board is responsible for approving, and monitoring the implementation of policies governing AGL's systems of internal compliance, risk management and control, including the General Statement of Risk Appetite. To assist it in discharging its responsibilities the Board has established the Audit and Risk Management Committee (ARMC).

### AGL Audit and Risk Management Committee

The ARMC has been established to, among other things:

- > review, and recommend to the Board, approval of AGL's Risk Management Policy;
- > regularly review, and recommend to the Board for approval, AGL's Tier 1 risks and risk profile;
- > review all material risks and discuss with management the operation and implementation of mitigating controls;
- > monitor the effectiveness of AGL's risk policies, procedures and management practices;
- > oversee and review the adequacy of AGL's risk transference strategy and corresponding insurance policies, and the adequacy of insurances in place to protect AGL's insurable risks; and
- > monitor the effectiveness of management's performance against AGL's risk management framework, including consideration of AGL's risk culture and whether it is operating within the risk appetite set by the Board.

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The ARMC operates and reports within the terms of the ARMC Charter endorsed by the Board.

### **Chief Executive Officer and Executive Team**

The Chief Executive Officer (CEO) is responsible for managing AGL in accordance with the strategy, business plans and policies approved by the Board, including this Policy.

This includes responsibility for managing the implementation of this Policy and promoting a positive risk culture within AGL.

The Executive Team is accountable to the CEO for:

- > identifying, assessing, managing, reporting, reviewing and monitoring risks that may impact the achievement of AGL's strategic, operational and commercial objectives; and
- > ensuring that there are systems in place to maintain adherence to this Policy.

### **Group Risk, Compliance & Insurance**

Group Risk, Compliance & Insurance (GRCI) has carriage of the AGL enterprise-wide risk management function. GRCI reports to the Company Secretary and is independent from business operations in terms of its reporting line. GRCI is responsible for:

- > facilitating the identification, monitoring and reporting of AGL's Tier 1 risks;
- > promoting and facilitating a standardised approach to effective risk management, including the ongoing review and improvement of the Standard;
- > assisting the business to identify, understand and manage risk;
- > facilitating the integration of AGL's approved processes for managing risk and compliance within the business;
- > reviewing the appropriateness of AGL's General Statement of Risk Appetite on an annual basis, and reporting to the ARMC on management's performance in maintaining operations within the risk appetite set by the Board.
- > monitoring the effectiveness of management's performance against the AGL risk management framework; and
- > reporting to the ARMC, at least annually, on AGL's Tier 1 Risks.

### **Embedded Risk Teams and Risk Champions ('Line 1 Risk')**

Embedded Risk Teams and Risk 'Champions' within AGL's business units perform critical roles in AGL's first line of defence and are responsible for:

- > assisting the business to implement risk management practices in accordance with this Policy and the Standard;
- > facilitating risk assessments, maintenance of the business units risk profiles and registers and monitoring action items within their respective business areas;
- > the provision of technical risk expertise, training and advice; and

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- > analysing and reporting risks in accordance with the Standard, which includes the reporting of material risks to GRCI for inclusion in the regular ARMC risk activity report.

### **Group Audit**

In accordance with its charter, Group Audit provides independent, objective assurance and consulting services to the ARMC and senior management designed to support and assist, both directly and indirectly, AGL to achieve its strategic objectives in an efficient and effective manner and within an acceptable level of risk.

Group Audit is responsible for developing a flexible, risk-based Internal Audit Plan, using an appropriate risk-based methodology.

Group Audit reviews are designed to assess whether activities appropriately mitigate risk and are in compliance with AGL policies and procedures, which are designed to comply with industry standards, legislation and regulations.

### **Employees**

AGL's Employees are required to:

- > familiarise themselves with this Policy and other policies concerning the management of risk relevant to their workplace activities;
- > adhere to relevant legislation and their compliance obligations;
- > incorporate risk management practices into their workplace activities;
- > report and escalate risks in accordance with the Standard; and
- > look for opportunities to improve operational efficiencies and optimise outcomes.

## **7. Risk Management Requirements**

AGL is committed to the development of effective and robust risk management practices and meeting the objectives as outlined in section 5 of this Policy. This commitment is reflected through the following areas:

- > AGL will make available the necessary resources for the management of risk in accordance with this Policy and AGL's risk appetite;
- > each area of the business is accountable for managing its strategic and operational risks and maintaining a profile of material risk exposures;
- > risk profiles and registers are based on the outcomes of thorough risk identification and assessment processes that are developed in accordance with the Standard;
- > review of risk profiles and registers are regularly conducted (dependent on business requirements) and reporting and escalations occur in accordance with the Standard;
- > enterprise risk identification, assessment and profiling is conducted on an annual basis by GRCI; and
- > a review of AGL's risk appetite is facilitated by GRCI and discussed with the ARMC on an annual basis.

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## 8. Related & Supporting Policies

This Policy is supported by, and linked to, specific AGL policies and standards as issued from time to time. These policies and standards include, but are not limited to:

- > Risk Management & Assessment Standard.
- > Risk Appetite Statement
- > Code of Conduct.
- > Compliance Management Policy.
- > Compliance Management Standard.
- > Wholesale Markets Risk Management Policy.
- > Health, Safety & Environment Policy.
- > Accounting Policies and Procedures
- > Treasury Policy.
- > Whistleblower Policy.
- > Fraud & Corruption Risk Control Policy.
- > Business Continuity Management Policy and Program.

## 9. Reviewing & Maintaining the Policy

This Policy is administered by GRCI. The Policy is to be reviewed every two years, or where there is a material change to AGL's context or objectives, to ensure that it continues to support AGL to achieve its objectives. Changes to the Policy require Board approval.