

2018 Sustainability Report

Inside AGL's 2018 Sustainability Report

At AGL, we've been committed to sustainability for a long time. 'Sustainability' to us means thinking about the long-term responsibilities we have to all our stakeholders, including our employees, our customers, our investors, and the community, and to the environment in which we work and live. We think this way because we recognise that our future success and reputation 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.

We have established targets to drive performance, behaviours and transparency across a range of sustainability topics, and we report on how we have performed against the targets that we set for FY18.

Comprehensive and interactive sustainability data is also available from our FY18 Sustainability Report to view and download from a centralised data centre, providing a full and transparent account of our performance.

Sustainability framework

AGL is shaping a sustainable energy future for Australia, by taking action to prosper in a carbon-constrained world and building customer advocacy. We have set targets to drive performance, behaviours and transparency across a range of sustainability topics, and we report on how we have performed against the targets that we set for FY18.

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Sustainability framework

We're shaping a sustainable energy future for Australia, by taking action to prosper in a carbon-constrained world and building customer advocacy.

As Australia's largest coal-fired generator, the largest private operator of renewable energy generation assets and one of the largest energy retailers in Australia, we're uniquely placed to shape a sustainable energy future for Australia.

We are guided by four strategic objectives:

- We are moving from being a mass retailer to a personalised retailer – using smarter solutions, technology and service to empower our customers.
- We are continuing our transition from being an owner and operator of large generation assets to an orchestrator of large and small assets, allowing energy to be generated, stored and shared by individuals.
- We are moving to lower-emissions technology. We have maintained our commitment to the deadlines we previously set to close our coal plants and are investing heavily in renewable energy.
- [We are growing into new markets]. The long-term transformation of the energy sector presents potential opportunities for AGL to apply its expertise more broadly and deeply.

We've been committed to sustainability for a long time. In fact, we've been reporting on our sustainability journey since 2004. To us, 'sustainability' means thinking about the long-term 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. We think this way because we recognise that 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.

This section discusses the following areas:

- **About this report:** This section introduces important features of the FY18 Sustainability Report, including the application of the GRI Sustainability Reporting Standards, the boundary and scope of our report, significant investments and divestments that AGL has undertaken during FY18, and details of the scope of the assurance that Deloitte has undertaken in relation to this report.

- **Materiality:** This report focuses on the things that matter most to us and to our stakeholders – our ‘material issues’ – and aims to provide thought leadership on important and emerging issues for our business, our industry, and the broader community. During FY18 we undertook an independent review to gauge what issues matter most to our stakeholders. The output of the review was a materiality matrix and a list of 12 ‘material issues’ that were used to shape our sustainability reporting framework.
- **Hot topics:** Of the 12 material issues, two were identified to be particularly topical during FY18: [Energy prices and affordability](#), and the planned [closure](#) of Liddell Power Station. We recognise that there has been significant community and government concern about these issues, which is why we have given them special consideration in this report.
- **Performance on FY18 targets:** This report provides an account of our sustainability performance over the past 12 months, measured against targets spanning the breadth of AGL’s business, as published in our [FY17 Sustainability Report](#).
- **FY19 sustainability targets:** This section identifies the targets we have set to guide our performance over FY19, which we intend to report on in our FY19 Sustainability Report.
- **Sustainable Development Goals (SDGs):** AGL is committed to taking steps to advance the United Nations (UN) Sustainable Development Goals (SDGs) and is a signatory to the UN Global Compact. AGL considers that achieving the SDGs is not only the right thing to do from a social and environmental perspective, but it also presents an important opportunity for business, government, and the community to create shared value in the process.

About this report

We publish an annual sustainability report to provide a transparent account of our performance in relation to the social, environmental and economic challenges facing our business, our industry and our community.

Key elements of our report comprise:

- our [Energy landscape](#) section, exploring the implications of an energy market in transition, as well as AGL's leadership on issues that are important to our stakeholders
- our [material issues](#), presented in a matrix form showing their relative importance as judged by internal and external stakeholders
- a summary of our [performance against FY18 sustainability targets](#) and new [targets for FY19](#), where our commitments to drive performance are established, tracked and measured
- an outline of how we engage with our [stakeholders](#), including the community and policy makers
- performance information about our key sustainability issues, divided into the subject areas of [customers](#), our [people](#), the [environment](#) and [economic performance](#), and
- 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 approach to issues that are important to our stakeholders. Options for engaging with us via social media are available at the top of each page.

GRI Sustainability Reporting Standards (GRI Standards)

This report has been prepared in accordance with the GRI Standards: Core option.

The GRI Standards are designed to be used by organisations to report about their impacts on the economy, the environment and/or society. Further information about the GRI Standards is available at the [GRI website](#).

For the purposes of applying the GRI Standards, the [material issues](#) we identified have been mapped back to the available topic-specific GRI Standards. The following table outlines which topic-specific GRI Standards (and associated Disclosures) have been used to compile this report, and the topic boundaries for each material issue.

Material issue ¹	GRI Standard	Chosen disclosure(s)	Boundary
-	101 Foundation	-	-
-	102 General Disclosures	All required for Core option	-
-	103 Management Approach	Applied to each material issue	-
Financial management	201 Economic Performance	201-1	Impacts related to AGL's financial management are experienced within and outside the organisation, by AGL's workers, shareholders, customers, local communities, and the broader society and economy. We contribute to our organisation's financial management directly but are conscious of the range of other external factors that contribute to our profitability.
Transition to low carbon energy	305 Emissions	305-1, 305-2, 305-3, 305-4	The impacts of climate change are experienced within and outside our organisation. Impacts of climate change are also experienced outside the organisation, by customers, communities, and the environment in Australia and globally. We engage directly with the issue of climate change. One of our strategic imperatives is to prosper in a carbon constrained economy. This is reflected in our Greenhouse Gas Policy, which sets out clear commitments for our operations and future investments.
Workplace culture and talent	401 Employment	401-1	Impacts of workplace culture and talent are experienced mainly within the organisation. We engage directly with the issue of workplace culture and talent with our people, investors, customers and the broader community.
Public policy engagement	415 Public Policy	415-1	The impacts of public policy engagement are experienced internally and outside the organisation. We engage directly with governments and other stakeholders to facilitate the development of sensible public policy.

Material issue ¹	GRI Standard	Chosen disclosure(s)	Boundary
Customer led	NA – but covered by 102-43	NA	Customer advocacy is relevant to our external stakeholders, including our customers and shareholders. We directly impact our customers' experience through our products and services.
Renewable energy	NA	NA	Renewable energy is an important issue within and outside our organisation, to our people, customers, communities and broader Australian society. As with the issue of transition to low carbon energy, we engage directly on the issue of renewable energy. One of our strategic imperatives is to prosper in a carbon constrained economy. This is reflected in our Greenhouse Gas Policy, which sets out clear commitments for continued investment in renewable energy sources.
Capital investment for growth	NA	NA	As with the topic of financial management, impacts related to AGL's deployment of capital are experienced within and outside the organisation, by AGL's workers, shareholders, customers, local communities, and the broader society and economy. We contribute to our organisation's deployment of capital directly; however, we are conscious of the multitude of other external factors that contribute to how our capital is obtained and deployed.
Reliable energy	NA	NA	Reliability of energy is experienced externally by our customers in the states in which we operate. We have some direct control on reliability, such as maintaining our existing generation assets and investing in new, reliable forms of generation. Other contributing impacts include energy policy, regulation, and availability and reliability of generation provided by other players in the energy market.
Energy prices and affordability	NA	NA	Energy prices and affordability are experienced externally by our customers in the states in which we operate. We have some direct control on energy prices and affordability. Other contributing impacts include energy policy, regulation, wholesale energy costs, and transmission costs.
Energy market evolution	NA	NA	Energy market evolution is experienced internally and outside the organisation. We engage with governments and public authorities regarding policies that affect customers, communities and the environment in Australia (and globally with respect to climate change policies). We engage directly with governments and other stakeholders to facilitate the development of sensible energy market policy.
Power station transition and closure	NA	NA	Power station transition and closure are experienced within and outside the organisation. We engage with investors, governments, communities and non-governmental organisations regarding our plans to close ageing power stations.
Business and investment leadership	NA	NA	Business and investment leadership is experienced internally and outside the organisation. We engage with governments and public authorities regarding policies that affect the energy market, customers, communities, the environment in Australia (and globally with respect to climate change policies), and broader society on issues that affect them. We engage directly with governments, customers, industry groups and other stakeholders on issues that are important for AGL to take a leading stance on.

1. While the GRI refers to 'material topics', for the purpose of this report, we refer to the term 'material issues'

We engaged Deloitte Touche Tohmastu (Deloitte) to provide assurance over our self-declaration that the report was prepared in accordance with the GRI Standards: Core option. Details are provided in the [assurance statement](#).

We have 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.

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 2018 (FY18). All data in this report relates to FY18 unless otherwise stated.

Where information regarding partially-owned and non-operated investments is material, available and relevant, it is included and clearly referenced. The performance of joint ventures which we do not operate is excluded.

We have been publishing an annual sustainability report since FY04, and historical reports are available on our [website](#). Our most recent sustainability report was released on 25 August 2017, covering the financial year ended 30 June 2017 (FY17).

Investments and divestments since previous report

No material acquisitions were made during FY18.

During FY18, we completed or announced a number of divestments:

- In FY16, AGL announced its intention to divest the majority of its upstream gas interests (with Camden Gas Project to be exited by 2023). As of 30 June 2018, the Moranbah, Silver Springs and Spring Gully assets have not been divested. PEL 285 (Gloucester Gas Project) will be relinquished following receipt from the New South Wales Government that AGL has satisfactorily fulfilled its rehabilitation requirements.
- On 17 August 2017, AGL reached financial close on the sale to the Powering Australian Renewables Fund (PARF) of the 453 MW Coopers Gap Wind Farm project. AGL is managing the construction of the project on behalf of PARF, will operate the wind farm once complete, and will retain the rights to all Renewable Energy Certificates and electricity output until 2024 with both AGL and PARF having an option to extend the offtake for a further five years. For more information about PARF, refer to the [Renewable energy](#) section.
- On 30 November 2017, AGL completed the sale of its Active Stream metering business. AGL started the Active Stream business in May 2015 as part of its New Energy strategy. Since that time, Active Stream installed more than 230,000 digital meters across New South Wales, Queensland and South Australia. AGL's decision to divest Active Stream reflects the evolution of AGL's strategy to become technology agnostic in the development of innovative, data-enabled energy products and services that are accessible to all customers, regardless of meter provider. Post the sale, Active Stream has continued to provide digital metering services to AGL on a non-exclusive basis.
- On 23 April 2018, AGL announced its agreement to sell a portfolio of small generation and compressed natural gas refuelling assets, known to AGL as the National Assets, to Sustainable Energy Infrastructure, a consortium led by Whitehelm Capital. The National Assets were recorded in AGL's accounts for the six months ended 30 June 2018 with a carrying value of \$74 million.

Projects under development and construction

We have a range of projects in different stages of development to provide strategic depth and flexibility to our electricity generation portfolio and gas customers, alongside delivering reliable and affordable energy to our customers.

During FY18, we prioritised planning and development activities to progress the following projects:

- **Liquified natural gas import facility:** On 12 June 2018, we announced two agreements advancing the proposed gas import jetty project at Crib Point in Victoria. The first enables berth upgrades at the Port of Hastings as well as a leasing agreement that would be required, should the AGL project go ahead. The second, with APA Group, is for the Crib Point to Pakenham pipeline to transport imported gas to homes and businesses. Importantly, the project itself remains subject to approvals, community consultation and a final investment decision by AGL.
- **Newcastle gas-fired peaking plant:** On 26 April 2018, we announced a commitment to build a 252 MW gas-fired electricity generation plant near Newcastle in New South Wales. The commitment represents an estimated investment of up to \$400 million and would comprise flexible, fast-start generation capable of delivering rapidly dispatchable peaking and firming capacity into the National Electricity Market. This power station is planned to consist of 14 reciprocating engine units capable of generating 18 MW of capacity each. Construction on this project is targeted to complete during the 2022 calendar year.
- **Barker Inlet Power Station:** On 5 February 2018, we commenced construction of the \$295 million Barker Inlet Power Station in South Australia. The power station will develop a 210 MW reciprocating engine, gas-fired power station to be built alongside our Torrens Island Power Station in South Australia.
- **Bayswater Power Station efficiency upgrade:** On 9 December 2017, we announced an upgrade valued at more \$200 million to our existing Bayswater Power Station in New South Wales, which is intended to provide the power station with 10 MW additional capacity without using additional fuel. Subject to approvals, the upgrade works are expected to commence by February 2019 and span four years.

Assurance

We engaged Deloitte to undertake limited assurance of the FY18 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 FY17 sustainability targets, as well as selected greenhouse gas emission data and data relating to our material issues.
- Assurance over our self-declaration that the report has been prepared in accordance with the GRI Standards: Core option.

Full details of the assurance process and outcome are included in the [assurance statement](#).

Consultation about this report

We incorporate the AA1000 principles of inclusivity, materiality and responsiveness into our stakeholder consultation processes, and engage with different stakeholder groups on a regular basis, as outlined in the [Stakeholder advocacy](#) 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 our overall business strategy and the needs of our stakeholders.

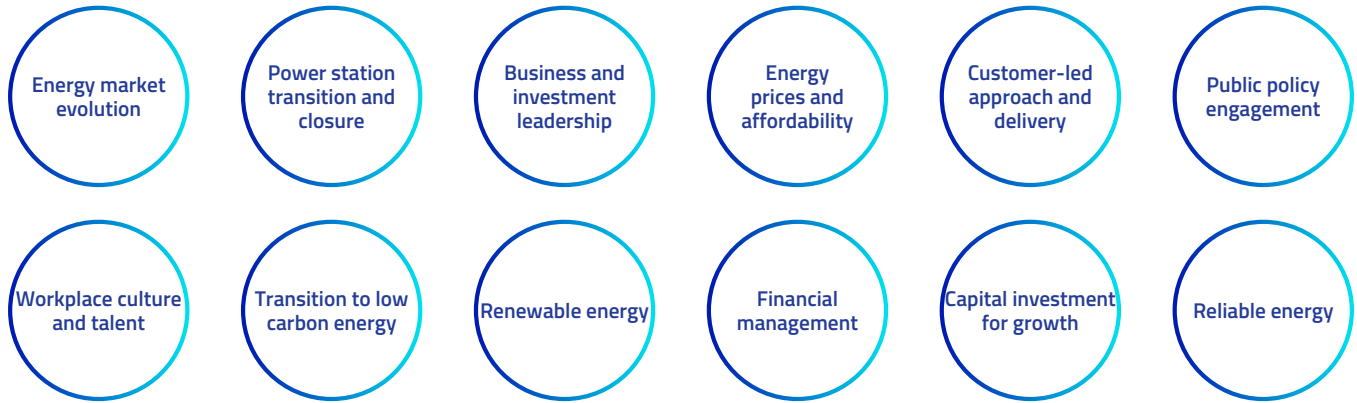
Related information

[Assurance statement](#)

Materiality

Material issues

We recognise the need to balance the desire for broader disclosure on more of our issues with the imperative to provide focused and accessible information on the issues that are most important to our stakeholders.



At the end of 2017, we undertook an independent review to gauge what issues mattered most to our stakeholders. In addition, the Safety, Sustainability and Corporate Responsibility (SSCR) Committee elevated the issue of 'Energy prices and affordability' to reflect ongoing customer feedback, and the issue of 'Power station transition and closure' to reflect broader community feedback. The output of these processes was a list of 12 'material issues' that were used to shape our sustainability reporting framework for this year.

We've provided some detail below on the process that we undertook in FY18 to complete our materiality review.

Materiality review

Step 1: Identification of sustainability challenges and stakeholders

- An independent consultant was engaged to assist with refreshing AGL's approach to materiality to produce an outcome that is consistent with the requirements of both the GRI Standards and the International Integrated Reporting <IR> Framework, and that further aligns the material issues presented in the Sustainability Report with the key business risks presented in the Annual Report and recorded in AGL's internal risk management processes.
- 20 potential material issues were identified through a consideration of AGL's business risks, AGL's scenario planning drivers, AGL's strategy and key policies, consumer sentiment, stakeholder views expressed through a survey which was a preliminary component of the materiality review, industry analysis and global megatrends.
- 15 internal stakeholders and 15 external stakeholders were selected to ensure balance and coverage between themes and issues.

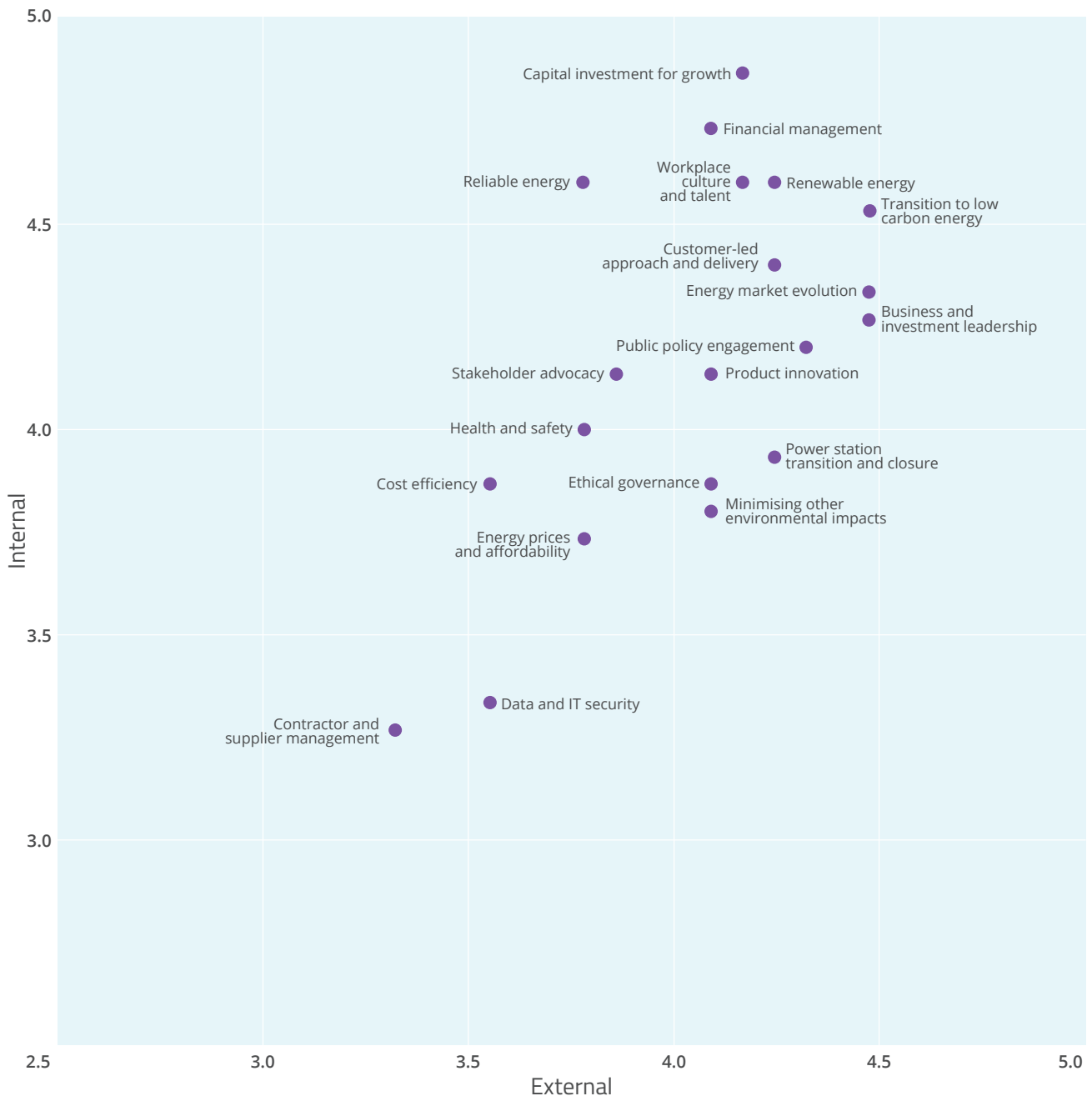
Step 2: Ranking of challenges by internal and external stakeholders (independently-facilitated review)

- Stakeholders completed a detailed survey ranking the 20 identified sustainability issues from 1 to 5 in order of importance from the perspectives of value creation, impact and performance across different time horizons. Stakeholders were also asked to identify which of the Sustainable Development Goals (SDGs) were of most relevance to AGL.
- Stakeholders also participated in detailed one-on-one interviews with the independent facilitator which enabled discussion of the issues ranked as most significant by each stakeholder. An important purpose of the interviews was to ensure that all stakeholders had a comparable understanding of the ranking criteria, a comparable interpretation of each of the issues that they were asked to rank, and to ensure that there were no further issues of concern that were missed from the list of sustainability issues.

Step 3: Analysis of stakeholder feedback

- The survey and interview results produced a rich data set showing internal and external views of the importance of issues over multiple time horizons (short (1-2 years); medium (3-5 years); and long (5+ years)), and through several lenses (value creation/erosion; impact on society, the environment and the economy; and current performance).
- The results were specifically analysed to take into account both internal and external stakeholders' views, and to assess their consistency with AGL's strategy. In order to capture as broad a viewpoint as possible, internal and external stakeholders' rankings were added together and viewed from the perspectives of both value creation and impact, and across all timeframes.

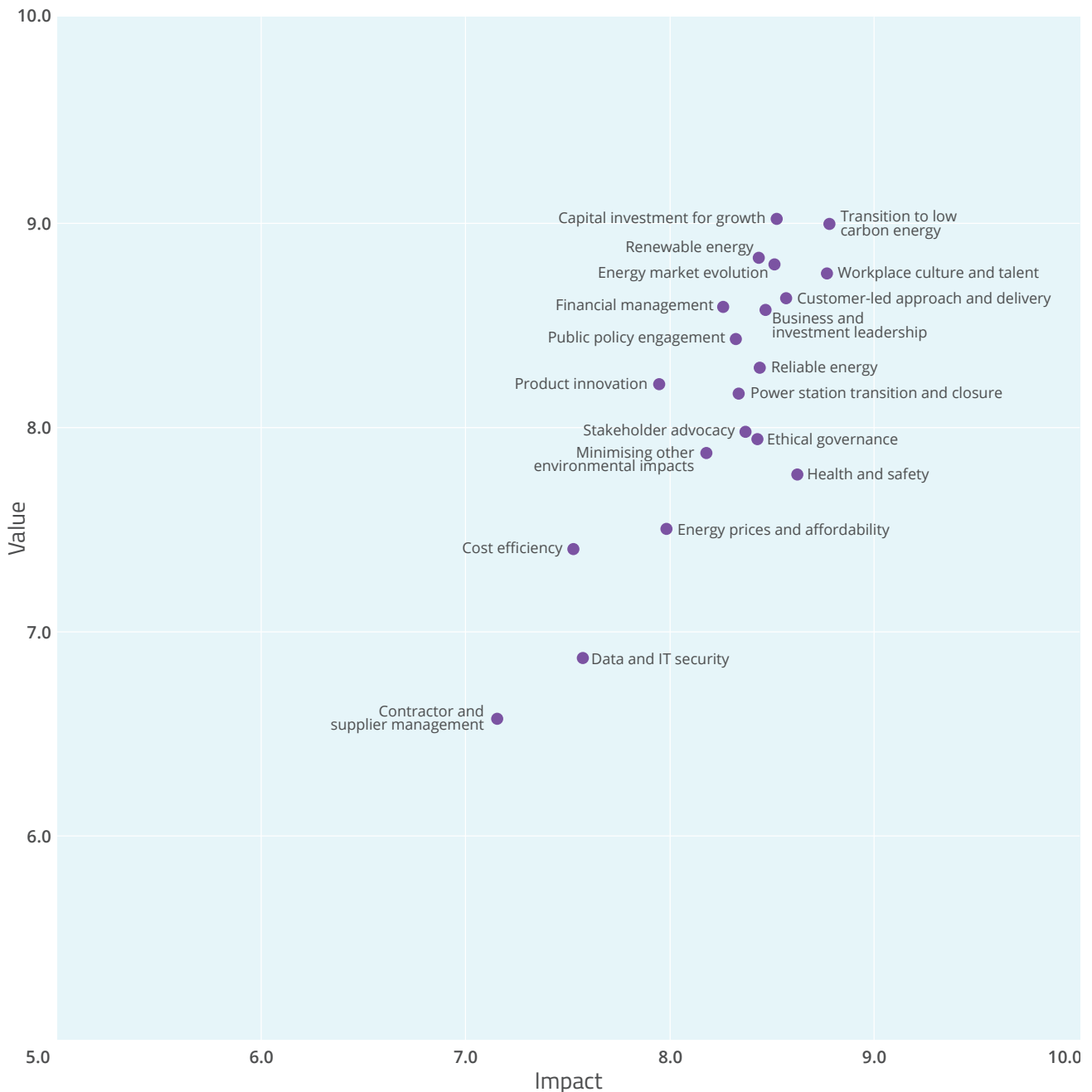
Figure 1, below¹, shows the internal and external perspectives of how each sustainability issue may influence AGL's ability to create value over the short-, medium- and long-term. Our consideration of all time frames ensures that longer-term perspectives are captured and prioritised. As noted above, the high-priority issues of **Energy prices and affordability** and **Power station transition and closure** were elevated as material issues by the SSCR Committee.



¹ This figure plots the maximum score allocated across all time horizons (short, medium and long).

Step 3: Identification of material issues (cont.)

Figure 2, below, demonstrates¹ the alignment between stakeholders' views of the impact an issue may have on the environment, society and the economy with the likely effect on AGL's ability to create value into the future.



Looking at the results through both these lenses meets the materiality principles of both the GRI Standards and the International <IR> Framework.

1. This figure plots the maximum combined stakeholder scores over all time horizons (short, medium and long). The combined stakeholder score is the addition of internal stakeholder score and external stakeholder score.

Step 4: Validation

- Results were presented to the AGL Safety, Sustainability and Corporate Responsibility Committee for validation and approval.
- The Directors of the SSCR Committee considered that the issues of **Energy prices and affordability** and the planned **closure** of the Liddell Power Station warranted special consideration in this report given ongoing customer feedback and the community and government concern surrounding these issues over FY18. Accordingly, the priority of these issues was elevated this year.

Stakeholders

- 15 internal stakeholders were selected from the AGL Enterprise Leadership Team and other senior managers to cover the breadth of our operations. Directors of AGL's Board, and AGL's Chief Executive Officer, were also included.
- A broad range of external stakeholders participated in the process, including members of AGL's Customer Council and other customer representatives, members of the investment community, the energy industry, regulators, environmental groups, and local community representatives.

Hot topics

During FY18, we undertook an independent [materiality review](#) which identified a list of 12 most material issues to our stakeholders. Of these 12 material issues, two were identified to be particularly topical during FY18: energy prices and affordability, and the planned closure of Liddell Power Station. We recognise that there has been significant community and government concern about these issues, which is why we have given them special consideration in this report. A summary of these issues is provided below, with further detail provided elsewhere in this report.

Energy prices and affordability: We understand that energy bills can comprise a significant proportion of some households' living expenses. In June 2018, AGL announced that prices for FY19 for NSW, Queensland and South Australian customers will be going down – albeit very modestly – but that this is a change welcomed by our customers as compared with price increases we have seen in recent years. We understand power prices have been high and that has put pressure on many household budgets. In recognition of this we implemented a range of measures over FY18 to ensure that prices were as competitive as possible. We have also focused on customer affordability through our launch of [A Fairer Way](#) in 2017 and introducing loyalty discounts for longstanding Standing Offer customers during FY18.

These measures, along with a discussion of AGL's approach to energy pricing and affordability issues more generally, is discussed in the [Energy prices and affordability](#) section.

Liddell Power Station: In April 2015, we gave advance notice to the market of our intention to close Liddell Power Station (Liddell) in 2022. We provided this notice to demonstrate our commitment to the gradual decarbonisation of our generation portfolio, and to avoid the volatility created by the sudden exit from the National Electricity Market of other coal-fired power stations. Our 2017 [Rehabilitation Report](#) provided additional detail on our plan, and set out our approach to engaging with the local community and other key stakeholders on options for a transition that is inclusive of all.

On 9 December, AGL released its [NSW Generation Plan](#) for replacing the energy generation from Liddell with more affordable, reliable, and lower carbon-intensive electricity generation. An assessment of our plan found the replacement generation to be more affordable at \$83/MWh, compared with extending the operating life of Liddell by five years at \$106/MWh. Further, our plan was found to deliver reliable, dispatchable power for longer, due to a longer asset life of 15-30 years, compared with extending the life of the power station for five more years.

Further details on Liddell, our NSW Generation Plan, and our future plans for the site, are discussed in the [Power station transition and closure](#) section.





Performance on FY18 targets

We have established targets and commitments to drive performance, behaviours and transparency across a range of sustainability topics. Our scorecard below shows how we have performed against the targets we set for FY18. We have also developed new targets to guide our performance in FY19 and beyond, which are contained in [FY19 sustainability targets](#).

We have developed separate scorecards to reflect our performance against targets set for FY18, and those set for FY19 and beyond, because future targets are based on the issues that emerged from the FY18 materiality review.












Further details about how we have performed are also available in each section of the report.

Energy landscape

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Energy market evolution	Contribute to the development of energy market design and a regulatory framework that facilitates safe, reliable, affordable and decarbonised electricity supply from centralised and distributed sources.	Publish two thought leadership papers which contribute to a market design that facilitates sustainable, secure, reliable, affordable and decarbonised electricity supply.	More than two thought leadership papers were published in FY18 (refer to the list at the end of this section).	Target met 	
Power station transition and closure	Work closely with our people and other key stakeholders in the community and government to ensure an inclusive and sustainable transition.	Compliance with AGL's Rehabilitation Principles: 100%	Compliance with AGL Rehabilitation Principles: 100%	Target met 	
Business and investment leadership	Lead the way for the energy sector with a clear plan for the future and strong values aligned with community expectations.	RepTrak reputation ranking: Within the top 30 companies in Australia¹	RepTrak reputation ranking: 47th	Target not met 	






1. According to the latest RepTrak Pulse Report in FY18.

Customers

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Energy prices and affordability	Provide affordable energy solutions for all our customers (households and businesses), and in doing so, minimise bill stress arising from energy prices	Develop a Social and Economic Inclusion Policy.	AGL has commenced, but not finalised, its Social and Economic Inclusion Policy. As indicated below, we are committed to finalising and complying with the policy by the end of FY19.	Target not met   	
Customer-led approach and delivery	Be a trusted, personalised energy retailer focused on providing a superior experience to meet the needs of our customers.	Net promoter score ¹ : improvement in average annual NPS compared to FY17 ² .	Net promoter score ¹ : -24.7, which is lower than the average annual FY17 score of -18.7.	Target not met   	
Product innovation	Provide a market-leading range of energy products and services that are accessible to our customers and that provide our customers with choice and value.	Leading by example by increasing the proportion of electric vehicles in our fleet to at least 10%.	Out of a total AGL fleet of 340 cars being used within the AGL business, 38 are electric vehicles, comprising 11% ³ .	Target met   	

1. Average of four quarterly measurements.
 2. The average of the net promoter scores achieved over each quarter of FY17 was -18.7.
 3. This does not include 9 additional electric vehicles owned by AGL, which are currently being leased to third parties in Victoria.











Stakeholders


Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Public policy engagement	Engage transparently with governments to facilitate the development of sensible public policy.	AGL will publish all material submissions in relation to public policy matters on the AGL Blog.	All material submissions in relation to public policy matters are published on AGL's blog, The Hub .	Target met 	
		AGL will annually disclose all groups which it is a member of that may influence public policy.	Memberships of industry associations are included in the Stakeholder advocacy section of this report.	Target met 	
Community engagement	Work side by side with local communities to develop mutually beneficial energy projects.	AGL will host at least four community events for each operational/development site ⁴ to allow for community views to be raised and discussed in public ⁵ .	At least four events were held at each site, as detailed in the table in the Community engagement section.	Target met 	
		Employee Volunteering participation rate of AGL's Enterprise Leadership Team: 90% (head count basis).	Employee Volunteering participation rate of AGL's Enterprise Leadership Team: 68% (head count basis)	Target not met 	

4. 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.







5. This target applies to operational/development sites located within a distance of 5km, by road, of a residential community comprising at least 250 people, excluding operating facilities that generate less than 0.1 TWh/pa (based on FY17 generation figures). Notwithstanding the above restrictions, this target also applies to AGL Macquarie, Newcastle Gas Storage Facility, Silvertown Wind Farm and Coopers Gap Wind Farm.

People














Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Workplace culture and talent	Attract, develop and retain the right talent to build an anticipatory, engaged and inclusive culture.	Employee engagement score: \geq 75%	We did not conduct an employee engagement survey in FY18. We will adopt a new model for measuring the health of our workplace culture and employee engagement in FY19.	Target not met   	
		Key talent retention: \geq 80%	Key talent retained: 81%	Target met   	
		Women in the Senior Leadership Pipeline \geq 40% (due FY19)	Women in the Senior Leadership Pipeline: 42%	Target met   	

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Strong and ethical governance	Act ethically with a strong governance structure supporting a culture of accountability, fairness and transparency.	Number of substantiated issues relating to unacceptable behaviour in the workplace ranked as high or greater according to AGL's FIRM risk management process: 0	Number of substantiated issues relating to unacceptable behaviour in the workplace ranked as high or greater according to AGL's FIRM risk management process: 0	Target met   	
		AGL will continue to publish its approach to corporate governance through the annual Corporate Governance Statement	AGL's FY18 Corporate Governance Statement is available on the AGL website .	Target met   	
		Number of legislative non-compliances that result in adverse court findings ¹ : 0	Number of legislative non-compliances that result in adverse court findings ¹ : 0	Target met   	
		Number of fines or penalties in relation to environmental licences ² : 0	Number of fines or penalties in relation to environmental licences ³ : 3	Target not met   	
		Environmental Regulatory Reportable Incidents: ≤12	Environmental Regulatory Reportable Incidents: 14	Target not met   	
Health and safety	Provide a safe and healthy workplace and eliminate work-related injuries and illnesses.	Total injury frequency rate (AGL): ≤1.7	Total injury frequency rate (AGL): 1.2	Target met   	
		Total injury frequency rate (contractors): ≤4.6	Total injury frequency rate (contractors): 4.7	Target not met   	

1. Based on the number of court findings in relation to issues that occurred during FY18.
 2. The number of substantiated issues reported for the FY17 period has been recalculated from eight to nine, reflecting substantiation of an additional issue after the close of FY17.
 3. Based on the number of fines or penalties received in relation to incidents that occurred during FY18.

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Contractor and supplier management	Manage our contractors to reduce risks, and work with our suppliers to ensure their commitment to our sustainable practices.	AGL Supplier Agreements signed in FY18 to include the AGL Supplier Code of Conduct: 100%	AGL Supplier Agreements signed in FY18 that included the AGL Supplier Code of Conduct: 100%	Target met   	
		Proportion of material supplier partners evaluated for compliance with the AGL Supplier Code of Conduct: 80%	Proportion of material supplier partners evaluated for compliance with the AGL Supplier Code of Conduct: 93%	Target met   	

Environment





Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Transition to low carbon energy	Progressively decarbonise the energy supply to our customers.	Compliance with AGL Greenhouse Gas Policy: 100%	Compliance with AGL Greenhouse Gas Policy: 100%	Target met   	
		Customers signed up to AGL's Future Forests carbon offset product: 10,000 ¹	6,854 customers signed up to AGL's Future Forests product during FY18	Target not met   	
		Annually offset the greenhouse gas emissions from electricity consumed at AGL's corporate workplaces ²	2,320 tCO ₂ e of Gold Standard abatement was purchased to offset 100% of the greenhouse gas emissions associated with electricity consumed at AGL's corporate workplaces.	Target met   	
Renewable energy	Continue to be Australia's leading privately-owned operator of renewable energy.	Development of one additional project through to financial close, via the Powering Australian Renewables Fund.	Financial close on Coopers Gap Wind Farm was achieved on 17 August 2017.	Target met   	

1. This relates to the number of customers who have signed up to Future Forests during FY18.

2. Comprises offices under AGL's operational control as defined by National Greenhouse and Energy Reporting Act 2007.

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Minimising other environmental impacts	Minimise our environmental footprint in the areas we operate.	Environmental Regulatory Reportable Incidents: ≤12	Environmental Regulatory Reportable Incidents: 14	Target not met   	
		Compliance with AGL Rehabilitation Principles: 100%	Compliance with AGL Rehabilitation Principles: 100%	Target met   	




Economic performance

Issue	Context	FY18 Target	FY18 Performance	FY18 Status	Material
Financial management	Drive value and earnings growth.	Underlying Profit after tax: In line with earnings guidance for FY18.	Underlying Profit after tax: In line with earnings guidance for FY18.	Target met   	


FY19 sustainability targets

We have established targets and commitments to drive performance, behaviours and transparency throughout FY19 and beyond, for each of the sustainability topics that emerged as potential material issues through the materiality review. We will report on our performance against each target in the FY19 Sustainability Report.

Energy landscape


Issue	Context	FY19 Target	Material Issue
Energy market evolution	Contribute to the development of energy market design and a regulatory framework that facilitates safe, reliable, affordable and decarbonised electricity supply from centralised and distributed sources.	Publish two thought leadership papers which contribute to energy policy that facilitates sustainable, secure, reliable, affordable and decarbonised electricity supply.	
Power station transition and closure	Work closely with our people and other key stakeholders in the community and government to ensure an inclusive and sustainable transition.	Establish a regional ³ community engagement program to support the Liddell transition.	
		Publish AGL's preferred options for diversification and development of the Liddell Power Station and surrounding site.	
Business and investment leadership	Lead the way for the energy sector with a clear plan for the future and strong values aligned with community expectations.	RepTrak reputation ranking: Within the top 30 companies in Australia⁴	

Customers


Issue	Context	FY19 Target	Material Issue
Energy prices and affordability	Provide affordable energy solutions for all our customers (households and businesses), and in doing so, minimise bill stress arising from energy prices	Financial Inclusion Action Plan: 100% completion of commitments.	
		Renew AGL's Affordability Initiative by allocating a further \$6 million over 3 years.	
		Completion of the NSW Solar Power for Community Housing Partnership.	

3. The region referred to is the Hunter Valley region of NSW, geographically bounded by Newcastle in the east to Scone in the west.

4. According to the latest RepTrak Pulse Report in FY19.

Issue	Context	FY19 Target	Material Issue
Customer-led approach and delivery	Be a trusted, personalised energy retailer focused on providing a superior experience to meet the needs of our customers.	AGL churn rate ⁵ : lower than the measurement for the 'rest of the market' ⁶ as at the end of FY19.	
		Net Promoter Score: higher than other Tier 1 retail competitors.	
Product innovation	Provide a market-leading range of energy products and services that are accessible to our customers and that provide our customers with choice and value.	Increase in monthly average usage of My Account and AGL App: 30% as compared with 30 June 2018	
Data and IT security	Ensure data security, and protect customer privacy by creating, collecting, managing, storing, retrieving and disposing of data safely and with integrity.	Reportable ⁷ privacy incidents: 0	
		Notifiable data breaches realised by a material risk ⁸ relating to cyber security, data governance, or failure of internal controls: 0	

Stakeholders

Issue	Context	FY19 Target	Material Issue
Public policy engagement	Engage transparently with governments to facilitate the development of sensible public policy.	AGL will publish all material ⁹ submissions in relation to public policy matters on The Hub .	
		AGL will annually disclose its membership of groups which may influence public policy.	
Stakeholder advocacy	Maintain constructive relationships with our stakeholders so we understand the issues that are important to them and using transparent processes to make evidence-based decisions.	AGL will publish social media posts in relevant social networks with an average target audience engagement of 1% per post ¹⁰ .	

5. 'Churn' is defined as a completed transfer of a customer to a competing retailer. This churn target relates to residential and small business customers only and does not include commercial and industrial customers.

6. Rest of the market churn refers to churn that takes place in the market excluding churn from AGL.

7. 'Reportable incidents' as defined by the Office of the Australian Information Commissioner.


8. A 'material risk' as defined by the AGL Risk Framework.

9. Material submissions are those submissions that raise significant issues of public or regulatory policy, and which AGL's stakeholders could reasonably be interested in having access to.

10. Social engagement rate is measured by the sum of interactions (likes/comments/shares/clicks) on a social 'post', divided into the number of times that post was displayed to an audience (impressions). The relevant social networks are Twitter, Facebook, LinkedIn and Instagram.

Issue	Context	FY19 Target	Material Issue
Community engagement	Work side by side with local communities to develop mutually beneficial energy projects.	AGL will host at least four community events for each operational/development site ³ to allow for community views to be raised and discussed in public ⁴ .	



People

Issue	Context	FY19 Target	Material Issue
Workplace culture and talent	Attract, develop and retain the right talent to build an anticipatory, engaged and inclusive culture.	Key talent ⁵ retention ≥80%	
		Women in the Senior Leadership Pipeline = 50% by 2022	
		Implement a new methodology for measuring enterprise-wide employee culture and engagement, and report results from the baseline assessment in the FY19 Sustainability Report.	
Strong and ethical governance	Act ethically with a strong governance structure supporting a culture of accountability, fairness and transparency.	Number of substantiated material ⁶ breaches of AGL's Code of Conduct = 0	
		Number of legislative non-compliances that result in adverse court findings: 0	
		Compliance training completion rate by eligible ⁷ AGL employees: 100%	
Health and safety	Provide a safe and healthy workplace and eliminate work-related injuries and illnesses.	Total injury frequency rate (AGL) ≤##	
		Total injury frequency rate (contractors) ≤##	

3. Given the relatively close proximity of AGL's hydroelectric schemes to each other, these sites are together considered as a single site for the purposes of meeting this target.
 4. This target applies to operational/development sites located within a distance of 5km, by road, of a residential community comprising at least 250 people, excluding operating facilities that generate less than 0.1 TWh/pa (based on FY18 generation figures). Notwithstanding the above restrictions, this target also applies to AGL Macquarie, Newcastle Gas Storage Facility, Silverton Wind Farm and Coopers Gap Wind Farm.
 5. Employees identified as 'key talent' from AGL's enterprise leadership team (ELT) and direct reports cohort.
 6. Material breaches are those ranked 'High' or above according to AGL's Fully Integrated Risk Management (FIRM) framework.
 7. In accordance with the AGL allocation matrix.

Issue	Context	FY19 Target	Material Issue
Contractor and supplier management	Manage our contractors to reduce risks, and work with our suppliers to ensure their commitment to our sustainable practices.	Prequalification rate of contractors working at AGL: 100%	
		AGL Supplier Agreements signed in FY19 to include the AGL Supplier Code of Conduct: 100%	
		Proportion of material supplier partners ⁸ evaluated for compliance with the AGL Supplier Code of Conduct: 100%	
		Proportion of material supplier partners ⁹ compliant ⁹ with the AGL Supplier Code of Conduct, or which have corrective action plans in place: 100%	

Environment

Issue	Context	FY19 Target	Material Issue
Transition to low carbon energy	Progressively decarbonise the energy supply to our customers.	Compliance with AGL Greenhouse Gas Policy: 100%	
		Total number of customers signed up to AGL's Future Forest carbon offset product: >25,000¹⁰	
		Annually offset the greenhouse gas emissions from electricity consumed at AGL's corporate workplaces ¹¹	
		Production of a report consistent with FSB TCFD principles	
Renewable energy	Continue to be Australia's leading privately-owned operator of renewable energy.	Having permitted sites ¹² available for the development of utility scale renewable energy projects.	
Minimising other environmental impacts	Minimise our environmental footprint in the areas we operate.	Environmental Regulatory Reportable Incidents: ≤12	

8. A 'material supplier partner' is designated by AGL Procurement and Supply Chain where an ongoing supplier of goods or services is assessed to have a very high or extreme risk rating to the organisation in accordance with AGL's Fully Integrated Risk Management (FIRM) matrix.
 9. 'Compliant' means that the supplier has answered that it complies with all questions in the Supplier Code of Conduct Questionnaire. Where the supplier states that it does not comply with a question, the supplier is required to commit to a mutually-agreed Corrective Action Plan, which is monitored over the course of the year.
 10. This relates to the total number of customer accounts that were active on AGL's carbon offset program during FY19.
 11. Comprises offices under AGL's operational control as defined by National Greenhouse and Energy Reporting Act 2007.
 12. A permitted site is a site for which a development application approval has been obtained.

Economic performance

Issue	Context	FY19 Target	Material Issue
Financial management	Drive value and earnings growth.	Underlying profit after tax: in line with earnings guidance for FY19.	
		Achieve return on equity targets consistent with AGL Remuneration Framework.	
		Total shareholder return outcomes reflected in AGL Remuneration Framework.	
		Achieve FY19 component of AGL's Business Optimisation Program ³ .	
Reliable energy	Manage our power generation assets efficiently to ensure security of supply for customers.	Achieve budgeted equivalent availability factor (EAF) across AGL's power generation fleet ⁴ .	

3. AGL's Business Optimisation Plan as described in the Cost efficiency discussion in the Financial management section.

4. Power stations included are: Liddell, Bayswater, Loy Yang A, Torrens power stations, Somerton and Hydro power stations, and wind and solar farms under our operational control.

Sustainable Development Goals (SDGs)

AGL is a signatory to the ten Principles of the United Nations Global Compact (UNGC). These principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nation's Convention Against Corruption.

Our commitment to the UNGC principles is supported by AGL's Values and our <Code of Conduct>, which set out our expectations of the behaviour of AGL's directors, employees, and contractors. Additionally, we have embedded the principles of the UNGC in our Supplier Code of Conduct, which requires all suppliers that we engage under our standard contracts to comply with the UNGC principles. Further information is provided in our [2018 UNGC Communication on Progress](#).

Through the UNGC, AGL has committed to taking steps to advance the broader goals of the United Nations, particularly the [Sustainable Development Goals \(SDGs\)](#). AGL considers that achieving the SDGs is not only the right thing to do from a social and environmental perspective, but it also presents an important opportunity for business, government, and the community to create shared value in the process.

AGL is making progress towards integrating the SDGs into our long-term strategy. AGL recognises that the SDGs need to be addressed in a holistic manner, however we believe our initial focus should be on those SDGs that correspond to areas where our activities have the greatest impact, and which affect AGL's ability to create value.

The SDGs formed a relevant consideration during the materiality review process that was undertaken in FY18, with the participating stakeholders being asked to identify the SDGs that they considered to be most material to AGL's business. Refer to the [Materiality](#) section of this report for more information about the materiality review process.

We consider the SDGs most material to our business to be:



SDG 13 – Take urgent action to combat climate change and its impacts

Beyond the projected physical impacts of climate change, AGL has also given serious consideration to the transitional risks and opportunities associated with the energy sector's transition towards a low-carbon economy. We believe that staged decarbonisation of the economy is a fundamental imperative that will drive the future of energy generation in Australia. See our supplementary report to the FY18 Sustainability Report, <Powering a Climate Resilient Economy>, for further detail on our position on these issues.

As our <Greenhouse Gas Policy> elaborates, we have made a strong commitment to a range of measures that will drive the orderly decarbonisation of the energy sector, including the closure of all our existing coal-fired power stations by 2050 and our continued investment in new renewable and near-zero emissions technologies. See the [Transition to low carbon energy](#) and [Power station transition and closure](#) sections for further details of the commitments we have made in this regard, and the progress we are making.



SDG 7 – ensure access to affordable, reliable, sustainable and modern energy for all

As the provider of an essential service, we recognise the importance of providing cost-effective energy for our customers and empowering them with appropriate information and tools to enable them to make informed decisions about their energy usage. See the [Energy prices and affordability](#) and [Customer-led approach and delivery](#) sections for more information about the measures we are taking to help our customers manage their energy costs.

AGL is also committed to playing a leading role in developing a pathway to a modern, decarbonised electricity generation sector. We are a significant investor in renewable energy and have invested over \$3 billion in renewables since 2005. Refer to the [Transition to low carbon energy](#) section for more information about the important investments AGL has made in this area.



SDG 5 – Achieve gender equality and empower all women and girls

We recognise the importance of gender equality as a basic human right and as a value capable of improving business performance and economic growth. Gender equality is an important part of our Diversity and Inclusion policy, which articulates our belief that diversity in the backgrounds and perspectives of our people enables AGL to have a better understanding of our customers and a greater ability to engage genuinely in the communities in which we operate.

Reflecting this view, we set ourselves a target to increase the number of women in our Senior Leadership Pipeline to 50% by FY22. Refer to the [Workplace culture and talent](#) section for further information about AGL's important initiatives in this regard.



SDG 9 – Build resilient infrastructure, promote sustainable industrialisation and foster innovation

AGL continues to take a market leading approach to Australia's energy market transformation. One of our strategic objectives is to become an orchestrator of large and small assets. This is in recognition of the current transformation of the energy industry from the traditional centralised generation model to a more distributed and integrated energy supply chain. In this context, we are embracing innovation in behind-the-meter technologies, partnering with the government and peers in the energy sector. Refer to the [Product innovation](#) section for examples of the innovative approach that AGL takes to product and service delivery.

Related information

- Supplementary report to the FY18 Sustainability Report, <Powering a Climate Resilient Economy>
- <Greenhouse Gas Policy>
- <AGL Code of Conduct>



Energy landscape

The landscape of the energy sector is undergoing major transformation. We acknowledge that there are a variety of perspectives on the best ways to address the challenges that this transition can bring about and we aim to work collaboratively with our stakeholder to deal with this. We are committed to taking a leading role in addressing affordability issues faced by our customers, contributing towards a reliable energy system, and shaping a sustainable energy future for Australia. We aim to do this by focusing on issues that are important to our business, our customers, other stakeholders and society more broadly.

This section focuses on:

- **Energy market evolution:** We continue to contribute to the development of energy market design and a regulatory framework that facilitates sustainable, secure, reliable, affordable and decarbonised electricity supply from centralised and distributed sources.
- **Power station transition and closure:** We are mindful that closing longstanding power generation assets will likely have impacts on those communities where those power stations are based. That's why we're working in partnership with local communities, governments and industry on an inclusive plan for the future of these sites.
- **Business and investment leadership:** We are taking a leadership role on issues that affect not only our industry, but society in general.

Material Issue

Energy market evolution

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

FY18 Target	FY18 Performance	Status
Publish two thought leadership papers which contribute to a market design that facilitates sustainable, secure, reliable, affordable and decarbonised electricity supply.	More than two thought leadership papers were published in FY18 (refer to the list at the end of this section).	Target met
FY19 Target		
Publish two thought leadership papers which contribute to energy policy that facilitates sustainable, secure, reliable, affordable and decarbonised electricity supply.		

Australia's energy markets are undergoing a significant period of transition. Two imperatives – decarbonisation and building customer advocacy – are central to AGL strategically maximising value as we navigate this transition.

The energy sector's transition will span several decades and a long-term vision is required to support that transition. A nationally coordinated and consistent approach to climate and energy policy is needed to ensure a smooth transition towards decarbonisation and modernisation of the electricity sector. It is critical that policy makers integrate wholesale market design with climate change policy to ensure that ageing thermal power plants are replaced with new, low-emissions generation and complementary infrastructure. See the [Public policy engagement](#) section for more information on our views on climate and energy policy.

The energy sector's transition is also seeing customers playing an increasingly important role, driving a shift away from the traditional linear electricity supply chain, to a more decentralised and bi-directional market. In addition to one in four households across Australia with installed solar PV, a proliferation of more advanced distributed energy resources is entering the consumer market, such

as digital metering, smart inverters, energy storage, energy management systems, and household appliances with smart controls. These distributed technologies offer new opportunities for customers to actively manage their energy use in the home. We discuss this in more detail in the [Customer-led approach and delivery](#) section of this report.

Integrating energy and emissions reductions

We are committed to playing a leading role in developing a pathway to a modern, decarbonised generation sector. We support the Commonwealth Government's commitment to the Paris Agreement, which aims to limit average temperature increase to well below 2°C above pre-industrial levels. As our [Greenhouse Gas Policy](#) elaborates, we have made a strong commitment to a range of measures that will drive the decarbonisation of Australia's energy sector, including the closure of all our existing coal-fired power stations by 2050 and continued investment in new renewable and near-zero emissions technologies.

In seeking to meet Australia's emissions reduction targets, we consider that the energy sector is in a unique position to act first and to unlock substantial emissions reductions in other sectors of

the economy. Reductions in other sectors can be linked to the electricity generation sector, as low carbon-intensive electricity is a viable fuel source for other sectors looking to decarbonise, most notably the transport sector and manufacturing.

More than 80% of electricity generated in Australia is sourced from the combustion of fossil fuels, the majority of which is provided by coal-fired generation that is reaching the end of its design life. The transition to a decarbonised and modernised generation sector therefore requires large-scale investment to replace this infrastructure. Investment will be best supported by emissions reduction policy that provides macro-level certainty regarding the timeframe and operating life of incumbent plant and reduced levels of uncertainty on the market environment within which current investments will operate in post 2030. Greater certainty in these areas will support a more efficient transition, guiding decisions on new investments, management of existing capital stock, policy development, community transition and energy market development. Increased policy certainty also assists with minimising energy price volatility, which is vital for the affordability of energy for customers.

The development of the National Energy Guarantee (NEG) as proposed by the Energy Security Board (ESB) for the COAG Energy Council has been a welcome step in this direction. AGL has provided input into the ESB's public consultations on the design on the NEG and will continue to advocate for bipartisan support on an emissions reduction policy that provides long-term certainty.

Additional action is required to provide macro-level certainty to support required investment, enable efficient management of existing capital stock and support a community and energy market in transition. Integrated policies are required to ensure that these objectives can be jointly pursued over time. As the decarbonisation and modernisation of the electricity sector will span several decades, a long-term vision and trajectory for this transition is essential to provide investors with confidence to develop the capital-intensive projects that will enable Australia to reduce its emissions efficiently over time, and at least cost. See the [Public policy engagement](#) section of this report for more information on how we are participating in the development of integrated energy and climate policies.

Energy prices and affordability

We recognise the impacts that the energy market transition is having on energy prices and affordability. Significant increases in wholesale market electricity prices have contributed to increases in energy prices, due to a number of market-wide factors, including: the sudden closure of ageing, low cost, coal-fired generators; high gas prices and limited gas availability for gas-fired generation; and, an uncertain policy environment impacting investment in new capacity.

Electricity is an essential service and consumer protections are afforded to energy users to ensure that they have access to competitively priced, reliable and high-quality energy supplies. Especially through this period of energy market transition, we are acutely aware of the need to meet community expectations of affordable energy and support for vulnerable customers. Refer to the [Energy prices and affordability](#) section for further information.

Limited gas availability and high gas prices have also impacted the east-coast domestic gas market, influenced by Australia's gas

export trade and unanticipated market pressures. In response to these challenges, we have been investigating options for gas import infrastructure. In August 2017, we announced Crib Point in Victoria as the preferred site for a potential gas import jetty and pipeline to increase energy security and supply for customers in south-eastern Australia, introducing price competition and helping to put downward pressure on wholesale gas prices. Learn more about the Crib Point project on our [website](#). For further elaboration of the economics of the east-coast Australian gas market and the case for import infrastructure, refer to the AGL applied economic and policy research working paper series, below.

Ensuring power system security and reliability

Australia's National Electricity Market (NEM) was established on the basis of thermal capacity investments and in most cases, assumes that demand is relatively inelastic and that dispatchable thermal generation is able to meet demand. The increase in penetration of renewable energy is showing the limitations of the NEM's thermal-centric design.

As the generation mix changes to incorporate a growing amount of renewable energy, demand for energy services such as Frequency Control Ancillary Services, reactive power, and inertia will increase as the traditional suppliers of these services (i.e. thermal power stations) exit the market. The recommendations provided by the Independent Review into to Future Security of the NEM (known as the 'Finkel Review') provide a useful outline of the policy issues that the energy sector faces in this regard. For further information on our responses to these policy issues, refer to the [Public policy engagement](#) section of this report.

We anticipate that the role of traditional generation will be met increasingly by flexible distributed energy services and a range of low-emissions generation. However, the proliferation of distributed energy services within a broader generation mix will require a commensurate ability to co-ordinate those assets in order to maximise the benefit to the primary and ancillary wholesale markets. Our virtual power plant (VPP) in South Australia is an example of how distributed energy services can deliver those services within a competitive market if it is orchestrated effectively. Read more about our VPP in the [Product innovation](#) section.

We consider that future industry scale investments will increasingly need to conform to the following design principles to effectively complement decentralised low-emissions generation:

- be *modular* and *adaptable*, capable of combining with multiple medium and large-scale fuel sources
- utilise conversion technologies to deliver *high efficiency* and *low emissions* outputs
- be *scalable* or *grid-scalable*, making it applicable to the grid as well as the distribution market (with its capacity to facilitate energy back flows), and
- be *adaptable* to the increased penetration of distributed energy services behind the meter.

Promoting competitive platforms and innovation

We believe that the electricity grid of the future will be a gateway to multiple competitive platforms that enable a range of markets for customers. The distribution network will increasingly become

the platform across which customers expect to be able to connect and transact. Competing energy service providers are beginning to trial and offer innovative products and services that leverage the grid to provide customers with access to other markets and value streams.

Rather than simply enabling the consumption of electricity delivered from centralised generation plant, the grid will have an increasingly important role facilitating a range of other service markets. These include markets for grid stability services, services supporting the network in constraint conditions, and wholesale demand response at times of tight supply, as well as allowing 'peer-to-peer' energy trading.

Reflective of the diversity of customer needs and preferences, we expect product and service offerings from a broad mix of energy service providers to be similarly diverse. We see competition and innovation in technology and business models as the primary means to align the interests of energy service providers with those of the customers they serve. To learn more about innovative products and services, refer to the [Product innovation](#) section of this report.

AGL's 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 formal (blind) peer-review processes prior to publication.

During FY18, the following new pieces of research were published:

- [East-coast Australian gas markets – overcoming the lumpiness of capital allocation and temporal instability](#): Australia's east-coast gas market has undergone significant transformation in the past decade. The discovery of non-conventional coal-seam gas reserves led to investment in three 'lumpy' LNG export facilities in Gladstone, Queensland. Drilling activity has subsequently slowed, a direct result of a soft global price for LNG. This slowdown, in an environment of a tripling of east-coast gas demand, has resulted in concerns about domestic gas shortages. The problem is not a lack of gas resources; rather, it relates to the relative lumpiness of capital allocation and temporal instability driven by changing global circumstances. This paper analyses options for overcoming these problems. Of these options, developing import infrastructure appears to be a 'no regrets' option that would ensure that the price floor – the LNG netback price – also becomes the market price cap.
- [The future of electricity generation in Australia – a case study of New South Wales](#): The Australian electricity industry has found itself the subject of an intense political debate. At the centre is the role of coal-fired generation. The most economic form of new generation technology in Australia is wind on a levelised cost of energy (LCOE) basis. However, new wind generation must be 'firmed' to address variability in output. The analysis in this article finds the optimal plant mix will need to be increasingly 'flexible' to complement variable renewables.
- [The impact of an ETS on the Australian energy sector: An integrated CGE and electricity modelling approach](#): This paper utilises a computable general equilibrium (CGE) model which integrates an electricity supply model to gauge the effects of a national emissions

trading scheme (ETS) on the Australian energy sector and the broader economy. The modelling results show that an ETS can reduce emissions effectively and with a relatively small impact on the overall economy. But the impact of the ETS on individual sectors varies. Wind electricity generation is projected to benefit greatly. Brown coal electricity and gas electricity are expected to be adversely affected substantially. Somewhat surprisingly, the impact on black coal electricity is negative but relatively small.

- [Price dispersion in Australian retail electricity markets](#): Simshauser and Whish-Wilson (2017) articulated that price dispersion within the restructured Victorian retail electricity market is welfare enhancing, as efficient pricing ensured the marginal unit produced was sold at marginal cost. This article expands on this analysis by considering the heterogeneous nature of electricity consumption when measured by volume sold (kWh). The authors find that customers on 'standing offer' tariffs use 18% less electricity than customers on 'high discount' products, indicating the presence of market segmentation and implicit second-degree price discrimination. Climate change policy and the emergence of new technologies such as household solar PV, battery storage and in-home energy displays will create further price dispersion in Australian electricity markets due to even greater product heterogeneity. The key finding is that policy makers will need to facilitate, rather than prevent, both price and tariff structure dispersion with the objective of improving consumer outcomes.

In addition, the following research was completed in FY18 and is currently under peer review:

- Decarbonisation and energy-market design
- The drivers of energy-related financial hardship in Australia – understanding the role of income, consumption and housing
- What stalls a renewable energy industry? Industry outlook of the aviation biofuels industry in Australia, Germany, and the USA
- Service innovation and disruption in the Australian contestable retail market

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 AGL's blog: [The Hub](#).

Related information

- [<AGL Greenhouse gas policy>](#)
- [The Hub](#)

Material Issue

Power station transition and closure

Work closely with our people and other key stakeholders in the community and government to ensure an inclusive and sustainable transition.

FY18 Target	FY18 Performance	Status
Compliance with AGL's Rehabilitation Principles: 100%	Compliance with AGL Rehabilitation Principles: 100%	Target met   
FY19 Target		
Establish a regional ⁵ community engagement program to support the Liddell transition.		
Publish AGL's preferred options for diversification and development of the Liddell Power Station and surrounding site.		

Providing reliable, affordable and environmentally sustainable energy to Australian households and businesses is of great importance to us and to our customers, shareholders and the broader community. This is reflected in our two strategic imperatives: prospering in a carbon-constrained future, and building customer advocacy.

Over recent years we have continued to demonstrate a considered and evidence-based approach to integrate climate and energy policy, which includes a strategic plan to decarbonise our operations in line with community expectations. A key aspect of achieving this, while maintaining reliability and affordability of energy, is the closure and replacement of ageing thermal power generation assets with reliable, low-carbon assets.

Beyond the imperative of decarbonising in line with climate policy and society expectations, thermal power generation assets require replacing after the end of their design life. Globally, less than one percent of coal-fired power stations are operated beyond fifty years. As the generation mix in the National Electricity Market changes, the type of generation required to support greater renewable energy output is shifting away from traditional technologies to more

responsive, flexible and dispatchable generation. Read more in the Energy market evolution section.

Our approach to power station transition

We recognise that the eventual closure of large scale assets includes a responsibility to properly consider a wide range of potential impacts in the years preceding, throughout and following closure of an asset. We understand that transition is about more than just supplying energy. Our large thermal generation sites provide significant employment and economic value to the communities in which they operate through their extensive value chains. That's why we recognise that a transition must be undertaken with full consideration of both direct and indirect social, environmental and economic impacts.

Transition must be supported by a framework that aims to minimise negative impacts whilst simultaneously maximises opportunities for net positive impact from the transition for all stakeholders. Our approach to power station closure is guided by these aims as we develop and refine our transition framework. We operate a large and diverse generation fleet, spanning technologies, fuel sources, geographies and age ranges. As such, we are developing a transition

5. The region referred to is the Hunter Valley region of NSW, geographically bounded by Newcastle in the east to Scone in the west.

framework that can effectively articulate our vision, help us to adhere to our overarching principles and guide processes across the range of transitions that we will undertake in the near and longer-term future.

Our framework focuses on effective governance and risk management, engagement, and best practice projects, underpinned by our three transition principles:

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

In line with our principles, we believe the longer the planning timeframes and the more comprehensive the engagement with surrounding communities, the better the chance that outcomes can be delivered collaboratively and owned by all stakeholder groups. To learn more about our Transition Principles, refer to our 2017 [Rehabilitation Report](#).

[\[insert anchor link here to section below, from 'Hot Topics'\]](#)

Liddell Power Station transition

The planned closure of the Liddell Power Station in 2022 provides the most recent and visible example of the need to balance a range of considerations where stakeholders may have differing views.

In 2015 we announced our intention to close Liddell Power Station, effectively providing the market with seven years' notice, consistent with our [AGL Greenhouse Gas Policy](#) commitment to not extend the operating life of our existing coal-fired power stations.

At that time, we also made a commitment to work with local business, industry, government, and our people to identify new opportunities, encourage economic diversification and strive for new employment opportunities in our local communities.

Although Liddell as we know it today will close, the site has significant value. We have highly skilled people, land, water, transport and energy infrastructure (including connection to high voltage transmission lines), making it a site with potential for a range of future developments.

That's why we have started work on the Liddell Innovation Project – first announced in our 2017 [Rehabilitation Report](#) – with the mission to deliver the best possible use for the Liddell site post-2022.

The Liddell Innovation Project demonstrates our commitment to evidence-based, best practice site repurposing and remediation, and to constructive engagement with local communities and other stakeholders.

The Liddell Innovation Project builds on work commenced by the Hunter Energy Transition Alliance, formed in 2015 to identify priority areas and investigate further job creation and economic diversification programs. We believe the Hunter Valley is the right place to model our industry's transition, and if managed well, can be a template for other regions to follow.

We recognise that the transition is not just about replacing the energy but that economic and social transition is equally important. Because of this we are including in our plans a process to see what innovative and sustainable opportunities for investment may be possible at the site (and surrounding areas) that will enhance the resilience and diversification of the region and local economy.

A two-phase tender process will seek innovative and complementary ideas from diverse organisations for the optimal use of the Liddell Power Station and the surrounding site. We are focused on exploring opportunities that will deliver social and commercial value for the Liddell site, our people and local community following the cessation of coal-fired power generation at Liddell.

We have developed a set of sustainability criteria that will guide our tender and assessment process, which will be finalised through consultation with our community and regional stakeholders.

We have commenced engagement across our stakeholders including employees, business and finance, local communities, educational institutions and industry to elicit a range of ideas and proposals for the site that are consistent with our commitment to a decarbonised energy future and complements investments identified in the NSW Generation Plan. In the second half of 2018 we will hold an Innovation Open Day providing the opportunity for investors and innovators to engage with community representatives, policy makers and AGL employees.

NSW Generation Plan

In December 2017, we outlined our plans for replacing the energy and capacity lost from the market when Liddell closes in our 'NSW Generation Plan'. The NSW Generation Plan proposed a mix of high-efficiency gas-fired peaking generation plant, renewables, battery storage and demand response, coupled with an efficiency upgrade at Bayswater Power Station and the conversion of a generating unit at Liddell into synchronous condensers to enhance electricity system stability. We are also looking into the feasibility of a pumped hydro project in the Hunter region, in conjunction with the New South Wales Government and other key stakeholders. If fully implemented, our proposed plan to replace Liddell is anticipated to reduce our annual carbon footprint by approximately 17%.

In FY18 we commenced efficiency improvements at Bayswater Power Station that will increase generation capacity without using additional fuel. We also signed an agreement for AGL to offtake 300 MW of solar capacity from Maoneng Australia's Sunraysia solar project, and commenced ordering equipment to convert generators at Liddell Power Station to synchronous condensers.

An assessment of AGL's NSW Generation Plan found the replacement generation would be more affordable at \$83/MWh, compared with the cost of extending the operating life of Liddell by five years beyond December 2022, which was calculated to cost \$106/MWh. The plan was also found to deliver reliable, dispatchable power for longer, due to a longer asset life of 15-30 years, compared with extending Liddell for an additional five years. Independent analysis found an extension until 2027 would cost approximately \$920 million. Read more about the future of electricity generation in this [paper](#), written by AGL's Chief Economist.

In March 2018, the Australian Energy Market Operator (AEMO) confirmed that, if fully implemented, the NSW Generation Plan would meet any potential shortfall in energy provided to the grid.

Timetable of closure of thermal assets

With an extensive thermal generation portfolio, we recognise the importance of a strategic and consistent approach to asset closure and transition.

While the cessation of coal-fired generation from Liddell in 2022 represents the most topical and immediate example of our strategic decarbonisation, we are working on plans for transitioning our other thermal generation assets. This includes the progressive mothballing of Torrens Island A Power Station in South Australia and its replacement by the Barker Inlet Power Station (from 2019), and the progressive decommissioning and rehabilitation of the Camden Gas Project (to enable closure by 2023).

Following these nearer term processes, we will consider the longer-term closures of the Bayswater Power Station by 2035 and Loy Yang A Power Station and the Loy Yang Mine by 2048.

The complexity of closing such a diverse portfolio of assets over coming decades highlights the need for our approach to transition to be flexible yet consistent with our principles, to provide optimum transition outcomes, including affordable and reliable energy for all electricity users.

Future actions

As part of our commitment to transition, we have introduced a Transition Manager at our AGL Loy Yang, AGL Macquarie and AGL Torrens power stations, and at the Camden Gas Project, whose role is to plan for, manage and execute transition activities aligned with the AGL Rehabilitation Framework.

Part of this is to continue to update our stakeholders on the activities undertaken to develop an effective transition.

Throughout 2019 we plan to:

- publish our transition framework at www.agl.com.au/transition
- finalise our approach to the evolution of Liddell and confirm the preferred future operating model
- provide more information regarding the transition of the Torrens A Power Station.

Related information

- [AGL Greenhouse Gas Policy](#)
- NSW Generation Plan
- Supplementary Report (FY17): AGL's approach to rehabilitation of power generation infrastructure

Material Issue

Business and investment leadership

Lead the way for the energy sector with a clear plan for the future and strong values aligned with community expectations.

FY18 Target	FY18 Performance	Status
RepTrak reputation ranking: Within the top 30 companies in Australia⁶	RepTrak reputation ranking: 47th	Target not met
FY19 Target		
RepTrak reputation ranking: Within the top 30 companies in Australia⁷		

The energy sector is facing complex challenges of decarbonisation, reliability, and affordability. More broadly, public trust in institutions such as business continues to decline⁸. Despite these challenges, we are committed to taking a leading role in issues that affect our stakeholders and society more broadly.

Affordable energy

As a provider of an essential service, we recognise that energy must be affordable for it to be sustainable. We appreciate that it is important to all our customers that we provide them with cost-effective energy and information to empower them to make informed decisions about their energy usage.

We know that for many Australian households that are impacted by increasing costs of living, energy prices can have an acute impact on their livelihoods. That's why we've been taking an active role in partnership with customer advocacy groups, governments, and civil society to develop measures that will assist with energy affordability for our customers. For further details, visit our [Energy prices and affordability](#) section.

Leadership on climate action

The electricity sector has an important role to play in helping Australia meet its emission reduction targets and long-term commitments under the Paris Agreement. As Australia's largest scope 1 (direct⁹) 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 have a key role to play in gradually reducing greenhouse gas emissions while providing secure and affordable energy for Australian households and businesses. In FY18, we continued to demonstrate our leadership on climate action through the release of our <Powering a carbon resilient economy report>, which was developed in accordance with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). Read more about our strategic approach to decarbonisation in our [Transition to low carbon energy](#) section.

A key aspect of decarbonisation of the energy sector is the transition from older, fossil-fuel burning power generation sources to newer, lower carbon-emitting technologies. We recognise that closure

6. According to the latest RepTrak Pulse Report in FY18.
 7. According to the latest RepTrak Pulse Report in FY19.
 8. See for example, the 2018 Edelman Trust Barometer – Australian Results, available at: <https://www.edelman.com/post/australia-trust-in-tumult>
 9. 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.

of longstanding power generation assets is likely to have concentrated impacts on those communities where those power stations and related mining activities are based. That's why we're working in partnership with local communities, governments and other parts of industry to plan for power station closure and repurposing to catalyse the broader social, economic and environmental transition of these regions. Visit the [Power station transition and closure](#) section for further details.

Investing for a decarbonised sector

We are proud to be Australia's largest ASX-listed investor in renewable energy generation, having already invested over \$3 billion in renewables since 2005. Key to meeting our strategic imperative of prospering in a carbon-constrained future, we are committed to continuing to play a leading role in developing a pathway to a modern, decarbonised generation sector. In December 2017, we released our NSW Generation Plan, which sets out our plan to replace our ageing Liddell Power Station with lower-carbon emitting generation sources, affordably and reliably. For further details on our renewable energy portfolio, visit the [Renewable energy](#) section.

We also continue to focus our investments on distributed generation and new technology such as batteries, smart inverters, smart appliances, as well as energy efficiency for commercial and industrial customers, assisting them to improve their energy productivity and minimise their energy costs and associated greenhouse gas emissions. For more information on the innovative products and services we are offering customers, see the [Product innovation](#) section of this report.

Leading the energy market transformation

In line with our strategic objective of becoming an orchestrator of large and small assets, we are embracing innovation in behind-the-meter technologies, partnering with government and peers in the energy sector, and driving the uptake of distributed energy resources to unlock growth in orchestration technologies. Visit our [Customer-led approach and delivery](#) and [Product innovation](#) sections for details of the range of initiatives we are investing in.

We continue to prioritise engaging with our stakeholders to address the issues raised by Australia's energy transformation, as illustrated by our commitments to innovation and ongoing engagement with government about public policy. Visit our [Energy market evolution](#) section for full details on our vision for the transformation of the energy, and our [Public policy engagement](#) section for details on how we engage with policy makers to deliver sensible energy policy outcomes.

Social and economic inclusion

As a provider of an essential service, we are also shining a spotlight on the increasing social and economic inequality in Australian society. As we contend in our [2017 Social and Economic Inclusion report](#), business and civil society must work together with government to ensure that evidence-based policy continues to deliver more equitable opportunities for all citizens to engage fully in the Australian economy and society, and address the risks of workforce transformation and inequality and disadvantage.

Since releasing our Social and Economic Inclusion report, we have been developing our own Social and Economic Inclusion Policy. Much like the <AGL Greenhouse Gas Policy> it will outline both

the commitments we intend to make over the long term to improve our business operations on behalf of our customers, as well as the key components of our approach to public policy advocacy on this important issue.

Leadership on social issues

We recognise the importance of business to engage in the social issues that affect our people and our customers. We are proud that AGL has taken a leading stand on issues such as diversity and inclusion, marriage equality, and domestic violence.

Gender equality is a basic human right and forms a central part of our <[Diversity and Inclusion Policy](#)>. This policy underpins our belief that diversity in the backgrounds and perspectives of our people enables our company to have a better understanding of our customers and a greater ability to engage genuinely in the communities in which we work, which also leads to better business outcomes.

Consistent with our support of diversity in the workforce, in 2017 we pledged our support for changing Australia's marriage laws to provide equal rights for all Australians. Our position was strongly endorsed by AGL's Board, our CEO, senior management and our LGBTI employee inclusion network, 'AGL Shine'.

In recognition that individuals, organisations and communities must play a role in supporting people impacted by family and domestic violence, in 2015 we introduced our Family and Domestic Violence Support Policy. Endorsed by our CEO and Managing Director, this policy provides affected AGL people with up to 10 days paid Domestic Violence Leave, along with flexible work arrangements and access to counselling services through AGL's Employee Assistance Program. In 2017, we also established a working group to engender a safe and supportive workplace for our people affected by family and domestic violence. This year, AGL has been providing training to all AGL leaders and employees on this important issue, and has expanded the support available to employees through providing a dedicated Family and Domestic Violence Helpline.

In FY18 we continued on our journey towards increased employee engagement with indigenous issues. Our Indigenous Engagement Working Group is leading the way, with the aims of:

- increasing awareness and appreciation of indigenous culture across AGL
- creating a sense of inclusion and cultural safety for indigenous employees and employees interested in indigenous affairs, and
- growing employee-based support for AGL to make a public commitment to support reconciliation and resource accordingly.

Over FY19 we will continue our progress on developing an indigenous Reconciliation Action Plan (RAP) in collaboration with Reconciliation Australia.

Read more about our approach to diversity and inclusion in our [Workplace culture and talent](#) section.

FY18 Performance

Recognising the importance of good corporate conduct and leadership relating to issues that matter to our stakeholders, for FY18 we set ourselves a target to be one of the top 30 companies in Australia as listed in the RepTrak reputation survey. Disappointingly,

at the end of FY18, we achieved a RepTrak ranking of 47th. However, as improving our reputation score remains a focus for us over FY19, we have retained this as one of our targets for FY19.

Related information

Supplementary Report (FY17): Social and Economic Inclusion report

[Diversity and Inclusion Policy](#)



Customers

We aim to provide our customers with the tools they need to navigate the complexities of the energy market. We adopt an innovative approach to product and service delivery to empower customers to better manage their energy bills.

We listen to what our customers tell us about the way they want to manage their energy consumption, and we design our products and services to meet our customers' needs.

We have one of Australia's largest retail energy and dual fuel customer bases, retailing natural gas, electricity, solar PV and related products and services to over 3.6 million residential, small and large business customer accounts throughout Australia.

Building customer advocacy is one of our two strategic imperatives. We're moving from being a mass retailer to a personalised retailer – using smarter solutions, technology and services to empower our customers.


This section focuses on:

- **Energy prices and affordability:** We understand that energy bills can contribute to the financial difficulties that some of our customers face. We work collaboratively with a range of community and customer stakeholders to provide targeted, effective support.
- **Customer-led approach and delivery :** We operate in a highly competitive retail environment, so we are focused on delivering a consistently superior customer experience that generates long-term value.
- **Product innovation:** We recognise that to remain competitive in this changing landscape we must innovate by creating a broad suite of products and services that are tailored to our customers' needs, utilise technology to maximise customers' convenience, and empower customers to take control of their energy use and account management.
- **Data and IT security:** We strongly support consumers having greater access to and control over data that directly relates to them. We consider that a well-designed regulatory regime should enable customers to seek value from their data, while also preserving incentives for efficient investment and innovation in data from businesses. It should also foster trust from the community in data use and privacy.

Material Issue

Energy prices and affordability

Provide affordable energy solutions for all our customers (households and businesses), and in doing so, minimise bill stress arising from energy prices

FY18 Target	FY18 Performance	Status
Develop a Social and Economic Inclusion Policy.	AGL has commenced, but not finalised, its Social and Economic Inclusion Policy. As indicated below, we are committed to finalising and complying with the policy by the end of FY19.	Target not met 
FY19 Target		
Financial Inclusion Action Plan: 100% completion of commitments.		
Renew AGL's Affordability Initiative by allocating a further \$6 million over 3 years.		
Completion of the NSW Solar Power for Community Housing Partnership.		

Energy regulation and pricing

AGL acknowledges that not all customers are able to access the full range of products and services that we offer, nor to derive the benefits that a competitive market should offer. AGL is turning its focus to addressing these issues.

Further, we understand that energy bills can comprise a major proportion of some households' living expenses. In June 2018, AGL announced that prices for FY19 for customers in New South Wales, Queensland and South Australia will be going down – albeit very modestly – but that this is a change welcomed by our customers following the price increases seen in recent years. These price changes are part of a downward trend that is emerging as more investment in new sources of supply comes into the market – particularly renewable energy.

Price changes	Electricity (Residential)	Gas (Residential)	Electricity (Small business)	Gas (Small business)
NSW	-0.3%	1.8%	-0.1%	2.5%
QLD	-1.6%	No change	-1.0%	No change
SA	-0.4%	2.1%	-0.3%	4.6%

However, at the start of FY18 there were increases in wholesale market prices due to factors such as: the closure of ageing, low-cost, coal-fired generators; high gas prices and limited gas availability for gas-fired generation; and an uncertain policy environment impacting investment in new capacity. In July 2017 we increased electricity and gas prices for our residential and small business customers in New South Wales, South Australia and Queensland.

The price changes varied by state and distribution network, and bill impacts depended on a customer's tariff type, usage, and their existing energy plan. The average price increase (including GST) across AGL's residential electricity customers was estimated at \$5.70 per week in New South Wales, \$2.00 per week in Queensland (in the Energex area), and \$6.70 per week in South Australia. In January 2018, Victorian customers' electricity and gas prices also increased with AGL's residential electricity customers increasing by \$3.70 per week on average.

We recognise that these retail price increases can represent an additional financial stress to customers already facing cost of living pressures. We have focused on customer affordability through our launch of *A Fairer Way* in 2017 and introducing loyalty discounts for longstanding Standing Offer customers during FY18. Both are discussed below.

In response to previous increases in energy prices, we have seen increased government scrutiny of energy markets, which has led to some improved consumer outcomes. The Victorian Government commissioned a review (Thwaites review) of the electricity and gas retail markets in Victoria and its recommendations were released in August 2017. The Victorian Government's preliminary response was released in 2018 and although AGL welcomed many of the recommendations aimed at improving the Victorian retail energy market, we were concerned that consideration is being given to re-regulation of prices. We continue to be a strong supporter of price deregulation because competition delivers innovation, investment, and improved consumer choice. For more information, refer to the [Public policy engagement](#) section of this report.

Other states, including New South Wales and Queensland, have released reports during FY18 that have focused on retail energy prices but they have found that retail competition was active and recent retail price changes largely reflected changes in costs.

In addition, on the 27 March 2017 the Treasurer directed the Australian Competition and Consumer Commission (ACCC) to hold an Inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. This is intended to be a more holistic review of the reasons behind energy price changes, rather than simply an examination of retail energy markets. The ACCC released a preliminary report on 16 October 2017 and a final report on 11 July 2018 which contained 56 recommendations. AGL made several submissions to the Inquiry and responded to a number of notices from the ACCC requesting information for the Inquiry. [\[insert statement of AGL's position\]](#)

Electricity network pricing reform

As a significant component of the customer's overall bill, consideration of network prices is critical in addressing energy affordability. As some customers are increasingly relying on distributed generation to meet their energy needs, we consider that tariff reforms that drive equitable outcomes in network cost recovery must continue. We consider that reforms would be best achieved by a transition from average-cost volumetric pricing to more cost-reflective tariff structures.

Cost-reflective tariffs ensure that customers contribute more equitably to the cost of the delivery of shared network services, reducing cross-subsidies between customers. Current flat energy tariffs can result in unequal outcomes and inefficiencies, as all energy customers pay the same tariff for all energy use throughout the year, despite system costs being primarily driven by demand during peak times.

AGL is a strong advocate of demand tariffs at a network level, as these tariffs price electricity more efficiently, and provide customers with opportunities to manage costs through different energy choices, and provide opportunities for savings as a result of changes to customer behaviour at peak times. 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 smart appliances and battery storage, to manage demand peaks. We will continue to work with our customers and other stakeholders to promote the benefits of network tariff reform.

Refer to the [Public policy engagement](#) section for more information on pricing access to the network and how it promotes more efficient investment in and use of distributed energy resources.

Energy affordability programs and plans

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. In recognition of this, in FY18 we became a founding partner of the Thriving Communities partnership, a cross sectoral collaboration that aims to ensure that there is universal accessibility to the modern essential services that are needed to thrive in contemporary Australia.

In FY18 we launched our Financial Inclusion Action plan. The plan, endorsed by Good Shepherd Microfinance, sets out 15 initiatives that AGL will complete to increase the financial resilience of our customers, people, suppliers and within the local communities in which we operate. We are proud to be one of 30 organisations to make this commitment.

Our *A Fairer Way* package continued to be on offer for our vulnerable customers in FY18 and delivers a fairer deal for households who rely on affordable and secure energy supplies as they deal with the full spectrum of cost of living pressures. It ensures that:

- customers participating in our hardship program, Staying Connected, will be offered guaranteed (non-conditional) discounts
- concession card holders and hardship program customers are not charged late fees
- we will write to customers with a registered concession card who remain on 'old' standing offers, offering to assess their needs and move them to a better plan, and
- Victorian customers on a Standard Retail Contract who receive a government energy concession will also automatically receive a 15% discount off their electricity usage charges¹⁰.

We encourage our customers to regularly engage with us to ensure they are on the best deal for their personal circumstances and have recently introduced an online bill comparison tool to make this easier.

Throughout FY18, we continued to implement program improvements to support vulnerable energy consumers, which were established in our \$6.5 million [Affordability Initiative](#) which was launched in FY15. From an operational perspective, we have expanded the channel, range and flexibility of our payment arrangements, recognising that each customer scenario is unique. Payment arrangements can be established through a variety of channels with tailored amounts and durations and we are working with our customers to ensure they are back on track with their energy costs as soon as possible.

In FY19, we will be revitalising the Affordability Initiative to focus on energy literacy and social and economic inclusion, with a new allocation of \$6 million in funding over three years.

More broadly, and as discussed in our 2017 report [Social and Economic Inclusion: An important issue for an essential service provider](#), AGL is committed to developing a Social and Economic Inclusion Policy. The policy will encompass the actions AGL will take to address inadequate societal and economic structures that contribute to exclusion. These actions will demonstrate how we will provide avenues for improved inclusion for our customers and employees, and also how we will work with government and regulators to ensure basic needs such as income adequacy and housing standards are supported.

New products and services to assist customers in minimising energy costs

We 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. We are committed to consistently improving our products, services and engagement with all our customers, including our vulnerable energy customers, by delivering a suite of products and services that are affordable and that empower them to take control of their energy consumption.

As outlined in the [Product innovation](#) section, in FY18 we launched Energy Insights, a tool which will enable our customers with smart meters to take more control over their energy use. Customers receive a personalised email which breaks down energy use into categories such as heating/cooling, standby and hot water, and which provides relevant energy efficient advice, thereby enabling customers to be more empowered to take action to reduce their energy costs.

Recognising that historically, one of largest drivers of customer complaints has been estimated billing, we now offer Self Service Meter Reads. This process allows the customer to provide us with an actual read of their meter and allows an accurate bill to be produced, or an existing bill that is based on an estimated read to be adjusted. Our customers can then pay for what they have actually used.

As outlined in the [Customer-led approach and delivery](#) section, we acknowledge that our customers who experience difficulty paying their energy bills are often unaware of government benefits that they are entitled to, such as concessions and grants. Information is often not easy to find and application forms can be difficult to complete. We want to make it easier for our customers to obtain the assistance that they are entitled to, so we've launched Here to Help, an online tool that allows customers to answer a simple set of questions to determine their eligibility for government support. We also assist our customers by pre populating application forms as far as possible, for our customers to verify and sign, with the aim of simplifying the process for our customers. Through engagement with our customers about this product, we are aiming to enhance Here to Help over FY19 to provide further functionality.

In addition, in FY18 we launched two new simple and low-cost products:

- AGL Essentials, a no-frills product with 12-month, low, fixed rate pricing that removes discounts and provides pricing certainty to customers, and
- AGL Prepaid, which rewards customers who pay their bill in advance, and minimises the risk of surprise when the bill arrives.

Further information about these products is available in the [Product innovation](#) section.

Further, in recognition that not all customers choose to or are able to engage in the market and receive the benefits of doing so, we have introduced a loyalty discount for our customers who have demonstrated loyalty to AGL but remain on a standing offer. This bonus was rolled out to our Victorian customer base on 1 January 2018 with eligible customers automatically receiving a 10% discount off their 2017 electricity usage and supply charges. AGL has also implemented a loyalty discount for eligible standing offer customers in South Australia and is providing a 5% discount off usage charges. This commenced in March 2018.

Commitments made to the Prime Minister

Following several reviews into the electricity market and external commentary regarding electricity prices, the Prime Minister, Malcolm Turnbull, requested a meeting with the Chief Executive Officers of several energy companies, including AGL's CEO Andy Vesey, in August 2017. A series of commitments were made to the Prime Minister, and AGL is delivering on these commitments. As a result of AGL proactively writing to all our customers on standing offers, or base tariffs, inviting them to seek a better deal, today, almost 90% of our customers are on competitive market offers and eligible for discounts and incentives. Since July last year, more than 2 million AGL customer accounts have switched to a new deal.

10. The discount applied from 5 March 2017.

In addition, a number of the commitments that we made to the Prime Minister were already part of our retail operations. For example, AGL was already writing to concession customers on standing offers, offering to assess their needs and put them on a better energy plan. We also have in place support such as [A Fairer Way](#) which helps hardship customers access guaranteed discounts.

AGL continues to work with the Australian Energy Regulator on implementation of these commitments including through our customer research into the design of the energy price fact sheet. Further information is contained in the [Public policy engagement](#) section.

Financial counselling resources

We continue to fund financial counselling resources in the community sector and in FY18 have helped over 400 of our vulnerable customers obtain support to manage and take control of their energy costs. The funding is a three-year investment in Queensland, New South Wales, Victoria and South Australia. We have established partnerships with YFS Logan, Wesley Mission, Kildonan UnitingCare and Uniting Communities, to ensure that additional resources are dedicated to supporting vulnerable consumers, and connecting them wherever possible with appropriate support services.

Integrated partnerships to assist vulnerable consumers with high energy consumption

Research that we released in 2015 highlighted that customers participating in our energy hardship program, Staying Connected, consumed, on average, around 40% more grid-connected electricity per year compared to an average customer base. High energy consumption can be driven by a large number of factors including poor building fabric, many people in the one home, additional time spent within the home, and home appliances that have a relatively lower upfront capital cost, but are less efficient resulting in greater energy use.

We have been working with community organisations and state governments to develop targeted and integrated pilot programs to help vulnerable customers reduce energy consumption and costs. These programs involve the installation of solar panels and efficient appliances, combined with education programs which target behaviour change to encourage greater energy efficiency. In FY18 we commenced a partnership with Uniting Communities SA funding appliance replacements for customers unable to reduce their consumption. The program involves an in-home energy consultation with Uniting Communities which includes advice on how to reduce use, while also recommending the replacement of inefficient appliances. This program builds on the \$1.5 million of energy saving partnerships in South Australia and Victoria that were established in FY16.

Support for customers impacted by domestic violence

AGL's integrated domestic violence policy supports our people and customers who are impacted by domestic violence. Our customer support policy ensures calls are transferred to hardship specialists, ensures the availability of flexible payment arrangements and debt relief on a case-by-case basis, and provides for additional steps being taken to protect account privacy.

For information on how we support our people who may be impacted by domestic violence, visit the [Workplace culture and talent](#) section.

FY18 performance

We closely monitor 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 metrics including:

- the [average debt levels of customers on Staying Connected](#), and
- the [average debt](#) of all AGL customers.


Related information

- [Affordability Initiative](#)
- [A Fairer Way](#)
- [Supplementary Report \(FY17\): Social and Economic Inclusion: An important issue for an essential service provider](#)

Material Issue

Customer-led approach and delivery

Be a trusted, personalised energy retailer focused on providing a superior experience to meet the needs of our customers.

FY18 Target	FY18 Performance	Status
Net promoter score ¹¹ : improvement in average annual NPS compared to FY17 ¹² .	Net promoter score ¹ : -24.7, which is lower than the average annual FY17 score of -18.7.	Target not met 
FY19 Target		
AGL churn rate ¹³ : lower than the measurement for the 'rest of the market' ¹⁴ as at the end of FY19.		
Net Promoter Score: higher than other Tier 1 retail competitors.		

An important component of AGL's strategy is to transform from being a mass retailer to being a trusted, personalised energy retailer. We have aimed to provide customers with tools to navigate the complexities of the energy market through our product and service offerings. By doing so we aim to build customer trust and loyalty, reduce customer churn, and reduce customer complaints. We listen to what our customers are telling us about the way they want to use energy and manage energy consumption, and design the products and services we deliver to meet our customers' needs.

We have continued to focus on improving our customer experience throughout FY18 by enhancing our customer-facing channels, including our digital channel, to make it easier for our customers to interact with us. We operate in a highly competitive retail environment, so improving our customer experience remains a core part of delivering on our strategy. Our [Customer Charter](#) provides clear standards of service that customers can expect from us on key issues impacting their energy accounts.

Our average annual net promoter score declined compared to FY17, decreasing from -18.7 to -24.7. This can be attributed partly to the increased focus directed at the energy industry over FY18, including some negative media coverage. Improving our Net Promoter Score will continue to be an area of focus over FY19.

We monitor a range of indicators to measure the quality of our customer experience. Visit the [data centre](#) to view or download information on the following topics:

- [Net promoter score](#)

11. Average of four quarterly measurements.

12. The average of the net promoter scores achieved over each quarter of FY17 was -18.7.

13. 'Churn' is defined as a completed transfer of a customer to a competing retailer. This churn target relates to residential and small business customers only and does not include commercial and industrial customers.

14. Rest of the market churn refers to churn that takes place in the market excluding churn from AGL.

- Ombudsman complaints
- Customer churn rates
- Customer numbers by location and fuel type

In August 2016, we launched a customer experience transformation program, designed to deliver our customers an industry-leading digital experience. Some of the important aims of the program have been to increase our net promoter score, reduce churn, increase digital sales and usage, reduce call volumes, and introduce new ways to take our products and services to market and for our customers to interact with us. Throughout FY18 this program continued to drive digital adoption amongst our customers, and deliver unique customer experiences that build trust, advocacy and loyalty, and that put customers more in control of their energy consumption.

These initiatives helped drive increased use of digital self-service channels over FY18, with annual monthly average of 2.49 million My Account and other digital interactions¹⁵ taking place per month, up from 1.57 million in FY17. This will continue to be a focus into the future, and we have set ourselves a target to achieve a monthly average of 2.5 million My Account and digital App interactions by 2020 (see [Product innovation](#) section).

Digital sales have also increased, doubling channel share in new sales and retentions compared to FY17. Overall there has been a high level of customer satisfaction with AGL's digital channels, with a net promoter score of +35 for AGL's digital channels for FY18¹⁶.

Development of energy consumer charter

AGL is working to increase the focus on the consumer within the broader energy industry. We are one of fifteen energy companies from across the supply chain that has committed to the development of a consumer charter that would progress the culture and solutions required to deliver energy in line with community expectations.

The goal of this charter is to reconnect the energy industry with our customers and local communities through transparency, values and collective accountability. It is an investment in the culture and conduct of energy businesses to place customers at the centre and to deliver better, more sustainable outcomes over time.

The charter represents the first whole-of-supply-chain initiative to address community expectations together. Supporters are committed to playing their part in delivering solutions that will move each part of the energy industry closer to customer expectations. It is anticipated to be a principles-based disclosure regime that would be applied to all businesses across the gas and electricity supply chain with a focus on the core actions required for the energy industry to deliver better customer outcomes.

The energy charter will seek to achieve this through:

- **Clarity of expectations:** Confirming expectations of performance of each part of the energy supply chain, and how that fits with the purpose of delivering energy in line with community expectations.
- **Consistency in reporting:** For easier comparison across energy businesses to identify performance on customer outcomes.
- **Increased transparency:** Disclosure to identify leaders and laggards in the sector to improve standards and outcomes for energy customers.
- **Engagement:** We will work with consumer advocates, industry, institutions and government to ensure the charter is appropriately targeted.

Assisting customers to manage energy costs

Over FY18 we continued to focus on developing products and services that minimise customers' energy costs and improve the transparency and clarity of their energy bills through a number of initiatives:

- **Online payment arrangements:** we recognise that customers who are experiencing difficulty paying their energy bills may be uncomfortable phoning our customer contact centres to arrange payment extensions due to their disinclination to reveal details of their personal circumstances. This can lead to high levels of customer debt and intervention from AGL. To support these customers, in February 2018 AGL released our online payment arrangements initiative. This initiative allows customers to request a one-off bill payment extension via My Account, eliminating the need for them to phone AGL customer contact centres. This function can also be used to arrange future payments bundled with arrears payments.

This has been well received by our customers. Within the first two months of release, thousands of online payment extensions were made, with no detriment to payment extension lengths, along with improvements in kept extensions.

- **Here to Help:** we estimated that collectively, our customers were missing out on around \$9 million worth of grants or concessions available to them. In January 2018 we launched a digital solution called 'Here to Help', which allows our customers to access information and applications for energy concessions, rebates and grants. Within the first three months of its release, over 4,000 customers had visited the 'Here to Help' site, hundreds of concessions have been applied to our customers' accounts, and more than one hundred grant applications have been made.

15. Digital interactions measured were Android App sessions, iOS App sessions, visits to the AGL website, interactions on AGL's social media channels, and interactions via AGL's webchat.

16. This net promoter score excludes July 2017 (as the score was not standardised at the time), and excludes Webchat.

- **PayMyWay:** PayMyWay allows customers to set up regular payment amounts (of their choosing) to proactively contribute to help manage their energy bills. Customers have responded well to this initiative, taking control of how they pay for energy, and reducing the instance of bill shock at the end of the quarter.
- **Bill smoothing:** In May 2017 we implemented improvements to our Bill Smoothing functionality which provides customers with greater flexibility on their payment preferences. The service allows customers to smooth out their estimated annual billing into predictable, regular intervals. Customers are able to select their payment date and frequency, and are provided regular updates on how their actual costs are tracking compared to their payment amount. Our bill smoothing plan has delivered significant improvements to the pre-existing product, specifically in customer experience and communications, system controls and business processes.
- **AGL Prepaid:** As outlined in the [Product innovation](#) section, in March 2018 we introduced a new way for our Victorian smart metered customers to manage their electricity consumption and costs with AGL Prepaid. This product allows customers to prepay an amount that suits them, when it suits them, and provides them with access to bonus credits based on their top-up amounts.
- **AGL Essentials:** Also as outlined in the [Product innovation](#) section, in FY18 we launched a new, low fixed-rate, digital-only energy plan available to Victorian residential customers, called AGL Essentials. This product offers fixed rates for 12 months and enhanced energy cost monitoring tools. This was also launched in Queensland, South Australia and New South Wales on 1 July 2018.
- **Energy plan online comparison tool:** Many of our customers are telling us that they find comparing different energy plans confusing, so we've delivered a tool to make it easier. 'Tool to Compare' lets prospective customers quickly assess whether an AGL electricity plan is more competitive than their current retailer's plan. It is also a valuable tool for current AGL customers, providing increased transparency and an easy way to be in control and make informed choices. AGL customers can use it to assess whether they are on the optimal AGL energy plan and whether they could save money by switching to a different AGL plan.

Innovative and convenient ways to pay bills and manage their accounts

As discussed in the [Energy prices and affordability](#) section, energy prices can comprise a major proportion of people's and families' living expenses. We have aimed to make it as easy as possible for our customers to manage their energy accounts, and pay their bills, by activating a number of industry-leading account management and payment options which have provided our customers with greater choice, flexibility and security:

- **My Account:** After its launch in FY17, an increasing number of customers continued to register for My Account, which offers customers improved visibility of their energy usage and various self-service options. As of June 2018, 44% of customers are registered for My Account, the AGL App and other digital services.
- **Variety of payment options:** Customers are making use of the variety of payment options available to them, with a 14.6% increase in the number of direct credit card payments made to AGL in the twelve months till May 2018. There also continues to be an increase in the number of customers opting to use AGL's digital billing capability, with over 50% of customer accounts (1.8 million) registered for e-billing at the end of June 2018, which represents a 10.9% increase during FY18. Customers can also now sign up for SMS Pay, which sends customers reminders when payments are due and which also seek authorisation from our customers for automatic payment. Further, our Pay Now Bank service allows customers to make one-off bank account payments via My Account or over the phone, potentially avoiding credit card merchant service fees. We also continue to offer customers access to PayPal, which provides secure, digital payments for customers who prefer to pay via an intermediary.
- **Monthly billing:** AGL further enhanced My Account to enable customers to select their preferred billing frequency and date, with the launch of the monthly billing feature. Launched in March 2018, this product further supports our ambitions to become a personalised energy retailer by providing an online feature that allows customers to design their own billing arrangement in a way that is most convenient to them. Customers can select either a bill date or a due date to align to their personal budgeting needs, such as aligning with their pay cycle.
- **AGL Easy Move:** Over the past year we've introduced market leading capability for existing and prospective customers moving home. AGL Easy Move has seen a 30% increase in the proportion of customers using our online channels to manage the changes to their energy accounts necessitated by moving house, delivering a seamless experience to over 15,000 customers to date. AGL Easy Move builds on our existing AGL Movers Guarantee by delivering the ability for customers to track online, in real time, the progress of connection to their new address from the day they book their connection with AGL right up to the day they move in.

Rewarding customer loyalty




It is important to AGL that our customers feel rewarded for their loyalty to us. We introduced My Rewards in March 2018, which provides customers with more direct access to AGL's rewards program through My Account. Customers are now able to track, manage and redeem a range of rewards, discounts and benefits online including lifetime history for AGL Flybuys points earned, energy plan discounts and credits, and access to a rewards catalogue with over 1,600 benefits.

Related Information

- [AGL Customer Charter](#)
- [AGL Dispute Resolution Policy](#)
- [Here to Help](#)

Product innovation

Provide a market-leading range of energy products and services that are accessible to our customers and that provide our customers with choice and value.

FY18 Target	FY18 Performance	Status
Leading by example by increasing the proportion of electric vehicles in our fleet to at least 10%.	Out of a total AGL fleet of 340 cars being used within the AGL business, 38 are electric vehicles, comprising 11% ¹⁷ .	Target met   
FY19 Target		
Increase in monthly average usage of My Account and AGL App: 30% as compared with 30 June 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. Energy customer preferences are moving away from basic services and having limited control, towards renewable energy, smart home technology and micro generation. Technology is enabling personalisation of service, and we are prioritising the rapid digitisation of our business in order to drive productivity and deliver greater flexibility in how we take our products and services to market. A fundamental aspect of our approach to innovation is developing products and services that are accessible to a broad cross-section of our customer base, particularly where these meet a specific customer need. We have a demonstrated track record of innovation and advocacy for new technologies and solutions including through offering smart metering, mobile management of energy usage, and electric vehicle charging.

During FY18, we focused on the following initiatives that demonstrate our innovative approach to product and service delivery:

- **Energy Insights:** In March 2017 we saw an opportunity to provide an industry-leading service to demystify energy consumption. We worked with customers, industry groups and advocacy groups to create a solution for our customers, and following dedicated customer research involving in-home behavioural interviews, a pilot with 3,000 Victorian smart-metered customers, surveys and feedback sessions, in May 2018 we launched an innovative digital reporting service, Energy Insights.

Energy Insights provides our customers who have smart meters with personalised, data-led estimates of how much energy was used by each appliance category over a given period, what it cost and how it contributed to their overall bill. These powerful insights help customers make informed decisions on their energy usage behaviours. Customers receive a personalised email, free of charge, that shows them how much energy is being used in each appliance category and gives them tips on how to reduce their usage, enabling them to make informed energy usage decisions.

- **Self Service Meter Read:** In April 2017 we launched a service to address customer concerns about estimated reads for gas and basic electricity meters. The Self Service Meter Read functionality allows customers to provide their own meter read to AGL at any stage of their billing cycle using the AGL app or My Account. Customers are able to immediately adjust an incorrect bill, provide a read to be used for billing,

17. This does not include 9 additional electric vehicles owned by AGL, which are currently being leased to third parties in Victoria.

or receive feedback on costs incurred to date and projected billing. This has received a very positive response by customers, and has led to a significant reduction in network special meter reads. In the 12 months to June 2018 we received around 345,000 self-service meter reads, and the number of special meter reads we have had to request from networks has dropped by nearly 33%, delivering vastly improved control into the hands of our customers.

- **AGL Essentials:** As indicated in the [Energy prices and affordability](#) section, our customer research revealed that many customers don't want to spend their time comparing their energy plans to alternatives available in the market, and many customers prefer a simple energy plan that offers the certainty of fixed rates. In response, we launched a new, low fixed rate, digital-only energy plan called AGL Essentials. It provides customers with increased peace of mind of knowing that their rates are fixed for 12 months, and offers the ability to monitor energy costs via an iPhone or Android app, affording customers increased understanding of their energy usage in real time.
- **Prepaid product:** AGL recognises that the uncertainty of energy bills can be stressful, particularly for budget conscious customers, and that the array of discounts on the market can be confusing. In response, we've developed a product that allows customers to prepay an amount that suits them, when it suits them. From March 2018, our Victorian smart metered customers can manage their electricity consumption through this new Prepaid product. Customers benefit from access to bonus credits based upon their top-up amounts, as well as a range of new consumption tracking and alert features.
- **New South Wales Demand response program:** In October 2017, AGL entered into a partnership with the Australian Renewable Energy Agency (ARENA) and the New South Wales Government to supply 20 MW of demand response in New South Wales, as part of the Short Notice Reliability and Emergency Reserve Trader (SN RERT) initiative by ARENA and the Australian Energy Market Operator, for the period 1 December 2017 to 30 November 2020. This project is designed to demonstrate the ability of behind-the-meter distributed energy resources to deliver dispatchable demand reduction and support reliability in the National Electricity Market. During FY18, 18 MW of demand response has been made available to the market by AGL's industrial, commercial and residential customers as per the agreed schedule to support grid reliability during extreme demand peaks.
- **AGL/Amazon partnership:** As an extension of AGL's commitment to giving our customers greater control over their energy use, in January 2018 AGL launched a series of offers in partnership with Amazon. This included offering Amazon Alexa voice control to AGL customers, which made it easier for them to manage their energy usage at home. These initial offers allowed AGL to grow our investment and knowledge in smart home technology and to unlock greater benefits for energy users, as our business model moves towards a more personalised experience.
- **Virtual Solar:** AGL is committed to helping more Australians harness the power of solar energy to lower their energy bills. In November 2017, we launched the AGL Virtual Solar pilot, which is an innovative trial in New South Wales that aimed to enable more people access savings through the use of solar power, especially customers who rented their homes, lived in apartments or otherwise could not install solar PV panels at their premises. Our AGL Virtual Solar pilot offers these customers a new way to access solar savings, via an AGL energy plan and solar subscription. We have had a positive response to this trial from our customers which has led AGL to further develop options relating to offsite solar with our customers. The pilot will continue to run for a further 12-months until April 2019 as we look to further understand from our customers what motivates them in relation to solar and its benefits.
- **Virtual Power Plant (VPP):** In August 2016, we announced the launch of AGL's innovative VPP, with financial assistance from ARENA. The VPP involves 1,000 connected batteries installed in homes and businesses in South Australia, providing 5 MW of peaking capacity and offering customers the opportunity to save on their energy bills. Participants in the VPP are able to use their home battery systems to store excess energy produced by their solar systems, allowing them to be discharged when they need it. This helps households draw less power from the grid, which can help them save on energy bills.

In March 2018, AGL entered into a supply arrangement with Tesla, SolarEdge and LG Chem to offer participants the opportunity to upgrade their home battery storage systems to some of the world's best technology from these companies. The upgrade of this residential VPP, which has more than 1.4 MW of battery capacity installed and operating, will increase its ability to help support the electricity grid at times of high energy consumption. The project is constantly evolving as we build on the knowledge we have gained from the operation of the VPP.

- **Solar energy trading technology peer-to-peer trial:** To improve our customers' energy experience, in FY17 we commenced investigating ways that customers could derive more value from distributed energy resources, including solar panels and battery storage. This has continued throughout FY18, and in July 2017 AGL commenced a 20-customer peer-to-peer trading trial in Adelaide, aimed at exploring the value to customers of sharing solar energy for financial and social gain by connecting them with their peers. This also enables them to make more efficient use of their solar power and batteries, and contribute to the decarbonisation of their community. The trial uses a prototype web application that enables customers to set their trading goals and connections, and to understand their household energy usage and trading activity with peers. This is another way that AGL is assisting customers who are not able to install solar PV panels on their homes to gain access to some of the advantage and benefits of solar power.
- **Electric vehicles (EVs):** We are striving to remove the obstacles to EV ownership and to drive the uptake of electric vehicles in Australia. In November 2016 we launched our 'all you can eat' capped energy plan, enabling EV drivers to charge their vehicle at home as much as they want for \$1 per day (including carbon offsetting). This has attracted around 300 customers to date.

From 9 June to 31 July 2017, AGL partnered with Tesla to offer our first AGL energy plan bundled with a third party global brand. During this promotional period, Tesla offered one year's free subscription to the AGL Electric Car Plan to 166 new car buyers.

Related information

- Virtual Power Plant



Ensure data security, and protect customer privacy by creating, collecting, managing, storing, retrieving and disposing of data safely and with integrity.

FY19 Target
Reportable ¹⁸ privacy incidents: 0
Notifiable data breaches realised by a material risk ¹⁹ relating to cyber security, data governance, or failure of internal controls: 0

As access to customer data, and data security more generally, take on increasing importance in our community, they have become the subject of particular focus at AGL. AGL strongly supports consumers having greater access to and control over data that directly relates to them. We consider that a well-designed regulatory regime should facilitate this access and control to allow customers to seek value from their data, while also preserving incentives for efficient investment and innovation in data from businesses, and fostering trust from the community in data use and privacy.

We believe that our customers should be provided with easy access to their own consumption data, and should retain direct control over who is permitted access to their data (other than regulated entities for market settlement and other regulated purposes). We also believe that the ability to harness insights from customers' data drives product and service innovation, which is in customers' best interests. For example, see discussion of our innovative Energy Insights product in the [Product innovation](#) section.

Strengthened privacy protections

FY18 saw changes to the *Privacy Act 1988* (Privacy Act) that introduced a new Mandatory Data Breach Reporting regime that took effect in February 2018. The changes replaced the voluntary notification system that previously existed, instead creating an obligation upon AGL (and other relevant entities) to notify the Office of the Australian Information Commissioner about any eligible data breach (as defined in the *Privacy Act*) that is likely to result in serious harm to the individuals affected by the breach.

AGL prioritises the appropriate treatment of customer data and information within the terms of the *Privacy Act*, and has set a target for FY19 that it will not have any reportable privacy incidents. To date, we have had no notifiable breaches under the new Mandatory Data Breach Reporting regime. We have also demonstrated our focus on this area in FY18 with the appointment of a full-time Privacy Officer, reflecting our recognition of increasing community expectations about privacy protections.

Customer data and transparency

AGL has publicly articulated its views in this context, including advocating for a number of clear principles as they relate to open access to data, through the public submission processes associated with the Federal Government's Review into Open Banking in Australia and the Productivity Commission's report on its Inquiry into Data Availability and Use.

18. 'Reportable incidents' as defined by the Office of the Australian Information Commissioner.

19. A 'material risk' as defined by the AGL Risk Framework.

This followed on from the formalisation of our Data Principles in FY17, which drove our focus and policy development in this area. These Principles articulate our approach to dealing with customers' data:

- AGL is committed to managing customer data⁶ lawfully and responsibly, and to protecting its unauthorised access.
- AGL will provide customers (and their authorised representatives) easy access to their energy consumption data.
- AGL will continue to develop products and services that enable customers to 'make sense' of their energy consumption data and better monitor and manage their energy use.
- AGL will use customer insights obtained from data to create innovative products and services for customers that will enhance the customer experience.
- AGL operates as a custodian of customer data and will ensure that customers retain control over who else is permitted access to that data (other than regulated entities for market settlement and other regulated purposes).
- AGL is committed to responsibly engaging with all our stakeholders (customers, investors, communities, policy-makers and employees) to ensure that our business, and the broader energy industry, continue to collect, use and protect customer data in a manner that is consistent with community expectations, and is in the best interests of customers.
- Any data access rule change should impose minimum obligations for data provision that include format standardization and data portability, but should not limit innovation or come at a cost to customers that does not realise sufficient benefits.

Further information including about how we comply with our legislative requirements can be found in the <AGL Privacy Policy>, and the **Strong and ethical governance** section of this report.

Data security and governance at AGL

We operate within a sophisticated data security framework and have implemented processes and protections to ensure data breach prevention. In particular, AGL's Cybersecurity Framework follows a risk-based approach for managing cybersecurity risks for critical infrastructure, which allows us to consider cybersecurity risk as a priority similar to financial, safety and operational risk, while factoring in larger systemic risks inherent in the context of critical infrastructure. The framework we have adopted enables the identification and appropriate treatment of high priority cybersecurity issues such as:

- appropriately valuing our data for both AGL and our customers, which then determines the best way to protect it
- managing access to AGL data, internally and externally, in order to ensure that access is limited to those parties who appropriately value data security
- providing guidance to people on the most appropriate ways to access their data
- identifying the most secure forms of data storage, and
- ensuring that AGL data is being continuously protected.

AGL's strict data security protocols operated successfully following a data security incident that impacted the data of one of our software suppliers, PageUp People, which AGL used to support our recruitment and employee career development processes. Following notification of the incident, AGL temporarily disabled access to our careers website, in order to minimise the impact of the incident on AGL's systems and data held by AGL. We were one of a number of companies and organisations that used PageUp People. AGL conducted a collaborative investigation of the incident, and a comprehensive assessment of its impact on AGL and its data. It revealed that the incident may have affected data relating to AGL's people and prospective employees, but not AGL's customers. AGL takes these matters very seriously, and protecting the data in our systems is of high priority.

Related information

<AGL Privacy Policy>



Stakeholders

To us, sustainability involves recognising that what's important to our stakeholders is important for us to meet our strategic imperatives. This requires genuine, effective engagement with all our stakeholders – including customers, the community, policy makers, investors, our people, and regulators.

This section focuses on:







- **Public policy engagement:** In a highly regulated industry such as the energy industry, government decisions have a significant influence on the way we do business, and the way in which we interact with and support our customers. It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. We are committed to the pursuit of evidence-based policy development, with a view to facilitating the development of sensible policy responses.
- **Stakeholder advocacy:** 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. We understand that the current state of energy market transition can lead to challenges, and we consider it important to understand the different views and perspectives held by our stakeholders.
- **Community engagement:** We are committed to making a net positive social, economic and environmental contribution to the communities in which we operate. Through our community

engagement activities, we seek to be a trusted and respected member of the communities in which we operate. Our corporate citizenship program, Energy for Life, supports the community through strategic partnerships, and provides a practical way for our employees to get involved in causes they are passionate about by participating in workplace giving, fundraising, and paid volunteering leave programs.

Material Issue

Public policy engagement

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

FY18 Target	FY18 Performance	Status
AGL will publish all material submissions in relation to public policy matters on the AGL Blog.	All material submissions in relation to public policy matters are published on AGL's blog, The Hub.	Target met   
AGL will annually disclose all groups which it is a member of that may influence public policy.	Memberships of industry associations are included in the Stakeholder advocacy section of this report.	Target met   
FY19 Target		
AGL will publish all material ²⁰ submissions in relation to public policy matters on The Hub.		
AGL will annually disclose its membership of groups which may influence public policy.		

As a supplier of an essential service to over 3.6 million customer accounts, 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 we interact with and support our customers.

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

We engage in 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 our projects. Our dialogue with governments occurs through face-to-face and telephone meetings, written policy submissions (both directly and via industry associations), attendance at events, and the provision of briefings.

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. Our submissions to government processes and research undertaken by our economists are published on AGL's public facing corporate content channel, The Hub (previously the AGL Blog).

20. Material submissions are those submissions that raise significant issues of public or regulatory policy, and which AGL's stakeholders could reasonably be interested in having access to.

Guided by our strategic imperatives of prospering in a carbon-constrained future and building customer advocacy, we have developed the following core policy pillars:

1. Driving customer centricity and choice
2. Promoting competitive platforms and innovation
3. Ensuring power system security and reliability, and
4. Integrating energy and emissions reduction

The connection between our strategic imperatives, our current priorities, and our policy pillars, are represented in the following diagram.



Prime Minister's Commitments

Following several reviews into the electricity market and external commentary regarding electricity prices, the Prime Minister Malcolm Turnbull requested a meeting with the Chief Executive Officers of several energy companies, including AGL's CEO Andy Vesey, on 9 August 2017. In a secondary meeting on 30 August, 16 commitments were agreed between the CEOs and the Prime Minister. The commitments included obligations to contact customers as well as a number of regulatory rule changes to improve the simplicity and transparency of information disclosure and affordability for concession and hardship customers.

As part of the commitments, AGL contacted around 150,000 customers on standing offer contracts and invited them to consider alternative market offers available to them.

AGL also contributed to the process of designing and testing solutions with customers on an industry-wide comparator metric. Specifically, AGL socialised a proposed price comparator with consumer and community groups and the Australian Energy Regulator (AER). AGL also undertook consumer testing of the Energy Price Fact Sheet for the AER as part of their Customer Price Information Review. The AER adopted a number of the findings of the customer testing in their proposed Basic Product Information Guide, including clear and transparent disclosure of the total cost of a plan with and without a discount.

Thwaites Review

The Victorian Government commenced its Review of the Electricity and Gas Retail Markets during 2016 with an Independent Panel releasing its final report on 13 August 2017 (Thwaites report).

The report made 11 reform recommendations including introducing a type of price re-regulation through a regulated 'Basic Service Offering' for all gas and electricity customers and the abolition of standing offers.

Other recommendations included improving the transparency of energy retailer marketing and contracts, strengthened consumer protection provisions, more assistance for vulnerable customers and the monitoring of the Victorian retail energy market by the Essential Services Commission.

AGL has supported initiatives to ensure retail competition is transparent, simple and fair, and made submissions to the Victorian Government both prior to and following the Thwaites report.

Integrating energy and emissions reductions policies

We have consistently highlighted the need for long-term and stable policy frameworks to drive reductions in greenhouse gas emissions from Australia's energy sector that are consistent with international efforts to limit global warming to no more than 2°C above pre-industrial levels.

As Australia's largest source of greenhouse gas emissions, it is expected that the electricity sector will be required to achieve significant emissions reductions over the coming decades to meet Australia's international commitments to reduce national greenhouse gas emissions by at least 26-28% by 2030 on 2005 levels.

The development of the National Energy Guarantee (NEG) as proposed by the Energy Security Board (ESB) for the COAG Energy Council has been a welcome step in this direction. AGL has provided input into the ESB's public consultations on the design of the NEG and will continue to advocate for bipartisan support on an emissions reduction policy that provides long-term certainty, in combination with public policy settings that facilitate reliable energy supply and that address customer affordability issues.

In addition to contributing to the design of the NEG, a key focus of our policy advocacy has been on clarifying what we consider to be the necessary elements of a policy suite to provide macro-level certainty to support required investment, enable efficient management of existing capital stock and support a community and energy market in transition.

As the <AGL Greenhouse Gas Policy> elaborates, we have made a strong commitment to a range of measures that will drive the decarbonisation of the energy sector, including the closure of all of our existing coal-fired power stations by 2050 and continued investment in new renewable and near-zero emissions technologies. This policy underpins a multifaceted approach to climate change and the associated risks.

AGL has expanded on these principles in submissions to parliamentary enquiries regarding the implications of climate change on national security, housing, buildings and infrastructure; in a submission to the future design of the Commonwealth Government's Emission Reductions Fund; and in submissions regarding infrastructure to support the uptake of automated and zero-emissions electric vehicles.

Ensuring power system security and reliability

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. We consider that the long-term decarbonisation of the electricity sector 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. As the generation mix changes, demand for system stability services (such as frequency, reactive power and inertia) will also increase, just as the traditional suppliers of these services exit the market.

The recommendations provided by the Independent Review into the Future Security of the National Electricity Market (Finkel Blueprint) provide a useful outline of the policy issues that the energy sector faces in this regard. AGL supports many of the Finkel Blueprint recommendations and much of our public policy engagement with government and policy makers has focused on exploring complementary measures that will enable the National Electricity Market to accommodate greater levels of variable renewable generation, while also maintaining system security and reliability.

Options include the introduction of incentives to ensure that new intermittent generation sources become 'firm' and dispatchable, and the use of existing and new supplementary markets to improve security, reliability and system resilience. Our submission to the Finkel Review and the packages of reform that have emerged from the Finkel recommendations elaborate on many of these principles.

The reliability component of the NEG also has the potential to address forecast capacity shortfalls. We have been working closely with policy-makers on the evolution of emergency and strategic reserves and the design of the reliability guarantee to ensure a lowest-cost outcome is implemented that still drives investment in the right mix of generation and leads to good reliability outcomes.

Promoting competitive platforms and innovation

As discussed in the [Product innovation](#) section, customers are seeking to exert more control over their energy supply arrangements than ever before. Australia leads the world with small-scale solar PV installations. Approximately 17% of Australian households have a solar PV system installed. Installations are expected to continue to grow and, as costs decline, are anticipated to increasingly be accompanied by the installation of a battery energy storage system. Digital meters, smart appliances, smart inverters and intelligent control systems are also entering the market. The emergence and increasing accessibility of these technologies are enabling a range of new energy service offerings by both traditional energy market participants and new entrants.

Through engagement with government and policy makers, we seek to ensure that customers retain choice and control throughout this transition. This includes promoting fit-for-purpose and transparent technology standards and connection processes for distributed energy services, advocating the careful design of network pricing frameworks to drive efficient network utilisation and efficient technology adoption, and supporting regulatory and market frameworks that promote competitive neutrality between different technologies, different suppliers and between existing and new energy resources. A key component of protecting the competitive landscape involves the effective ring-fencing of regulated monopolies.

In addition to allowing customers to more actively manage their own energy needs, distributed energy services are also giving rise to new kinds of demand-side participation and the potential to participate in dynamic programs which deliver system-wide benefits. As a result, the once linear supply chain is becoming increasingly decentralised and bi-directional. Through our policy engagement, we also seek to promote efficient use of decentralised resources to manage broader system needs and to examine the market and competitive frameworks required to enable those outcomes.

Driving customer centricity and choice

A fundamental principle that underlies all AGL's public policy engagement is keeping our customers central in all our decision making. While this is the approach we take to all aspects of energy policy, we also recognise that there are emerging issues of public policy not directly related to energy that we can contribute to for the benefit of our customers. For example, we recognise that concerns around social and economic inclusion are an important consideration in terms of their potential impacts both on the health of Australian society and the Australian economy, as well as on the sustainability of AGL's own operations.

Social and economic inclusion is fundamental to healthy, productive societies, and for ensuring that all citizens have access to affordable essential services. We are committed to working with all our stakeholders to improve social and economic inclusion within Australian society.

We support 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. Refer to the [Energy prices and affordability](#) section for further information on AGL's approach to supporting our customers, including those facing financial hardship.

Submissions

During FY18, we prepared a range of submissions to government and energy industry bodies across state and Commonwealth jurisdictions. These included submissions relating to:

Integrating energy with emissions reductions:

- The proposed National Energy Guarantee
- The Emissions Reduction Fund Safeguard Mechanism
- National Register of distributed energy resources
- State Climate Change Interim Targets
- Review of Carbon Farming Initiative and the Emissions Reduction Fund
- The Australian Government's role in the development of cities

- Current and future impacts of climate change on housing, buildings and infrastructure
- Implications of climate change for Australia's national security
- Inquiry into electric vehicles
- Vehicle fuel efficiency standards

Ensuring power system security and reliability:

- Introduction of five-minute settlement in the wholesale market
- Generator technical performance standards
- The proposal for an Inertia Ancillary Service Market
- The Reliability Frameworks Review
- Managing power system fault levels
- Declaration of lack of reserve of conditions
- The frequency control framework review
- Increasing the transparency of system restart plans
- Secondary trading of settlement residue distribution units

Promoting competitive platforms and innovation:

- The Network Service Provider Exemption Guidelines
- The Integrated System Plan
- Distribution Service Classification Guidelines and Asset Exemption Guidelines
- Electricity ring-fencing guidelines and waiver applications
- The scope of economic regulation applied to covered pipelines
- Alternatives to grid-supplied network services
- Abolition of the Limited Merits Review
- Reporting on drivers of change that impact transmission frameworks and the coordination of generation and transmission investment
- The demand management incentive scheme and innovation allowance mechanism
- Contestability of energy services
- Alternatives to grid-supplied network services

Driving customer centricity and choice:

- The Retail Exempt Selling Guideline
- Delay of metering competition in Victoria
- Energy sector strategic priorities
- The review in Open Banking in Australia
- Facilitating Access to Customer Data
- Customer notification of price variation

AGL has also made submissions to the Australian Competition and Consumer Commission's (ACCC) inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. Refer to the [Energy prices and affordability](#) section for further details.

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

AGL research

During FY18, AGL economists published a range of peer-reviewed research papers. Refer to the [Energy market evolution](#) section for a complete list of these papers.

Industry associations

We are a member of several industry associations including the Business Council of Australia, the Australian Industry Group, the Clean Energy Council, the Australian Energy Council, the Carbon Market Institute and Sustainable Business Australia. A broader list of memberships is also available in the [Stakeholder advocacy](#) section.

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. Our view may, of course, differ on some issues from those of the industry groups to which we belong. Where this occurs on material issues, we aim to ensure that stakeholders are aware of these differences of view.

During FY18, the key areas where our 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. There is also general agreement that Australia's climate change objectives are most efficiently managed at a national level, rather than by state governments developing jurisdictional targets and policies. There may, however, be some disagreement amongst these associations about the particular mechanisms to achieve these outcomes and the prioritisation of particular principles to guide the policy pathway, 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. Our Greenhouse Gas Policy states that a range of regulatory and market-based policies is likely to be needed to achieve decarbonisation and modernisation in the electricity sector.

Political donations

The community very reasonably expects that corporations 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.

We are committed to advocacy and engagement with governments that is evidence-based and transparent. All submissions to government inquiries are published on our website.

We adopted a Political Donations Policy in August 2015 which prohibits AGL from making political donations. The Political Donations Policy governs the actions of all employees, including Directors and officers of AGL Energy and its subsidiaries. Importantly, the policy covers both direct political donations and payments made to fund political campaigns.

No political donations (monetary or in-kind) were made during FY18, nor were any political donations made through third parties.

Related information

- <AGL Political Donations Policy>
- <AGL Code of Conduct>



Stakeholder advocacy

Maintain constructive relationships with our stakeholders so we understand the issues that are important to them and using transparent processes to make evidence-based decisions.

FY19 Target

AGL will publish social media posts in relevant social networks with an average target audience engagement of 1% per post

²¹.

We engage in constructive dialogue with our stakeholders to understand and respond to issues that are important to our people, customers, investors, suppliers and partners, regulators, landowners and the wider community. It is our aim to have strong and productive relationships with our stakeholders such that they know that we listen to them, pay authentic consideration to any concerns raised, and use transparent processes to make evidence-based decisions. We like to see our stakeholders choosing to work productively and side by side with us, and we treat our stakeholders with respect so that they choose to advocate for AGL where appropriate.

A summary of the key issues for each of our stakeholder groups is provided below, along with an outline of how we engaged with each group during FY18, and the planned outcomes of that engagement.

AGL's Stakeholder Advisory Council which was established in FY17 and chaired by our CEO and Managing Director, Andy Vesey, continued to meet throughout FY18. The primary function of the Council is to engage with and, where relevant, challenge the thinking of, our senior management on effective strategies to manage our business in a responsible, ethical and sustainable manner. External members of the Council were selected to provide expertise across the investment, customer, social services, civil

society, government and environmental fields. Council meetings are also attended by a representative from Deloitte, AGL's current financial and non-financial auditor.

The Council met twice during FY18, and provided constructive input on several matters, including:

- AGL's approach to rehabilitation and transition following our staged closure of coal-fired power stations, and to our decision about the planned closure of the Liddell Power Station more specifically. Refer to our [Power station transition and closure](#) section for further information.
- AGL's approach to conducting its materiality review. This was taken into consideration in the course of the independently-facilitated materiality review that was conducted in FY18. See the [Materiality](#) section for more information.
- AGL's performance against the sustainability targets set for FY17, with particular emphasis on areas where AGL did not meet its targets, including the rationale for AGL's targets and how some were reframed in FY18 as a result.
- How AGL addresses energy affordability issues being faced by our customers.

21. Social engagement rate is measured by the sum of interactions (likes/comments/shares/clicks) on a social 'post', divided into the number of times that post was displayed to an audience (impressions). The relevant social networks are Twitter, Facebook, LinkedIn and Instagram.

Key issues for our stakeholders / How we engage with our stakeholders and what we hope to achieve

AGL people	
<p>To remain competitive, we need a high performance and anticipatory culture where people demonstrate our core values of safe, sustainable, inclusive and focused, and are engaged, accountable, empowered, recognised and rewarded.</p>	
Key issues	How we engage
<p>The key issues for our people include: workplace safety; career development and training; appropriate remuneration and recognition (including enterprise bargaining agreements); personal wellbeing; and a fair, equitable and inclusive workplace.</p>	<p>AGL Enterprise Leadership Team (consisting of Executive Team members and their direct reports) forums are conducted throughout the year to discuss key priorities, projects and goals of each business group. Twice-yearly Town Halls are also held to enable AGL's Executive Team to share information with AGL people and invite conversation.</p> <p>Networks such as AGL Equality and AGL Shine provide opportunities for our people to support the development of a diverse and supportive workplace culture, and Let's Talk lunchtime sessions held at our major offices provide opportunities to explore business priorities and community issues at a more in-depth level.</p> <p>We also prioritise engagement with our people about their safety and wellbeing. Refer to the Health and safety section for information about HSE Walks and Technical Interactions.</p> <p>The key purpose of these engagement activities is to ensure that our people understand our strategic direction and are engaged and safe in the workplace.</p>
Investment community	
<p>In addition to our periodic and continuous disclosure obligations, we engage with the investment community about the financial and non-financial risks and opportunities that may influence the company's performance and growth in the longer term.</p>	
Key issues	How we engage
<p>Investors are increasingly interested in our response to environmental, social and governance risks, and this often influences their investment decisions.</p> <p>The two main environmental, social and governance issues that investors raised in FY18 related to managing the political and regulatory landscape of the energy industry, including the impact of changes in regulatory policy; and how AGL is transitioning to a lower carbon emissions future via our long-term commitments to exit coal-fired generation and the increasing development of renewables.</p>	<p>We regularly engage with both retail and institutional investors. The Annual General Meeting provides all shareholders with the opportunity to raise questions concerning business performance, strategy and conduct, as well as vote on executive and Board remuneration and other matters affecting shareholders.</p> <p>We hold investor briefings each year, which are broadcast live and archived on the AGL website. These include AGL's half-year and full-year results as well as detailed strategy briefings and site visits. In addition, we participate in broker-hosted conferences and undertake regular road-shows to engage with institutional investors in Australia and overseas, which in FY18 included Asia, the United Kingdom and United States.</p> <p>We participate in investor surveys focused on ESG performance, including the CDP Climate Change Program, MSCI and Sustainalytics, which the investment community uses to facilitate informed investment decisions.</p> <p>We undertake a semi-annual qualitative and quantitative survey of the perceptions of equity institutional investors and analysts conducted by an independent third party, which enables these stakeholders to provide unattributed feedback on AGL's Board, management, strategy, financial performance, disclosure and communication. Feedback from these surveys is used to guide AGL's strategy.</p> <p>The key purpose of AGL's engagement with the investment community is to support AGL's compliance with its continuous disclosure obligations as an ASX-listed business, facilitate</p>

AGL people	
	investor understanding of our strategic direction and understand and respond to investor concerns about our business or our industry more generally.
Government	
Our 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.	
Key issues	How we engage
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.	<p>We engage in 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. Further information is available in the Public policy engagement section.</p> <p>Where possible, we use 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 Hub.</p> <p>During the year, we also engaged the following firms for strategic, communications and policy-related advice:</p> <ul style="list-style-type: none"> • Newgate Communications • Hawker Britton • FutureEye • Cato Counsel • Bespoke Approach • Professor Graeme Samuel AC • Barton Deakin, and • Utting Research. <p>Consistent with our Political Donations Policy, we do not use third parties to make direct or indirect political donations. Refer to the Public policy engagement section for more information.</p> <p>The key purpose of our engagement with governments is to inform public policy development with a view to maximising the benefits to our customers, shareholders, and the communities in which we operate.</p>
Regulators	
Regulators are responsible for economic regulation and monitoring compliance against jurisdictional and national energy regulations, as well as environmental regulation. Regulatory decisions can have a significant impact on our business.	
Key issues	How we engage
The key issues for regulators include reliability and affordability of energy supply; efficient investment in utility infrastructure; compliance with consumer protections and	We engage with regulatory bodies in New South Wales, Victoria, Queensland, South Australia, Western Australia and the Australian Capital Territory, and national bodies such as the Australian Competition and Consumer Commission, the Australian Energy Regulator, the Australian Energy Market Operator and the Australian Energy Market

AGL people	
<p>other parts of the regulatory framework; and compliance with environmental licencing and other requirements.</p>	<p>Commission, including through direct engagement and activities undertaken as part of industry associations.</p> <p>The key purpose of our engagement with regulators is to inform regulatory developments with a view to balancing the needs of our shareholders, customers and the communities in which we operate. Engaging with regulators also provides us with valuable feedback on our performance, and we also benefit from the expertise of regulators in understanding emerging issues.</p>
Investment partners, joint ventures and suppliers	
<p>We have a range of investments in electricity generation and retail operations.</p>	
Key issues	How we engage
<p>We have business relationships with investment partners and suppliers, including, significantly, through the Powering Australian Renewables Fund (PARF).</p>	<p>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 Board representation on PARF, ActewAGL and other relevant industry bodies.</p> <p>During FY18, we continued to utilise our Lender Code of Conduct questionnaire, which is issued to banks for optional completion alongside a debt facility invitation. The questionnaire covers issues such as corporate governance, ethical behaviour, risk management, labour practices, human rights, non-discrimination, health and safety, environmental management, community and supply chain. The questionnaire was broadly well received particularly by those banks who have a strong commitment to their own ESG policies. All lenders completed the questionnaire with varying degrees of robustness in reporting. AGL subsequently followed up with those identified as having a lesser focus on ESG, to enquire about steps being taken to address this. Some banks that had completed the questionnaire in previous years, were able to report on their progress and improvements implemented in the interim. AGL has plans to incorporate a similar process for future capital markets transactions where appropriate.</p>
Energy industry and industry associations	
<p>We play an active role in leading industry support for renewable energy and climate change initiatives, as well as the need to ensure reliable and efficient energy infrastructure and markets.</p>	
Key issues	How we engage
<p>The business impacts of energy policy are a primary concern for the Australian energy industry.</p>	<p>During FY18, AGL participated in several industry associations. Where AGL has paid fees to these organisations, the amount paid is indicated in parentheses.</p> <ul style="list-style-type: none"> • Business Council of Australia (\$75,000) • Australian Industry Group (\$27,000) • Clean Energy Council (\$55,500) • Australian Energy Council (\$363,000) • The Carbon Market Institute (\$8,000) • Sustainable Business Australia (\$15,000) • Committee for Economic Development of Australia (\$38,431) • Australian Financial Market Association (\$3,550)

AGL people	
	<ul style="list-style-type: none"> • Australasian Investor Relations Association (\$9,220) • Group of 100 (\$7,500) • Financial Executives Institute of Australia (\$5,700) • Alliance to Save Energy (\$15,000) • Green Building Council (\$23,500) • Committee for Gippsland • Gippsland Regional Executive Forum • Corporate Tax Association (\$14,000) • Diversity Council Australia (\$5,881) • Energy Efficiency Council (\$8,120) • IAP2 Australia • Global Compact Network Australia (\$10,417) • Australian Direct Marketing Association (\$10,127) • Business SA (\$6,063) • Energy Web Foundation <p>We do not make separate payments to these associations for specific projects related to influencing political campaigns. 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.</p> <p>Importantly, we do not always agree with the policy positions these associations take, and we aim 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.</p> <p>The key purpose of our engagement with associations and think-tanks is to develop mutually beneficial agreed positions on relevant issues, with a view to maximising the benefits to our shareholders, customers and the communities in which we operate. Such engagement also allows us to receive feedback on our performance and to benefit from the expertise of these organisations in understanding emerging issues.</p>
Customers	
<p>To maintain and improve market share within Australia's highly competitive energy market, it is essential that we listen and respond to customer feedback and constantly seek to improve the level of customer service that we provide. We aim to work collaboratively with governments and the community sector to support customers who are having trouble accessing affordable energy.</p>	
Key issues	How we engage
<p>Customers are concerned with the cost of energy and deriving value for the money they spend on energy products; being rewarded for their loyalty to AGL; understanding their energy bills; and the ease of accessibility of energy products and services and of interacting with AGL.</p>	<p>The AGL Customer Council meets on a quarterly basis to discuss a wide range of matters that affect our customers and the communities in which we operate.</p> <p>An important event in FY18 was AGL's first Customer Appreciation Day, where people from various parts of AGL's business took the opportunity to call over 1400 of AGL's customers to thank them for being with AGL. The Customer Markets Leadership team also took the opportunity to visit some of AGL's important business customers in Victoria, which was a valuable way for AGL to connect with our customers, become familiar with our business customers' business operations, and better understand our customers' energy usage.</p> <p>The AGL Community allows the community to connect with us and contribute and collaborate on any matter relating to energy. Other feedback mechanisms available to</p>

AGL people	
	<p>customers include an online information request facility and social media such as Twitter and Facebook.</p> <p>We have a team dedicated to engaging with customers over social media platforms. We have seen an increase in the average engagement rate of all AGL on-page social content in Facebook and Twitter from 1.6% in FY17 to 2.1% in FY18. There was a large increase in the number of our responses to social media comments and online feedback, from over 16,000 comments in FY17 to over 35,000 in FY18. Satisfaction⁹ from customers communicating via these channels is still high (albeit slightly reduced from FY17 at 79%), and as at June 2018 was 67%.</p> <p>We prioritise engaging directly with our customers at various stages of their interactions with us through face-to-face interviews and meetings with our customers. Over FY18 this included:</p> <ul style="list-style-type: none"> • customer feedback sessions prior to the launch of certain products, to allow AGL to take these views into account in launching the particular products • design sprints in which customers' feedback was used to inform the design of particular products and services, and • a dedicated series of interviews that AGL conducted with select customers on such issues as their perceptions of the energy industry more generally, their perspectives on the way the energy industry is presented in the media, their views on the level of service they were getting from AGL and whether that represented good value for money, and their views on how the energy sector was likely to evolve in the future. Through these conversations we gained valuable insight to our customers' experiences, and provided an important opportunity for AGL people to develop a sense of empathy for and identification with our customers. <p>As part of our Voice of the Customer satisfaction program, we also undertook nearly 1,500,000 retail customer surveys during FY18. Surveys were conducted by email, phone and automated after-call survey methods, and covered our key customer facing areas, such as inbound Customer Services, our digital channels, and Solar teams. Feedback received from our customers in FY18 was used to inform and improve the customer experience, and to create products and services that are better aligned to our customers' needs. For example, customer feedback highlighted the need for products and services that enabled customers to independently manage their energy accounts to a greater extent. The AGL Customer Charter outlines our commitment and timeframes for responding promptly to phone and written enquiries. Our Customer Advocacy team also deals directly with customer concerns.</p> <p>Account management and engagement with our 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.</p>

Local communities	
<p>Effective engagement with the community on development projects is vital to our long-term success. We can only deliver and operate projects with the respect and support of the community by transparently engaging with the community at every stage of the development process.</p>	
Key issues	How we engage
<p>The key issues for local communities include the local environmental, social and economic impacts of developments and infrastructure.</p>	<p>We engage with local communities as part of the development approval and construction processes for each major project. Detailed information on individual energy projects is provided on our website.</p>

AGL people

See the [Community engagement](#) section of this report for further detail on the most significant issues that we engaged with local communities about over FY18.

Community Dialogue Groups (CDG), sometimes operating as Community Consultative Committees, are in place for a number of projects, including the Coopers Gap Wind Farm, the Silverton Wind Farm, the Macarthur Wind Farm, the Camden Gas Project, the Newcastle Gas Storage Facility, AGL Macquarie and AGL Loy Yang. A CDG for AGL Torrens is in the process of being established. Each CDG is chaired by a chairperson (who is remunerated by AGL) and includes local council or government-appointed representatives, local residents, local indigenous community members, local environment groups and AGL representatives.

We also use social media to communicate and engage with the community. The AGL Blog has been a forum for providing timely and accessible information to interested stakeholders on a broad range of issues, such as AGL's customer-focused initiatives, key external presentations by our people, published research, and evolving energy policies. The blog is updated frequently, with 191 blog posts by AGL contributors in FY18. The blog had over 26,400 users and over 62,800 page views during FY18. This represented a 17.5% increase in users and a 20.14% increase in page views over the past year. In June 2018 the AGL Blog was refreshed and re-launched as [The Hub](#).

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

Non-government organisations (NGOs)

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

Key issues

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

How we engage

AGL engages with a number of environmental NGOs to enable discussion and constructive dialogue on a range of issues relating to climate change and carbon policy. Areas of interest over FY18 have included AGL's plans for a staged exit from coal fired power generation, particularly our plans relating to the Liddell Power Station; the Victorian EPA brown coal-fired power station licence review; government policy and program implementation; public areas of concern; and international policy processes.

Community engagement

Work side by side with local communities to develop mutually beneficial energy projects.

FY18 Target	FY18 Performance	Status
AGL will host at least four community events for each operational/development site ²² to allow for community views to be raised and discussed in public ²³ .	At least four events were held at each site, as detailed in the table in the Community engagement section.	Target met
Employee Volunteering participation rate of AGL's Enterprise Leadership Team: 90% (head count basis).	Employee Volunteering participation rate of AGL's Enterprise Leadership Team: 68% (head count basis)	Target not met
FY19 Target		
AGL will host at least four community events for each operational/development site ²⁴ to allow for community views to be raised and discussed in public ²⁵ .		

How we engage with the community

We strive to make a net positive social, economic and environmental contribution to the communities in which we operate.

Our aim is to be a trusted and respected member of the community. After implementing a new Community Engagement Policy in FY17, we continued to prioritise improving our approach to community engagement throughout FY18, commencing the implementation of a community engagement standard and completing the deployment of a consistent community complaints and feedback process. This process ensures that community members receive timely and transparent responses to complaints regarding AGL assets and operations. The standard aims to ensure that AGL

responds to and addresses issues quickly, harnesses insights, anticipates future issues and that the process for complainants is simple. AGL's complaints framework was reviewed and endorsed by the National Windfarm Commissioner and other state-based agencies and regulatory bodies.

As we seek to continuously improve the impact of our engagement, the staged implementation of a community engagement standard is supporting the delivery of consistent practices across AGL's diverse portfolio of physical assets.

22. 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.
 23. This target applies to operational/development sites located within a distance of 5km, by road, of a residential community comprising at least 250 people, excluding operating facilities that generate less than 0.1 TWh/pa (based on FY17 generation figures). Notwithstanding the above restrictions, this target also applies to AGL Macquarie, Newcastle Gas Storage Facility, Silverton Wind Farm and Coopers Gap Wind Farm.
 24. Given the relatively close proximity of AGL's hydroelectric schemes to each other, these sites are together considered as a single site for the purposes of meeting this target.
 25. This target applies to operational/development sites located within a distance of 5km, by road, of a residential community comprising at least 250 people, excluding operating facilities that generate less than 0.1 TWh/pa (based on FY18 generation figures). Notwithstanding the above restrictions, this target also applies to AGL Macquarie, Newcastle Gas Storage Facility, Silverton Wind Farm and Coopers Gap Wind Farm.

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

- holding regular Community Consultative Committee (CCC) or Community Dialogue Group (CDG) meetings in many of our project areas
- sharing information about our assets, and being available to answer questions on our 24-hour community complaints and feedback hotline and in the community
- hosting community events and site tours
- holding public information sessions
- undertaking regular letter box drops to inform local residents of our activities, and
- publishing electronic newsletters and community updates in local newspapers, on social media and on our website.

During FY18 we set ourselves a target to host at least four community events at each operational or development site to allow for community views to be raised and discussed in public. We met this target, as outlined in the table below ²⁶.

Site	Number of events held in FY18
AGL Loy Yang	35
AGL Macquarie	9
AGL Torrens	22
Broken Hill Solar Plant	4
Camden Gas Project	6
Coopers Gap Wind Farm Project	11
Hallett wind farms	6
Hydro power stations (combined)	7
Macarthur Wind Farm	8
Newcastle Gas Storage Facility	6
Nyngan Solar Plant	6
Oaklands Hill Wind Farm	5
Silver Springs Gas Storage / Wallumbilla LPG Plant	4
Silverton Wind Farm	8
Crib Point	36
Wattle Point Wind Farm	5

Another important area of engagement that gained focus in FY18 has been in the area of indigenous engagement. The AGL Indigenous Engagement Working Group formed in FY17 for purposes including increasing awareness and appreciation of indigenous culture across AGL, and creating a sense of inclusion and cultural safety for indigenous employees and employees interested in indigenous affairs. The Working Group has been responsible for managing activities and significant events across AGL celebrating indigenous culture and history such as National Reconciliation Week and NAIDOC Week. This has involved engagement by the Working Group with indigenous elders about the most appropriate ways in which to do this. This has extended to AGL's sponsorship of Aboriginal football

and netball carnivals in South Australia in partnership with the Kurna and Narrunga communities.

It is our intention to formalise our approach to indigenous engagement in FY19 through the development of a Reconciliation Action Plan. This will constitute a business plan which will inform our stakeholders and shareholders of AGL's long-term commitment and contribution to indigenous reconciliation.

Key issues of importance to communities over FY18

We set out below some of the key issues about which we have engaged with local communities during FY18.

Energy transition

It is important that as the energy system transitions to new, more sustainable technologies, the communities involved in carbon-intensive energy generation are supported to diversify into new sources of prosperity and opportunity.

In Victoria, the sudden closure of the Hazelwood power station brought to an end significant sources of employment in the area. AGL joined the Victorian Government's Hazelwood Worker Transition Scheme to create opportunities for skilled workers to apply for roles at AGL's Loy Yang mine and Loy Yang A Power Station. AGL is also supporting collaborative efforts with local partners from the academic, business and not-for-profit sectors to further develop the region's skill base and help diversify the Latrobe Valley's economy.

Some of these projects include our Collaboration Agreement with Federation University which saw the establishment of an Enterprise Development Program. This program allowed suppliers and small businesses affected by the closure of the Hazelwood power station the opportunity to take part in a five-day business course through Federation University aimed at helping these businesses grow and diversify.

AGL has also partnered with Landcare to deliver a Managing Sustainable Farms Using STEM pilot program. This program is designed to introduce high school students in years 7 to 10 to sustainable land management and the ways that science, technology, engineering and maths are used to run a profitable farming enterprise.

In the Hunter Valley, AGL continued to support the Hunter Energy Transition Alliance in FY18, in partnership with the University of Newcastle, local and state government partners. The Alliance supports research and collaboration on achieving economic diversification to mitigate negative social impacts of the energy transition on local Hunter Valley communities. The Alliance will assist with AGL's assessment of expressions of interest received as part of the Liddell Innovation Project. Refer to the [Power station transition and closure](#) section for more information.

Review of air emissions from coal-fired power plants

Environmental regulators in both New South Wales and Victoria commenced reviews of air emissions from coal-fired power stations during FY18. In New South Wales, the EPA is conducting a review of existing air pollutant regulatory requirements, emission

26. The Dalton Power Project was not considered to be an operational or development site for the purposes of this target because we withdrew our application to extend the approval we had received in relation to this Project in response to community concerns. Similarly, the Gloucester Gas Project was not included in the target this year because we announced in February 2016 that we would not proceed with the Gloucester Gas Project, following which we are rolling out an extensive decommissioning and rehabilitation program for the well sites and other infrastructure.

monitoring and estimation and reporting practices for New South Wales' coal-fired electricity generation sector.

In Victoria, the EPA is conducting a licence review for coal-fired power stations and examining whether new limits for oxides of nitrogen (NO_x), sulphur dioxide (SO₂), carbon monoxide (CO), mercury (Hg), coarse particles (PM₁₀) and fine particles should be imposed.

AGL has upgraded its own monitoring systems across its coal-generation fleet to install Continuous Emissions Monitoring System technology, ensuring accurate data is available to inform these processes, and improve monitoring and reporting.

Through both reviews, AGL has sought to engage openly with interested community stakeholders, and will continue to participate constructively in these regulatory processes to ensure emissions limits are appropriate and that the industry meets or exceeds environmental standards.

Liquefied natural gas (LNG) import jetty at Crib Point

AGL is progressing plans for an LNG import jetty at Crib Point in Victoria. We have engaged with local residents and interest groups since the announcement of Crib Point as the preferred location to ascertain the sentiment of the local community towards the project and to identify issues of concern with the proposed development.

Community consultation sessions included regular project presentations, community drop-in sessions and public meetings, with individual project briefings provided to 24 local community groups. AGL has incorporated community views into our planning, for example, background noise monitoring has been extended to French Island and additional mainland areas following suggestions from the community to this effect.

Further, AGL published draft environmental assessment reports on the project website before they were finalised. Community members, environmental groups and science-based research organisations were invited to provide feedback on the reports in advance of submission. AGL is also funding an independent peer review of technical work being organised through Balnarring residents, and has invited Save Western Port, and Westernport and Peninsula Protection Council, to participate.

As in all areas where AGL operates, community members are able to access discounted electricity and gas offers. Further, a community support fund has been approved to deliver benefits to local communities should the project proceed.

Leaving a positive legacy

After announcing its intended departure from the Gloucester region in New South Wales, AGL established a \$2 million Independent Community Legacy Fund to contribute to sustainable economic development, education, employment and social resilience in that region. The independent panel has now fully allocated the \$2 million from the Fund to 12 successful applicants, supporting the establishment of more than 70 new full time equivalent roles and a STEM partnership program at the local high schools in the Gloucester region.

Supporting the community through strategic partnerships

AGL's corporate citizenship program, Energy for Life, is an important way in which we partner with the community. Established in 2003, Energy for Life supports 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, fundraising, and paid volunteering leave programs.

AGL has invested more than \$3 million over 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, in FY12 we 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 for more information).

- **The Smith Family:** Sharing the belief that education has the power to transform lives and break the cycle of disadvantage, over FY18 we:
 - supported the education of 340 school-aged children from disadvantaged backgrounds through The Smith Family's Learning for Life program
 - contributed nearly \$220,000 to The Smith Family under our partnership agreement, and
 - provided the opportunity for our people to 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, together with St Vincent de Paul we developed 'Energy Advice Packs'²² containing information and advice for households about available support, retailer hardship programs and simple tips to save energy around the home. In FY18, we contributed over \$350,000 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. Over FY18 we continued to provide funding for Cancer Council Australia's Financial Assistance Program, which provides grants to families affected by cancer to help cover necessary living costs. In FY18, we contributed \$27,500 to Cancer Council Australia under this partnership agreement.

In addition, as part of our commitment to promoting safety in the workplace and home, in FY12 we 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, we continued our partnership with the Julian Burton Burns Trust over FY18 to support burn prevention and education

22. Energy Advice Packs are updated periodically. Visit the [The Hub] for the most recent version of the packs.

through South Australia's BurnSafe Schools Program. In FY18, we contributed \$19,250 to Julian Burton Burns Trust under this partnership agreement.

AGL's six-year contracts with each of its strategic charity partners ended on 30 June 2018. Over the course of FY18 we undertook a review of our options for utilising Energy for Life funds in FY19 and beyond. Following the review, the decision was made that from FY19, Energy for Life would support two key initiatives:

1. AGL will continue to support The Smith Family due to the strategic alignment between AGL's work in social and economic inclusion and The Smith Family's work in breaking the cycle of poverty through improving education outcomes for young people.
2. AGL will operate the Powering our Community Solar Fund from FY19. Under this new initiative, AGL employees will be able to nominate local community groups to receive an AGL-donated and installed solar system. An employee-based committee will select the most worthy entries based upon their contribution to social and economic inclusion. By directing funds to this initiative, AGL will be able to maximise local community engagement and encourage employee support for local community organisations.

Employee contributions to local communities

Employee volunteering

AGL's 'Employee Volunteering' program gives our people the opportunity to take one day of paid volunteering leave every 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 our people, promoting teamwork and building morale.

Our people can take volunteering leave in a variety of ways, including getting involved in team projects, pursuing individual interests and participating in AGL-led initiatives. For example, in FY18 AGL Torrens staff worked with Conservation Volunteers Australia in two clean-ups at Torrens Island, resulting in the removal of 591 kilograms of marine debris. AGL Camden staff participated in the CleanUp Australia – Business CleanUp Day by cleaning up over two kilometres of roads. This resulted in the collection of 3m³ of waste for disposal or recycling.

Also in FY18, AGL's Executive Team spent its volunteering day with Oz Harvest, creating 160 meals for people in need. In June 2018, AGL Executive General Manager Melissa Reynolds, and General Manager AGL Loy Yang Steve Rieniets, participated in the Vinnies CEO Sleepout, raising funds and awareness about homelessness in Australia.

We set ourselves a target for FY18 to achieve an Employee Volunteering participation rate of 90% among AGL's Enterprise Leadership Team (head count basis). Disappointingly, we fell short of this target, with 68% of the Executive Leadership team recording a volunteering leave day. It was encouraging, however, to see that overall employee participation rates increased 4% to 20%. We are proud that this represented 5,052 hours being given to the community by our people.

Employee Giving and fundraising

FY18 saw some exciting changes to AGL's Employee Giving and fundraising program. In April 2018, AGL launched a new Employee

Giving and fundraising program called Power to Give. This program allows AGL people to donate and fundraise for hundreds of charities on an online platform provided by GoodCompany.

This new system replaced AGL's previous payroll-based employee giving system, which restricted employee donations to the twelve charity partners that AGL had until April 2018²³.

The objective of opening up AGL's Employee Giving and fundraising program was to build advocacy and engagement with AGL employees, to empower employees to give to charities they are passionate about, and to show employees that AGL is a workplace that supports its people and the causes they are passionate about. Power to Give has received a positive reception from our people. In the first two months following its launch, AGL employees donated to 46 new charities.

AGL matches all donations up to \$5000 per employee per year. The Power to Give platform also enables AGL people to create their own fundraising pages to raise funds for charities on the GoodCompany platform, which AGL matches, up to \$1000 per fundraising page.

Prior to AGL moving to the Power to Give platform our Employee Giving participation rate was steady at 8.37%. The Power to Give platform was an 'opt in' program so while participation rates dropped to 5.7% at the end of FY18, this represented an increase since the platform was launched in April 2018 when the rate dropped to 4.6%. Donations through the Employee Giving program increased to over \$228,600 in FY18 (including donations from our people and AGL's matched donations), up from \$183,000 in FY17.

Donations from fundraising decreased in FY18 to \$40,739 (which includes the amount matched by AGL) from \$103,600 in FY17, due to AGL temporarily pausing company-wide fundraising events prior to the launch of the Power to Give platform. However, our people have demonstrated their interest in fundraising via the Power to Give platform so we expect donations from fundraising to increase again during FY19.

Economic contributions to local communities

We invest in the communities in which we operate through local procurement, local employment opportunities, and a structured program of community investment. We recognise that these activities can assist communities to thrive, and we are committed to contributing to the ongoing success of these communities.

Our community investment activities encompass cash grants, contributions and in-kind support. Community investment priorities are determined through external community consultation, an understanding of the demographic profile and needs and aspirations of the communities in which we operate, operational project plans and identification of project-related and cumulative impacts.

We are evolving our community investment program with a strong focus on shared value outcomes, so that our investment responds to both community needs and aspirations and our strategic business direction. At both the Silverton and Coopers Gap projects, AGL is delivering an energy benefit to project neighbours by providing a solar PV system and water tank to interested neighbours within

23. These charity partners are 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.

a reasonable distance of the project boundaries. We have also rolled out a community electricity and gas discount offer for all communities which host AGL assets.

Our community investment (including cash, volunteering and in-kind contributions) in FY18 has been valued²² at \$4,269,171 comprising \$3,870,390 in cash donations and \$412,165 in time.

In addition to local energy benefits, we break down our community contribution according to the three specific program areas of AGL's corporate citizenship program, Energy for Life. These specific program areas are employee volunteering, employee giving and strategic partnerships. We also provide financial support to the local communities in which we operate through AGL Community Funds, other local community initiatives, contributions arising from key retail and corporate sponsorships, and other charitable donations.

Visit the [data centre](#) for a breakdown of our community contributions by program area, charitable cause and motivation for investment.

Related information

[AGL Asset Map](#)

22. Until FY12, AGL was a member of the London Benchmarking Group (Australia and New Zealand) (LBG) and used the LBG model to value community contribution. Since FY12, AGL has continued to use the methodology from FY11 to allow comparability and trend analysis.



People

Our people are our greatest assets – that’s why we’re investing in making AGL a great place to work. Our AGL values act as an ethical compass for our workplace culture, and guide the conduct of all people who work for us – whether directors, employees, contractors or suppliers. We recognise that a safe, sustainable, inclusive and focused workplace culture, supported by strong ethics and governance, sets AGL up to successfully deliver against our strategy.

This section focuses on:

- **Workplace culture and talent:** We are focused on attracting, developing and retaining the right talent to build an anticipatory, engaged, inclusive and performance-driven culture.
- **Strong and ethical governance:** We recognise our responsibilities to all our stakeholders to conduct our business honestly, transparently and ethically, and in accordance with best practice corporate governance principles.
- **Health and safety:** Led by our value of ‘safety and beyond’, we are committed to providing our people with a safe and healthy place to work.
- **Contractor and supplier management:** We manage our contractors and suppliers to ensure that they deliver according to our high standards of performance and ethics.

Material Issue

Workplace culture and talent

Attract, develop and retain the right talent to build an anticipatory, engaged and inclusive culture.

FY18 Target	FY18 Performance	Status
Employee engagement score: ≥ 75%	We did not conduct an employee engagement survey in FY18. We will adopt a new model for measuring the health of our workplace culture and employee engagement in FY19.	Target not met
Key talent retention: ≥ 80%	Key talent retained: 81%	Target met
Women in the Senior Leadership Pipeline ≥ 40% (due FY19)	Women in the Senior Leadership Pipeline: 42%	Target met
FY19 Target		
Key talent ²³ retention ≥80%		
Women in the Senior Leadership Pipeline = 50% by 2022		
Implement a new methodology for measuring enterprise-wide employee culture and engagement, and report results from the baseline assessment in the FY19 Sustainability Report.		

Jump to:

- [Our workplace culture](#)
- [Diversity and inclusion](#)
- [Talent](#)
- [Fair pay](#)

23. Employees identified as 'key talent' from AGL's enterprise leadership team (ELT) and direct reports cohort.

Our workplace culture

Workplace culture is crucial to the success of any organisation. At AGL, we are focused on attracting, developing and retaining the right talent to build an anticipatory, engaged and performance-driven culture. By incorporating our company-wide values into our everyday business, our workplace culture ensures AGL is set up for success.

Australia is seeing changes to how we work, play and live (for more information, refer to AGL's [Economic transformation report](#)). We recognise the importance of keeping up with and anticipating these changes, so we are focused on providing our people and prospective workers with a range of benefits that make AGL a great place to work. We also recognise the value that a diverse workforce brings to our success as a company, and its importance in helping our people bring all their energy and capability to their work. That's why we're committed to building an inclusive and diverse workplace culture here at AGL.

To help build our culture and drive engagement of our people, we are focused on:

- embedding our refreshed company values into the way we work and into the way our leaders lead their people
- embedding an enterprise-wide view of talent that draws on a new model of the drivers that influence leadership potential, developed specifically for the unique context of leadership at AGL, that will help build capability and bench strength in our workforce
- deploying a new assessment tool to check the health of our culture and engagement of our people and identify further opportunities to enable our strategy through culture initiatives, and
- transforming the employee experience through the delivery of best-in-class, simple and integrated technology and digital solutions to enable more efficient and engaging ways of working.

Over the last decade, we have used a consistent model to measure our employees' engagement. Just as we have reassessed and reset some of our cultural enablers, including our company values and leadership model, we are also reviewing the model and approach we use to measure the health of our workplace culture, ensuring it serves to attract, retain and engage the talented people we need.

We were due to run our biannual engagement survey in FY18. Our findings from the bespoke, company-wide culture assessment we ran in FY16 and our research since indicated the need for us to look beyond our current model of employment engagement and towards an approach that considers a broader range of factors that drive workplace culture in today's rapidly changing environment. As a result, we made the business decision to not undertake an employee engagement survey in FY18. Instead, in FY19 we will explore and implement a new model for monitoring the engagement of our people and the health of our culture and will use the results from the baseline data to inform performance targets for future years.

AGL Values

Underpinning our workplace culture are our AGL Values. Our values guide the desired behaviours, attitudes and decision-making practices of our people as they go about their work each day. In FY17 we refreshed our values, consulting with AGL people and reflecting on insights from our customers to ensure that our values aligned with those of our people and the community. Since then, we've been working with our people to strengthen their understanding of, and connection to our values, how they support our strategy and how they can incorporate the values into the way they work.

Our values are:

Safety and beyond

Caring about our people, making it safe to speak up: In our business, safety comes first because physical and mental wellbeing are fundamental to a successful workplace. We create a supportive environment, where we feel safe to challenge the norm, to speak up, to say what we mean. Safety is a shared responsibility; by taking care of each other, AGL becomes a better business for all.

Sustainable thinking

Thinking of the future today, creating a sustainable tomorrow: Taking care of the environment and the community we operate in, is something we consider in everything we do. We are future-focused, proactive and adaptable to change. Every decision we make today is based on always thinking ahead to find the right path forward.

Inclusive of all

Inclusive of all experiences, united in our success: We welcome all and harness our diversity through trust and respect for one another. We seek diverse views, enriching our thinking to drive greater performance. We all work together for the success of AGL.

Focused on what matters:

Focused on our customers, going further to deliver value: All that we do leads to our customers, so we consider them in everything we do, and strive to enrich their experience. We relentlessly push ourselves to go further, to not only improve what we do but to exceed expectations. We give our focus and energy to all the things that matter to AGL's success, always acting honestly.

Diversity and inclusion

Our AGL Value of 'Inclusive of all' reflects our firm belief that an inclusive culture embraces the diversity of our people, enabling them to feel valued and bring all their energy and capability to their work.

Having a workforce that reflects the diversity of the customers we serve, and the communities in which we operate, helps us do better business. We benefit from the diversity of thought, experiences and ideas, have a greater opportunity to understand and respond to our customers' needs, and are better equipped to anticipate the future and deliver a leading customer experience.

A diverse workforce and an inclusive workplace culture are attractive to potential employees and provide us with an edge when competing for talent and in retaining talented people.

Our [Diversity and Inclusion Policy](#) describes our approach to diversity and inclusion and how these attributes are promoted and embedded throughout our business.

AGL's Diversity and Inclusion Council oversees a comprehensive strategy to build inclusion and foster diversity in all its forms across our workplaces. The Council is chaired by our CEO and Managing Director, Andy Vesey, and during FY18 comprised 15 other leaders from across AGL's major businesses and geographies, representing different diversity interests. We are focusing on:

- continuing to embed AGL's focus on diversity and inclusion as integral to our values and culture and the way we operate
- building strategies that support the diverse needs of our customers and promote AGL as a leader of inclusion in the communities in which we operate
- introducing new initiatives that support priority needs of our people including improving accessibility and inclusion for our people and customers
- maintaining our focus on gender equality with an emphasis on attracting more women to science, technology, engineering and mathematics (STEM) with a particular focus on our regional locations
- supporting lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion, continuing with awareness and advocacy initiatives that engages with our people and the community
- continuing our company-wide roll out of AGL's Family and Domestic Violence Training to raise awareness and equip our people on how to recognise the signs and know how to respond to someone who may need support, and
- recognising the different forms of flexibility in our different businesses and workplaces, and equipping leaders to confidently manage a flexible workforce.

Flexibility survey

During FY18, we asked our people to voluntarily complete a confidential, company-wide survey to learn more about how our people work flexibly. We wanted to know whether our flexible work arrangements were meeting our people's needs and learn about their experiences. The survey was completed by a total of 2,033 (54%) of our people, and revealed the following insights.

- 98% of respondents are aware of our flexible working options and most of our people are happy with AGL's approach to flexible working.
- Close to half of the survey respondents did not see any barriers to working flexibly at AGL, with more than 90% of them feeling confident to ask their leaders to work flexibly.
- Adoption of flexible working arrangements varies across AGL, with a higher uptake across our corporate sites.
- 78% of men who responded to the survey said they work flexibly, compared to 81% of women, with the most common flexible work adopted being flexible start and finish times, working from home and other locations.

The survey confirmed that our approach to flexible work is an enabler, providing our people with the capacity to manage personal and work commitments, with the most common reasons for accessing flexible working arrangements being caring responsibilities, avoiding or reducing commuting time and personal health issues. The survey also revealed that there are barriers to working flexibly due to the nature of some roles, particularly those in our operational sites and contact centres. To ensure everyone can use the flexible working options available to them, we will be focusing on doing more to support these areas where flexibility has been found harder to implement.

Gender diversity

We recognise the positive relationship between increased representation of women on company boards and in senior management positions, and improved financial performance. We focus efforts on removing barriers to women advancing their career, including mainstreaming flexible work.

AGL's CEO, Andy Vesey, is a member of the Male Champions of Change. This national group is made up of influential male leaders representing a diverse range of significant Australian employers spanning government, retail, financial, energy, consulting, consumer goods and mining sectors. Members have a deep personal commitment to advancing gender equality in their organisations and have extensive reach across the Australian community. The group is convened by Elizabeth Broderick AO, the United Nations Human Rights Council Special Rapporteur.

AGL's Chairman, Graeme Hunt, and AGL non-executive directors Les Hosking and Diane Smith-Gander, are members of the '30 per cent Club' which advocates for women to account for at least 30% of all directors on ASX 200 boards by the end of 2018.

We set a three-year target to achieve 40% representation of women in the Senior Leadership Pipeline by the end of FY19. Two years in, at the end of FY18, the Senior Leadership Pipeline comprised 42% women, up from 38% in FY17 as a result of an increased focus on gender

diversity. During FY18, the external appointment rate of women to the Senior Leadership Pipeline was 53%, and the internal appointment rate of women to the Pipeline was around²³ 41%.

In addition, we have maintained our performance relating to the representation of women on the Executive Team, which was 30% by the end of FY18 (FY17: 30%). Similarly, the representation of women in the Enterprise Leadership Team²⁴ increased to 48%, up from 44% in FY17.

Reflecting our progress to date, we've set a new target to increase the number of women in the Senior Leadership Pipeline to 50% by FY22.

Visit our [data centre](#) - Women in leadership

AGL's Board also committed to achieving a target that, by 1 January 2018, 30% of AGL's non-executive Directors would be female. This target was met with the appointment of Diane Smith-Gander to the Board in September 2016, joining Jacqueline Hey and Belinda Hutchinson to bring the percentage of women as a proportion of non-executive Directors to 42.9%. As a proportion of Directors (inclusive of Andy Vesey, AGL's Managing Director and Chief Executive Officer), as at 30 June 2018 women made up 37.5% of Directors on AGL's Board. We are one of 30 ASX 50 companies with more than 30% female representation on our Board.

We review gender pay equity bi-annually at AGL, before and after the annual remuneration review. Further details are provided in the [Fair pay](#) section of this chapter.

We have identified opportunities to improve our recruitment processes, with a focus on the representation of women on the shortlist for senior roles and less-traditional occupations, and on hiring panels. The representation of women in the Senior Leadership Pipeline is included as a closely watched number in monthly performance reporting and discussions with our Executive Team. All members of the Enterprise Leadership Team have a gender diversity Key Performance Indicator (KPI) that is linked to their performance rating and remuneration outcome.

Gender diversity is monitored at all levels of the organisation. In May 2018, we submitted our Workplace Gender Equality Report to the Workplace Gender Equality Agency, complying with the *Workplace Gender Equality Act 2012*.

Gender breakdowns of employees' employment status, contract type, location and turnover rates are available in the [data centre](#).

During FY18, our women and men's employee network, AGL Equality sponsored and delivered a series of initiatives and events including piloting the STEM Sisters community initiative at Loy Yang, and celebrating International Women's Day 2018 across all our major workplaces, including regional operational sites. The network advocates for gender equality and strives to empower women to achieve their career goals by providing opportunities to connect and grow.

From 1 July 2017, we increased our paid parental leave entitlement from 14 weeks to 20 weeks, providing greater flexibility for our people who are primary carers to take essential time to bond with and care for their new babies.

Visit the [data centre](#) for details on our parental leave utilisation and return to work rates.

Family and domestic violence

Recognising the importance of safety in the workplace, the home and in the community, we have introduced company-wide training on family and domestic violence. Called 'Safe Space', this training aims to raise awareness about this important societal issue and offers support resources and tools, including a dedicated Family and Domestic Violence Helpline. Our approach complements our existing Family and Domestic Violence Policy and aims to help our people feel comfortable and safe to speak up and ask for help when they need it and help AGL people to respond in a caring and inclusive way. It also encourages our people to consider unhealthy behaviour in themselves, and, if they are perpetrators of violence, to seek support.

By the end of FY18, more than 1,200 AGL people in our Sydney and Melbourne workplaces had attended the training. Family and Domestic Violence Training continues to be rolled out at our other sites.

Refer to the [Energy prices and affordability](#) section for information on how we are supporting customers impacted by family and domestic violence.

Lesbian, gay, bisexual, transgender and intersex (LGBTI+) inclusion

Our LGBTI+ inclusion strategy aims to inspire a culture where our people feel valued, safe and able to perform at their best.

An important part of our LGBTI+ strategy is ensuring that employees seeking help with LGBTI+ related issues have access to appropriate support. Employees can obtain information and support from a nominated member of the LGBTI Ally Network, AGL Shine. During FY18, AGL expanded its support to include a dedicated LGBTI+ support line, operated as part of our Employee Assistance Program.

We aim to improve mental health within our LGBTI+ employee base, eliminate stigma and discrimination, and be recognised as an inclusive employer that incorporates LGBTI+ people in a leading diversity strategy.

23. The internal appointment rate is approximate only, as there are occasional differences in the classification of appointments and transfers during organisational restructures.

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

We recognise our company's regional reach and we'll continue to use this position to promote inclusion and break down barriers in communities in which we operate. During FY18 we prioritised the following activities in our operational locations:

- establishing regional AGL Shine Chapters at AGL Loy Yang and AGL Macquarie sites
- launching Gippsland's first ever Pride Cup in July 2017, and in celebration lighting up Loy Yang's cooling towers in rainbow colours
- celebrating Trans diversity at the Broken Heel Festival, and
- continuing to build links with local LGBTI+ groups and partnering with Adelaide's Feast Festival, an annual LGBTI+ arts and culture celebration.

Other highlights in our work for LGBTI+ inclusion included:

- publicly advocating for Marriage Equality with our CEO and Managing Director Andy Vesey discussing with LGBTI and mainstream media the benefits of a truly inclusive workplace and the importance of LGBTI+ inclusion to AGL
- proudly sponsoring and collaborating in key LGBTI+ events including Mardi Gras, Mardi Gras Film Festival and Midsumma Festival, and
- collaborating with Medibank and other corporates to produce a social media video on 'Advice you would give your younger self' in support of LGBTI+ youth for Wear It Purple Day.

During FY18, we completed the Australian Workplace Equality Index (AWEI) for the fourth year. The Index is administered by [Pride in Diversity](#), and sets the national benchmark for LGBTI workplace inclusion. We are proud to have been awarded a Gold Employer status for the second year in a row, confirming AGL as an industry leader, and among the top 10 percent of the 135 employers who participated in the AWEI in FY18.

Indigenous engagement

AGL's Indigenous engagement working group formed in 2016 to recognise, respect and raise awareness about our shared Indigenous history and culture, and to support inclusive workplaces for all employees.

The working group hosts events and educational forums on significant dates, including National Reconciliation Week and NAIDOC Week. To help promote respect, awareness and connection to place for Aboriginal and Torres Strait Islander Australians, the group developed Welcome to Country and Acknowledgement Guidelines ensuring AGL incorporates this protocol in its official meetings and events.

Over FY19 we plan to establish an internal committee to oversee development of a Reconciliation Action Plan (RAP), in consultation with Reconciliation Australia.

Talent

So we can deliver on our strategy, we need people with the right skills and who are the right fit for our workplace culture. Our customers and other stakeholders benefit by dealing with enthusiastic and engaged people who reflect the diversity of the community, and our business benefits through decreased attrition rates. In short, a positive stakeholder experience delivered by great people reflects in our bottom line and in shareholder value.

Our priorities are:

- defining and embedding a compelling employment value proposition (the unique rewards and benefits we offer to the people who choose to make AGL their workplace), supported by a strong employer brand, that ensures AGL can attract and retain people with the skills, capabilities and experiences it needs for success
- ensuring organisational bench-strength with an emphasis on talent identification and pipelining as inputs to robust succession planning for executive leadership and other critical roles.
- embedding AGL's new talent process which delivers an enterprise-wide view of talent, with the Executive Team jointly accountable for the placement and development of all people identified as key talent, and
- supporting targeted development of AGL people through a range of solutions including internal and external learning programs, and critical experiences gathered on the job in the form of key projects, secondments and other internal and external placements.

Transforming the way we work

To help build our culture and further engage our people, we are transforming the way we work through the digital transformation of our enterprise resource planning processes and technology suite. This program of work, known as our 'People, Process and Performance Transformation project (or 'PT3'), will improve the digital experience to our people, improving the way we work across teams, enhancing collaboration, and engagement.

PT3 will deliver new ways of working that remove many administrative tasks and create capacity to focus on critical activities that drive business value. The digital platforms will also enable us to focus on activities that add real value to the business delivering robust data to drive analytics and business insights. This in turn will support reporting and timely decision making. Our people will have an enhanced employee experience supporting our aspirations to be an employer of choice. They will be able to engage directly through self-service platforms, connecting them to support in their role, their work and their learning in a workplace environment that is mobile and flexible.

Over FY19, we will roll out technology and process solutions that cover end-to-end people processes, health safety and environment, finance, procurement and payroll processes across the organisation, as well as work management processes in our operational businesses areas.

Employee value proposition (EVP) and employment brand

A strong EVP creates a strong employer brand to attract talent from the external market. In FY18, we focussed on three areas to strengthen our position as a career destination of choice:

- **Talent attraction:** Methods for attracting talent have been enhanced with the creation of engaging and authentic digital content that showcases the talent and opportunities within AGL. These videos are available to view on our [website](#).
- **Partnerships to connect with talent pools:** We have partnered with FlexCareers and Work180 to create platforms for sharing our commitment to flexible working. A successful internship was piloted in partnership with CareerSeekers and CareerTrackers, creating opportunities to connect AGL with talent from New-Australian and Indigenous backgrounds. Internships also continued across our regional workplaces, strengthening AGL's connection to the communities in which we operate and providing opportunities for emerging local talent to experience life at AGL. FY18 also saw AGL join the Veterans Employment Coalition and establish partnerships with Soldier On, Defence Community Australia and Department of Veteran Affairs to better understand and overcome the unique challenges that Veterans face in building careers.
- **Enterprise recruitment operational model review:** We completed a full review of our recruitment operational model and commenced work to move towards a unified way of going to market to attract talent across all of AGL.

Talent management

During FY18, AGL launched a new talent strategy designed to deliver end-to-end talent solutions that deliver on AGL's strategic talent priorities of diversity and inclusion, capability development and a strong talent pipeline.

Talent and leadership at AGL starts with our [values](#). AGL leaders lead with the values, creating values-based environments for our teams to thrive.

Our leadership potential drivers form part of our refreshed approach to Leadership and Talent at AGL. They describe what high potential leadership at AGL looks like, and will inform the way we identify and assess potential. These leadership potential drivers are: 'Magnetic', 'Humble', 'Adventurous', 'Bold', and 'Nurturing'.

In FY19 we will continue to deploy and embed the new talent framework, providing guidance for leaders and anyone aspiring to a senior leadership role at AGL.

Developing our people

During FY18, over 145,000 hours of training (averaging 39.5 hours per FTE) was delivered to our people, including over 3,800 hours of leadership training, more than 25,000 hours of compliance training, over 47,000 hours of contact centre training and more than 62,000 hours of group operations technical, safety and systems training. In addition, over 1,400 AGL employees completed the Better Mental Health training program during FY18.

In FY18, AGL offered the Illuminate and Illuminate Plus leadership development programs to a third cohort of AGL women. AGL's Board and Executive Team attended a graduation event for the 16 women who participated in the Illuminate Program and a further five senior female leaders who participated in the Illuminate Plus program. The program combines group work, one-on-one coaching and workshops with participants' leaders. Participants in the Illuminate Plus also have the opportunity to shadow Executive Team members. The program is achieving very positive results with 86% of participants reporting increased confidence and resilience post program and 13% taking up broader roles or promotions within 12 months post program.

The Illuminate programs will be run again in FY19 to ensure AGL continues to offer valued and successful solutions to support the development of women into leadership.

Turnover

Total turnover, which includes voluntary turnover (attrition) and involuntary turnover, decreased to 14% in FY18 from 15% in FY17 as our new organisational structure was embedded.

Attrition increased to 11% in FY18 from 9% in FY17. Attrition rates increased for employees in the age 55-59 and 60-64 age brackets, reflecting the impact of voluntary redundancy opportunities in operational business units. A breakdown of attrition rates and new hires by age and gender is available in the [data centre](#).

With the gradual implementation of a new talent model beginning in FY18, we have had to adjust the cohort against which we can measure key talent retention over the FY18 reporting period. In this first year of operation of the new talent model, we are able to report the retention rate of talent for the Enterprise Leadership Team (ELT) only. The ELT was the only cohort to have completed talent reviews during FY17; therefore, key talent in this cohort has provided the baseline for assessing talent retention in FY18.

As the new talent model rolls out further through the organisation, we will measure retention of key talent in a larger cohort. In FY19 the metric will measure the retention of key talent in a cohort that includes the Enterprise Leadership Team and their direct reports.

During FY18, the retention of key talent across AGL was 81%, down from 93% recorded in FY17 based on total turnover, reflecting the changing focus of the business and the smaller size of the group being measured (i.e. Enterprise Leadership Team) in FY18. 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 enterprise leadership team.

Fair pay

At AGL, we believe that our people should be fairly remunerated for the work they do. We have robust policies, frameworks and processes in place to ensure fair and market-competitive remuneration, which is a key component of the suite of benefits and rewards that help us to attract and retain talented people.

Gender pay equity

We assess pay equity by business unit, work level and site (using non-EBA payroll data), with our most recent pay equity analysis being undertaken as at 31 January 2018. When comparing average fixed remuneration for female and male people across AGL, there is an 8.7% differential in favour of male people. Further analysis of the data reveals that this is chiefly created by the work level profile of our employees i.e. there are more male than female incumbents in senior level roles, which receive higher fixed remuneration. This can be particularly predominant in some of our operational sites. Gender pay equity is a long-term commitment of ours - it embodies our values 'inclusive of all' and sustainable thinking - and we undertake regular reviews and have policies and training programs in place to address any gender pay gaps.

Gender pay equity analytics and reporting are embedded in our 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. Our diversity and inclusion strategy includes initiatives to address the drivers behind the 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 level to support their development and career progression.

Enterprise bargaining agreements

In negotiating new enterprise agreements, AGL seeks to balance the long-term interests and sustainability of our people, our customers, and the community. We support our people's right to negotiate for enterprise agreements. Our people who are covered under an enterprise agreement have the assurance of being better off overall than if they were paid strictly in accordance with the modern award. AGL sees access to union representation as a human right, and we support our people's decisions in this regard.

During FY18, we progressed the following enterprise bargaining agreements:

- **AGL Loy Yang:** During FY18, the AGL Loy Yang Enterprise Agreement came into effect, removing significant outdated work practices, delivering excellent outcomes for AGL and micro economic reform for the Latrobe Valley region.
- **Victorian Customer Solutions:** During FY18, we successfully re-negotiated the AGL Retail (Victoria) Enterprise Agreement which was approved by employees and came into effect on 18 January 2018.
- **Hydro Operations:** During FY18, we successfully re-negotiated the AGL Hydro Agreement which was approved by employees and came into effect on 10 January 2018.

At the end of FY18, negotiations were close to being finalised for the AGL Somerton Agreement and were underway for the AGL Torrens Island Enterprise Agreement.

Reward, recognition and remuneration

The key objectives of the AGL remuneration framework are to attract, retain and motivate our employees and to align our performance with rewards. This is particularly relevant for those executives responsible for driving the performance of AGL, which subsequently creates value for our shareholders. During FY18, AGL reviewed the executive remuneration framework with respect to the remuneration policies and practices in place across companies in the S&P/ASX 50 Index to ensure our framework remains market competitive and continues to align with our strategic objectives. For FY19, we are committed to continuing this review and engaging proactively with stakeholders prior to implementing any proposed changes in FY20. For further details, visit AGL's [2018 Remuneration Report](#).

During 2018, AGL launched Energise, our new employee recognition program. Designed around feedback from our people, Energise has four nomination categories (Safety, Innovation, Community and Customer), underpinned by the AGL Values and designed to support the achievement of our Strategic Imperatives. Since its launch in November 2017, 78% of our people have visited the Energise portal, with 33% giving and 66% receiving recognition, either in the form of a non-monetary 'High 5' award, or a monetary 'Shout Out' or 'Ovation' award.

Strong and ethical governance

Act ethically with a strong governance structure supporting a culture of accountability, fairness and transparency.

FY18 Target	FY18 Performance	Status
Number of substantiated issues relating to unacceptable behaviour in the workplace ranked as high or greater according to AGL's FIRM risk management process: 0	Number of substantiated issues relating to unacceptable behaviour in the workplace ranked as high or greater according to AGL's FIRM risk management process: 0	Target met
AGL will continue to publish its approach to corporate governance through the annual Corporate Governance Statement	AGL's FY18 Corporate Governance Statement is available on the AGL website .	Target met
Number of legislative non-compliances that result in adverse court findings ²⁵ : 0	Number of legislative non-compliances that result in adverse court findings ²⁵ : 0	Target met
Number of fines or penalties in relation to environmental licences ²⁶ : 0	Number of fines or penalties in relation to environmental licences ²⁷ : 3	Target not met
Environmental Regulatory Reportable Incidents: ≤12	Environmental Regulatory Reportable Incidents: 14	Target not met
FY19 Target		
Number of substantiated material ²⁸ breaches of AGL's Code of Conduct = 0		
Number of legislative non-compliances that result in adverse court findings: 0		

25. Based on the number of court findings in relation to issues that occurred during FY18.
 26. The number of substantiated issues reported for the FY17 period has been recalculated from eight to nine, reflecting substantiation of an additional issue after the close of FY17.
 27. Based on the number of fines or penalties received in relation to incidents that occurred during FY18.
 28. Material breaches are those ranked 'High' or above according to AGL's Fully Integrated Risk Management (FIRM) framework.

FY19 Target

Compliance training completion rate by eligible²⁵ AGL employees: 100%

We are committed to ensuring that our corporate governance framework, policies and practices reflect a high standard of corporate governance and ethical behaviour. For AGL, ethical governance means more than just complying with legislative requirements – it means setting clear principles and values of expected behaviour and holding our people to account. We set clear expectations of our people through our AGL Value values and our Code of Conduct.

Corporate governance

The adoption of best practice corporate governance principles is an important element of our sustainability performance.

Our corporate governance arrangements 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.

Details of AGL's corporate governance framework, policies and practices can be found in our <[2018 Corporate Governance Statement](#)> and on the [AGL website](#). A 'Corporate Governance Summary' section has also been included in the <[2018 Annual Report](#)> .

AGL Board and committees

As at 30 June 2018:

- the AGL Board comprised seven non-executive Directors and one executive Director, our CEO, Andy Vesey, and
- the proportion of female non-executive Directors on the Board was 42.9%. This meets the target set by the Board that, by 2018, at least 30% of non-executive Directors will be female.

The Board has established four standing committees that meet regularly to oversee key areas affecting the business. During FY18, 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 improvement).

Detailed information about the structure, responsibility and experience of the AGL Board and Board committees is included on the [AGL website](#) and within the FY18 <[Annual Report](#)>.

Our values

AGL's values guide how we deliver value for our customers and other stakeholders while protecting the environment in which we live and work. In FY17, we refreshed our values to support the evolution of our business to becoming more future-focused.

Read more about our values in the [Workplace culture and talent](#) section.

Code of Conduct

Our Values also underpin our <[Code of Conduct](#)> (Code). The Code, which we refreshed in FY18, applies to AGL and its directors, employees and contractors working on behalf of AGL (all of whom are referred to as 'our people' in the Code).

The Code sets overarching principles of ethical behaviour under the following commitments:

- We act with honesty.
- We observe the law, our obligations, voluntary commitments and internal standards.
- We value and maintain professionalism in all of our dealings.
- We respect confidentiality.
- We manage conflicts of interest.
- We look after our People.
- We recognise our responsibilities to our stakeholders.
- We uphold our values and behaviours outlined in the Code of Conduct.

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 Safety, Sustainability and 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

25. In accordance with the AGL allocation matrix.

- 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 the AGL Ethics Line service, acting as a contact point available for reporting potential breaches of the Code and to investigate matters in an impartial and independent manner. Anonymity is offered in the use of the AGL Ethics Line.

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, through to dismissal.

Induction and training programs

The Code of Conduct is included in the induction pack for all our new starters. We run a structured induction program that requires the completion of eight compulsory compliance training modules. These modules comprise:

- Code of conduct
- Privacy
- Managing risk
- Diversity and inclusion
- Health, safety and environment
- Training on the *Competition and Consumer Act 2010*
- IT – Focus on phishing, and
- IT – Cybersecurity.

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

On an annual basis, our people are required to complete mandatory compliance training topics. During FY18, more than around 92% of all eligible AGL employees completed this training. Our people 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

We set clear expectations for our people about the conduct and behaviour that is expected in our workplaces and in relation to how we conduct 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.

Our Whistleblower Protection Policy provides avenues for our people to report corrupt, illegal or undesirable conduct (including anonymously, confidentially or to an independent third party through the AGL Ethics Line). We are committed to protecting and respecting the rights of any person who reports wrongdoing in good faith. The Policy includes a reporting and investigation mechanism that is objective, confidential and independent which protects the reporting employee from reprisal or disadvantage.

During FY18, we addressed five issues relating to unacceptable behaviour in the workplace (compared with 12 in FY16). Four of these issues were substantiated following investigation in accordance with AGL's Workplace Issues Resolution Guidelines (FY17: nine). Disciplinary actions taken included written warning, coaching, mediation, one-to-one support, training, and cessation of employment.

Privacy

We are committed to protecting the privacy of our customers, shareholders and other people who we deal with in our business. We are bound by the Australian Privacy Principles (Principles) contained in the *Privacy Act 1988* (Privacy Act) which are designed to protect the personal information of individuals that interact with us.

Our obligations and commitments regarding privacy are outlined in the <AGL Privacy Policy>. 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> and our Feedback and Complaints Management Framework.

We take active measures to secure the personal information that we manage on behalf of individuals and to protect this information from misuse, interference and loss, as well as unauthorised access, modification and disclosure. Protection of personal data is achieved through continuous improvement of our IT security capability and existing security controls. Visit the [Data and IT security](#) section for further discussion information on our approach to IT security.

Bribery and corruption

We do not tolerate any incidence of bribery or corruption committed by people either from within or outside our organisation.

Risk-based anti-bribery and corruption controls are embedded throughout our processes and policies, including within the AGL Code of Conduct and the Fraud and Corruption Risk Control Policy. We also have a comprehensive Anti-Money Laundering / Counter-Terrorism Financing

Compliance Program and an Australian Financial Services Licence Compliance Program within our wholesale markets (energy trading) areas. We conduct regular risk assessments to determine the adequacy of the controls that are in place.

During FY18, there were no confirmed instances of corruption in relation to money laundering, counter terrorism financing or material instances of fraud.

Risk and Compliance Management

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.

We are 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. One area of focus in FY18 was refining our Business Resilience Principles Framework, to ensure our organisation is able to anticipate, protect, respond, recover and adapt to uncertainty, change and disruption, with limited impact on our business.

We are subject to a wide range of compliance obligations, which comprise compliance requirements (things we must do, e.g. by law) and compliance commitments (things that we choose to do). Our compliance obligations include, but are not limited to:

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

We are committed to managing compliance risk effectively and efficiently. In our view, this is pivotal to the ongoing and sustainable growth and success of our business.

We have 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 our business processes and operations to drive consistent, effective, and accountable decision making.

Information about how we identify, manage and review compliance risk is available in our Compliance Management Policy. This policy is aligned with the principles and requirements of the international standard *ISO 19600: 2015 Compliance Management Systems*, and outlines our expectations for a compliance culture. Accordingly, the policy applies to both legislative requirements and voluntary commitments (such as compliance with our policies and procedures).

We conduct internal reporting, investigation 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 we are subject to in various jurisdictions, which require companies to report various categories of non-compliance to relevant regulators.

Our compliance program monitors activities in relation to material compliance obligations; this includes the effectiveness of compliance plans. 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 17 compliance programs.

FY18 performance

During the financial year ended 30 June 2018, there were four non-compliances that became the subject of environmental and planning regulatory action under relevant legislation. In particular, there were three non-compliances that resulted in penalty infringement notices being issued and one non-compliance that resulted in an official caution being received.

The three non-compliances that resulted in a penalty infringement notice being issued were as follows:

- On 23 May 2018 a penalty infringement notice was issued to AGL Macquarie Pty Limited for an alleged failure to comply with a condition of its environmental protection licence (EPL 2122). This notice was issued in relation to an event that occurred on the 1 March 2018 where ash slurry overflowed from an ash pit into an area of sensitive vegetation. This notice included a \$15,000 fine.
- On 4 May 2018 two penalty infringement notices were issued to AGL Upstream Investments Pty Limited for alleged breaches of a condition of petroleum title. The notice was based on an alleged failure to run cement bond logs on wells EM02 and EM04, respectively. Each notice included a \$5,000 fine. On 15 June 2018 AGL requested a review of these notices and specifically, requested that they be withdrawn on the basis that they have been invalidly issued. At the date of this report, AGL was waiting to hear the outcome of the review.

In addition, on 21 February 2018 an official caution was issued to AGL Macquarie Pty Limited for an alleged failure to comply with a condition of its environmental protection licence (EPL 2122). This notice was issued in relation to a dust event from the Liddell Ash Dam that occurred on the 20 December 2017 during hot dry and windy conditions.

During FY18, no issues occurred during FY18 that led to adverse court findings.

Environmental incidents

During FY18 we notified the relevant environmental authority of 14 environmental incidents, in accordance with mandatory notification provisions under legislation and/or environmental licences. Of these, nine incidents were assessed to have a severity of 'High' or above under our Risk Management and Assessment Framework, and five incidents had a severity of 'Moderate' or 'Low'.

Of the incidents rated as high or above, two related to dust complaints received from residents in the vicinity of the Loy Yang Mine; four related to uncontrolled discharges to water from AGL Macquarie; one related to fugitive dust emissions from the Liddell Power Station ash dam; one related to an uncontrolled release of gas at Wallumbilla gas plant; and, one related to an exceedance of permitted limits of E.coli at Bogong Village.

In the interests of transparency and operating to best-practice reporting standards, during FY18 we also voluntarily notified the relevant environmental authority of an additional seven environmental incidents. Of those voluntarily reported incidents, two related to exceedances of a pH licence limit; two related to dust emissions; one related to an uncontrolled discharge to water; one related to an exceedance of flow from a hydroelectric station; and, one related to an administrative non-compliance.

The incidents were investigated, and corrective actions and process improvements implemented to prevent recurrence.

Also, as previously reported, in June 2017 the NSW Environment Protection Authority (EPA) commenced proceedings against AGL Upstream Investments Pty Limited, alleging that AGL had contravened a condition of its environment protection licence (EPL 12003). The alleged offence relates to a flood event that occurred in early June 2016 and impacted the Camden Gas Project, resulting in the loss of a small amount of produced water into the flood waters. There is no allegation that environmental harm occurred.

On 13 November 2017 AGL filed a notice of motion regarding matters in dispute relating to the charge. AGL's notice of motion was dismissed by the Land and Environment Court on 16 March 2018. An appeal against the Land and Environment Court's decision on the Notice of Motion was filed with the NSW Court of Criminal Appeal CCA on 29 March 2018. As at the date of this Report the appeal is ongoing.

Inquiries



- **ACCC Electricity Inquiry:** On 27 March 2017, the Federal Treasurer directed the ACCC to hold an inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. AGL has made several submissions to the inquiry and responded to a number of notices from the ACCC requesting information for the inquiry. The ACCC released a preliminary report on 16 October 2017 with the final report provided to the Treasurer on 30 June 2018.
- **ACCC Gas Inquiry:** On 19 April 2017 the Australian Government directed the ACCC to conduct a wide-ranging inquiry into the supply of and demand for wholesale gas in Australia, as well as to publish regular information on the supply and pricing of gas for the next three years. AGL is providing information as requested.

Safety issues

AGL Macquarie was charged by SafeWork NSW with contravening section 19 of the NSW *Work Health and Safety Act 2011*. The prosecution arose from an incident in which two AGL employees suffered burns due to an arc flash that occurred during maintenance work on a transformer at the Liddell Power Station in November 2015. An enforceable undertaking proposed by AGL was accepted by the Executive Director of Safework NSW on 16 April 2018. As a result, the proceedings were withdrawn with no orders as to costs.

Health and safety

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

FY18 Target	FY18 Performance	Status
Total injury frequency rate (AGL): ≤1.7	Total injury frequency rate (AGL): 1.2	Target met 
Total injury frequency rate (contractors): ≤4.6	Total injury frequency rate (contractors): 4.7	Target not met 
FY19 Target		
Total injury frequency rate (AGL) ≤###		
Total injury frequency rate (contractors) ≤###		

We consider our people to be our greatest assets, which is why their health and wellbeing is critically important. This is reflected in our company value of 'Safety and beyond', which for us, means:

- in our business, safety comes first, because physical and mental wellbeing are fundamental to a successful workplace
- we create a supportive environment, where we feel safe to challenge the norm, to speak up, to say what we mean
- safety is a shared responsibility – by taking care of each other, AGL becomes a better business for all, and
- we care about our people, making it safe to speak up.

Read more about our values in the [Workplace culture and talent](#) section.

We have set ourselves an aspirational goal of 'zero harm' to our people's health, safety and environment. Strong and dedicated safety leadership and dynamic management systems are essential components of our efforts to achieve a 'zero harm', safe and sustainable work environment.

To guide us towards zero harm, we have developed a strategic framework known as 'Target Zero', which starts with the philosophy that all incidents are preventable. Target Zero recognises that our goal of 'zero harm' is a journey, but we believe it is achievable. The framework is risk-based supported by data and evolving analytics, action plans, and both business unit and site based key performance indicators. These collectively provide the framework to drive change in HSE leadership, culture and performance, assisting us in achieving the goal of being a safe and sustainable business across all areas of our business and operations.

A major milestone in FY18 was the launch of our new HSE Commitments. Together with our 'safety and beyond' value, they reinforce that safety is a shared responsibility, and they guide our people to adopt the right behaviours and habits to create a safe workplace. Our HSE commitments are:

- **We are committed to working safely:** Safety is a condition of employment and we all share responsibility for making a safe workplace.
- **We care for our people:** We encourage habits and behaviours that support a safe and sustainable culture, because our physical and mental wellbeing are paramount.
- **We protect the environment and our assets:** We take care of the environment, our assets and the communities we serve, always putting our commitment to sustainability ahead of commercial or operational considerations.
- **We act when we observe hazards or unsafe behaviours:** We speak up and encourage the right behaviours.
- **We assess risks:** We 'Look. Think. Act' to make the right choices for a safer workplace and safer operations.

Governance

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 HSE performance via the monthly Group Performance Report. The Board Safety, Sustainability and Corporate Responsibility (SSCR) Committee also reviews safety performance on a quarterly basis, as well as reviewing audit findings and recommendations, strategic priorities, and significant incidents.

Our <Health and Safety Policy> sets out our overarching commitments in relation to health and safety including injury management. The policy applies to all employees, contractors, products, services, and joint ventures under AGL's operational control.

Our Health, Safety and Environment System (HSEMS)

Our Health, Safety and Environmental Management System (HSEMS) forms the framework by which we manage our HSE risks across the business. Our system, consisting of HSE Standards and HSE Methodologies, provides a framework to meet the requirements of Australian Standard AS/NZS 4801 (2001) *Occupational Health and Safety Management Systems*, Australian Standard AS/NZS ISO 14001:2016 *Environmental Management Systems* and AS3806:2006 *Compliance programs*. In addition, during FY18, AGL Macquarie (which represents around 44% of AGL's installed generating capacity) maintained third-party certification to AS/NZS 4801 (2001) *Occupational Health and Safety Management Systems*.

The HSEMS provides the framework and hierarchy of standards, guidelines, procedures and tools needed to meet the objectives of the Target Zero Strategic Framework. It provides a platform for a consistent approach to managing HSE across our business but allows flexibility to be applied to different operational and corporate sites and situations. The system is also a key element of ensuring compliance with HSE legislation across the jurisdictions in which we operate.

Internal and external audits of the HSEMS facilitate a culture of continuous improvement. Audit findings are reflected in HSE Audit Action Plans and in improvements to the management system, strategic direction and safety programs. During FY18, the focus of the HSE Audit Plan included Asbestos Management, Working at Heights, Emergency Management, Lifting Operations, Plant and Equipment and Risk Management. Action plans for recommendations arising from the audit are monitored weekly.

Our hazard, incident and near miss reporting systems are designed to ensure that issues are reported and investigated in a consistent and effective manner. A key initiative in FY18 has aimed to improve incident investigation outcomes, through the update of our procedure and targeted training of investigation leaders.

Safety performance

AGL measures and tracks safety performance using a number of lagging performance indicators based on reported safety incidents. We also track leading indicators to provide insight into trends to inform us on our current and future programs.

The total injury frequency rate (TIFR) for employees decreased from 2.0 in FY17 to 1.2 in FY18, which met our target of ≤ 1.7 . The total injury frequency rate for contractors decreased from 5.4 in FY17 to 4.7, which did not meet our target of ≤ 4.6 .

The combined TIFR for both employees and contractors decreased from 3.1 in FY17 to 2.4 in FY18.

The occupational injury frequency rate (OIFR) for employees decreased from 1.8 in FY17 to 1.0 in FY18, and likewise the OIFR for contractors also decreased from 1.0 in FY17 to 0.5 in FY18. The combined OIFR for both employees and contractors decreased from 1.5 in FY17 to 0.8 in FY18.

In FY18, there were 9 employee and 18 contractor TIFR-related incidents, representing a decrease in employee incidents and an increase in contractor incidents compared to FY17 (during which period there were 13 employee and 17 contractor TIFR-related incidents, respectively).

During FY18, AGL people completed 11,535 Health and Safety Walks, 4,058 Environment Walks and 7,237 HSE Technical Interactions. There were also 5,377 hazards (comprising 4,670 safety hazards and 707 environmental hazards) and 1,021 near misses (comprising 813 safety near misses and 208 environmental near misses) reported. These results reflect an improvement in reporting behaviour compared to FY17.

In FY18, we appointed a Senior Safety Advisor who will report directly to CEO on enterprise-wide safety including corporate safety. The focus of Steve's role will be to provide HSE strategic and technical support and advice, and to undertake independent due diligence reviews of parts of the business that require an increased level of support.

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.

SafeWork NSW - AGL Macquarie

AGL Macquarie has been charged by SafeWork NSW with contravening section 19 of the *Work Health and Safety Act 2011* (NSW). Refer to the [Strong and ethical governance](#) section.

Health and wellbeing

The health and wellbeing of every single person at AGL matters, because we want everyone to lead happy and fulfilling personal and professional lives. We achieve this by caring for ourselves and each other.







We support the health and wellbeing of our people through a range of initiatives to ensure no person commences or continues work if they are not fit for work. We help our people to maintain and improve their health while working with AGL

During FY18 our health strategy has been developed to enhance engagement and awareness across the organisation and to inform data-driven programs. This strategy consisted of three core components:

1. Promotion of physical and psychological health and wellbeing initiatives to educate and promote self-awareness of personal wellbeing, including data-supported preventative and reactive programs, a Mental Health Framework to support a mentally healthy workplace, health checks and annual flu vaccinations.
2. A new governance program for health monitoring and surveillance to increase visibility and consistency in managing risks, including occupational health exposure surveillance and monitoring of hazards such as noise and dust.
3. Improved injury management outcomes, which aim to improve our injury prevention, return to work and claims management processes, by promoting early intervention and equipping leaders to effectively support injured or ill employees to rehabilitate and either remain or return to work sooner following work and non-work related injuries.

Contractor and supplier management

Manage our contractors to reduce risks, and work with our suppliers to ensure their commitment to our sustainable practices.

FY18 Target	FY18 Performance	Status
AGL Supplier Agreements signed in FY18 to include the AGL Supplier Code of Conduct: 100%	AGL Supplier Agreements signed in FY18 that included the AGL Supplier Code of Conduct: 100%	Target met   
Proportion of material supplier partners evaluated for compliance with the AGL Supplier Code of Conduct: 80%	Proportion of material supplier partners evaluated for compliance with the AGL Supplier Code of Conduct: 93%	Target met   
FY19 Target		
Prequalification rate of contractors working at AGL: 100%		
AGL Supplier Agreements signed in FY19 to include the AGL Supplier Code of Conduct: 100%		
Proportion of material supplier partners ²⁶ evaluated for compliance with the AGL Supplier Code of Conduct: 100%		
Proportion of material supplier partners ²⁶ compliant ²⁷ with the AGL Supplier Code of Conduct, or which have corrective action plans in place: 100%		

We engage contractors to undertake various projects and services on behalf of AGL. Contractors that perform work or deliver services for us have the potential to impact our people, our operations and our reputation. Therefore, effective contractor management is essential to ensuring the successful completion of our projects and our operations.

Our contract management system is designed to ensure that:

- the highest appropriate health, safety and environmental standards are in place whilst contractors are undertaking work on our sites
- key risks associated with the work to be undertaken by contractors is identified and appropriately managed ahead of engaging any contractor to undertake work on behalf of AGL, and

26. A 'material supplier partner' is designated by AGL Procurement and Supply Chain where an ongoing supplier of goods or services is assessed to have a very high or extreme risk rating to the organisation in accordance with AGL's Fully Integrated Risk Management (FIRM) matrix.

27. 'Compliant' means that the supplier has answered that it complies with all questions in the Supplier Code of Conduct Questionnaire. Where the supplier states that it does not comply with a question, the supplier is required to commit to a mutually-agreed Corrective Action Plan, which is monitored over the course of the year.

- contractors act in accordance with our policies and procedures.

Our contract management system includes a pre-qualification process, which must be completed prior to engaging any contractor for any material work to be performed on behalf of AGL. This involves the contractor establishing that they:

- are appropriately qualified, competent and experienced to undertake the work
- hold all required licences, permits, registrations and insurances, and
- have appropriate HSE capability and experience.

All contractors engaged by AGL are required to:

- comply with all AGL health, safety and environmental policies and procedures while working on our sites
- complete induction processes prior to carrying out any work on any site
- maintain a safe working environment, and
- comply with all relevant legal requirements.

Our contractor management system is an end-to-end process that applies from conception and scope development through to works management and review. We monitor compliance by contractors using a variety of methods, including conducting regular reviews and formal audits of performance.

In FY18 we developed and implemented enterprise-wide Contract Governance Principles. These principles provide minimum expectations and principles to guide informed decision making and judgement across the entire contract lifecycle. The principles apply to all contract types and all areas of the business.

Supplier management

With more than 5,000 suppliers, we recognise that our suppliers can have a strong influence on our sustainability performance. During FY18, we have been working to improve our procurement framework to adopt a consistent approach across our business.

Our 'Procure to Pay' Policy adopted in FY17 sets out principles to guide our procurement activities. One of our guiding principles is to 'maximise sustainable procurement activities' to manage social and environmental impacts of activities along our supply chain. Specifically, this requires all our people to seek opportunities to meet our sustainability targets by:

- implementing our sustainability principles and values
- selecting suppliers with similar sustainability values and commitments
- influencing suppliers to reduce the social and environmental impact of the products and services provided to us
- contributing to the development of local communities affected by our operations, through the creation of employment opportunities and the development of skills at a local level, and
- investing in long-term collaborations with suppliers to support the implementation of initiatives aimed at reducing the social and environmental impacts of their products/services.

Supporting the Procure to Pay Policy is our <Supplier Code of Conduct>, which outlines a minimum set of requirements that suppliers must adhere to when engaging in business with us. The Supplier Code of Conduct covers corporate governance, ethics, risk management, labour policies, human rights and discrimination, occupational health and safety, environmental management, community and supply chain.

All new suppliers who are engaged using AGL's supplier agreements are required to comply with obligations outlined in our Supplier Code of Conduct. This requirement is embedded in our standard contract templates to ensure that it applies to all new contracts. In addition, suppliers may be asked to complete a Supplier Code of Conduct Questionnaire. New suppliers identified as being of high value and/or risk may also be requested to complete a detailed Sustainable Procurement Questionnaire as part of their application to work with us. Where areas of non-compliance are identified, we require those suppliers to work with us in developing a Corrective Action Plan.

One hundred percent of AGL Supplier Agreements signed during FY18 included the requirement for the supplier to comply with our Supplier Code of Conduct. In instances where it is not feasible to engage suppliers under our standard supplier agreements, we undertake prequalification checks as part of our due diligence screening process. The checks may require the supplier (where relevant) to provide health and safety and environmental credentials, and provide referees. We may also use third parties to conduct checks on the commercial profiles of prospective suppliers.

For FY18, we set ourselves a target to evaluate at least 80% of our material suppliers for compliance with the AGL Supplier Code of Conduct. In FY18, we exceeded this target, having evaluated a total of 93% of our material suppliers.

Modern Slavery in the supply chain

It is estimated that more than 40 million people worldwide are victims of modern slavery, including human trafficking, slavery, debt bondage, forced labour and other slavery-like practices²⁶.

26. December 2017, Parliament of the Commonwealth of Australia, 'Hidden in Plain Sight – An inquiry into establishing a Modern Slavery Act in Australia'.

In December 2017, the Commonwealth Government's Joint Standing Committee on Foreign Affairs, Defence and Trade (Committee) recommended that Australia introduce Modern Slavery legislation. The committee further recommended that this legislation should mandate supply chain reporting, including an organisation's policies, due diligence and remediation processes for modern slavery in its business operations and supply chains; identification of parts of the organisation where there are risks of modern slavery occurring; steps taken to mitigate that risk; and, training on modern slavery.

Modern Slavery legislation was enacted into Federal Parliament in June 2018. Also during FY18, the New South Wales Parliament enacted its own Modern Slavery legislation. We are working within our business, across our supply chains and in partnership with industry peers to be ready to publish our first modern slavery statement by its due date.



Environment

We're taking action to responsibly reduce greenhouse gas emissions and manage our environmental footprint, while providing customers with secure and affordable energy.

A number of our operations have a material environmental footprint. The community has an interest in ensuring that we are held to high standards of accountability for the impact of our operations on the environment.

Guided by our AGL Value of 'Sustainable thinking', we are working to reduce our environmental impacts and to consider potential environmental consequences of all our activities. Endorsed by our CEO, AGL's <Environment Policy> outlines our approach to protecting the environment and minimising our environmental footprint in the areas where we operate, and includes the following commitments:

- We will adhere to high standards to protect the environment where we do business.
- We will strengthen our business by integrating environmental considerations into all business activities.
- We will analyse and improve the way we do business to reduce environmental risks and impacts.
- We will use resources and energy efficiently, minimising emissions and waste.

Our health, safety and environment management system (HSEMS) is based on the requirements in Australian Standard AS/NZS ISO 14001:2016 *Environmental Management Systems* and AS/NZS 4801:2001 *Occupational Health and Safety Management Systems*. The environmental management systems at Bayswater and Liddell power stations (together representing 58% of our total installed generating capacity) are certified to AS/NZS ISO 14001:2016. Our AGL Loy Yang Power Station (representing an additional 22% of our total sent-out generation in FY18) also maintains an environmental management system that is externally audited in line with the Environment Protection Authority Victoria's 'Accredited Licensee System - Guidelines for Environmental Management System Certification'.

This section focuses on:

- **Transition to low carbon energy:** We're taking a leading role in the transition to a carbon constrained future. This section also sets out how we measure and manage our greenhouse footprint.
- **Renewable energy:** We're committed to continue our leading role in developing a pathway to a modern, decarbonised generation sector through investment in renewable technologies.
- **Minimising other environmental impacts:** We aim to protect the environment, minimise our environmental footprint in the areas in which we operate, and rehabilitate assets to an appropriate state at the end of their operational life.

Material Issue

Transition to low carbon energy

Progressively decarbonise the energy supply to our customers.

FY18 Target	FY18 Performance	Status
Compliance with AGL Greenhouse Gas Policy: 100%	Compliance with AGL Greenhouse Gas Policy: 100%	Target met
Customers signed up to AGL's Future Forests carbon offset product: 10,000 ²⁷	6,854 customers signed up to AGL's Future Forests product during FY18	Target not met
Annually offset the greenhouse gas emissions from electricity consumed at AGL's corporate workplaces ²⁸	2,320 tCO ₂ e of Gold Standard abatement was purchased to offset 100% of the greenhouse gas emissions associated with electricity consumed at AGL's corporate workplaces.	Target met
FY19 Target		
Compliance with AGL Greenhouse Gas Policy: 100%		
Total number of customers signed up to AGL's Future Forest carbon offset product: >25,000 ²⁹		
Annually offset the greenhouse gas emissions from electricity consumed at AGL's corporate workplaces ²⁸		
Production of a report consistent with FSB TCFD principles		

Australia's economy is transitioning towards a low carbon future. As Australia's largest scope 1 (direct³⁰) greenhouse gas emitting

business, and given that emissions from Australia's electricity generation sector comprise around one-third of Australia's total

27. This relates to the number of customers who have signed up to Future Forests during FY18.

28. Comprises offices under AGL's operational control as defined by National Greenhouse and Energy Reporting Act 2007.

29. This relates to the total number of customer accounts that were active on AGL's carbon offset program during FY19.

30. 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.

emissions inventory, we recognise that we have a key role to play in this transition, while providing secure and affordable energy for Australian households and businesses. The importance of this transition to the long-term success of our business is reflected in one of our two strategic imperatives: to prosper in a carbon-constrained future.

Our approach to climate change

We are committed to structuring our activities and operating our 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 electricity 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 further evolution of climate change policy, to encourage investment to achieve the significant cuts in emissions required by mid-century. Further discussion of these challenges is provided in the [Energy market evolution](#) section of this report.

Our approach to transitioning to a low-carbon future is set out within the [AGL Greenhouse Gas Policy](#). Our Greenhouse Gas Policy acknowledges that Australia is moving to a carbon-constrained future, and provides a framework within which we will structure our greenhouse gas reduction activities. It also presents a pathway for the gradual decarbonisation of our generation portfolio by 2050.

The policy states that we will:

- continue to provide the market with safe, reliable, affordable and sustainable energy options
- not build, finance or acquire new conventional²⁷ coal-fired power stations in Australia (i.e. without carbon capture and storage)
- not extend the operating life of any of our existing coal-fired power stations
- close, by 2050, all existing coal-fired power stations in our portfolio
- improve the greenhouse gas efficiency of our operations, and those over which we have influence
- continue to invest in new renewable and near-zero emission technologies
- make available innovative and cost-effective solutions for our 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.

FY18 Initiatives

In FY18 we produced our first report in accordance with the principles set out by the Financial Stability Board's (FSB) Task-force of Climate-related Financial Disclosures (TCFD). Our report, entitled [Powering a climate resilient economy](#), identifies the financial risks and opportunities that climate change presents to AGL, and our strategic approach to managing these risks and capitalising on these

opportunities. The report also summarises the scenario analysis modelling we undertook in 2016 to understand the risks and opportunities associated with decarbonisation of our generation fleet.

Achieving significant cuts in emissions will require substantial new investment in renewable energy capacity and the gradual cessation of operations by existing thermal generators. You can find out more about the investments we are making in the [Renewable energy](#) section, and how we are working with affected communities as we transition away from coal in the [Power station transition and closure](#) section.

While the greatest reductions in emissions will come from replacing relatively carbon-intensive generation sources with lower-emitting generation, we continue to pursue opportunities to reduce the carbon intensity of our thermal power stations.

In FY18, we undertook four major energy efficiency projects with an annual total emissions reduction of 68,000 tCO₂e and a cost saving of \$2.2 million.

We have also committed to an \$11 million lighting upgrade of our Bayswater, Torrens Island B, and Loy Yang A power stations, and the Loy Yang mine. Commencing in FY19, the project involves replacing around 45,000 existing lights with more energy efficient LEDs. The project is expected to deliver a reduction in internal energy consumption of around 33 GWh per year, which is the equivalent of a reduction in greenhouse gas emissions of 35,000 tCO₂e per year. The reduction in our internal energy usage from this project will increase the net capacity of our generation assets by 3.5 MW.

We are also continuing to actively invest in other smarter and lower-emissions products and services to provide to our customers. For more information, visit the [Product innovation](#) section.

Over FY18 we continued our work in line with the three specific commitments that we signed up to 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. Read more about our approach to climate policy engagement in the [Powering a climate resilient economy report](#) and the [Public policy engagement](#) section.

Influenced by our two strategic imperatives – prospering in a carbon constrained future, and building customer advocacy – we developed our Future Forest program, which allows customers to offset the greenhouse gas emissions association with their electricity consumption through diverse Australian forestry. Further detail is provided in the 2018 Future Forest Annual Report, available on our [website](#).

Greenhouse gas emissions

We use three approaches (or 'footprints') 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:

27. 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).

- The **operational greenhouse gas footprint** covers the emissions from activities and assets that we operate.
- The **equity greenhouse gas footprint** sets out our 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 our 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.

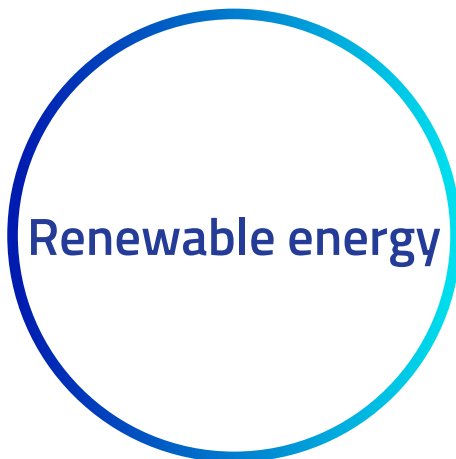
We emitted 44 MtCO₂e of greenhouse gas emissions from our operated facilities in FY18.

The greenhouse intensity of our operated generation portfolio in FY18 was slightly lower than in FY17 due to an increase in electricity generation from our renewable assets. Visit our [data centre](#) to view information about the carbon intensity of operated generation assets, amount of electricity generated by our operations, as well as details of the energy consumed in our operations.


Related information

- [<AGL Greenhouse gas policy>](#)
- [<Supplementary report \(FY18\): Powering a carbon resilient economy>](#)

Material Issue



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

FY18 Target	FY18 Performance	Status
Development of one additional project through to financial close, via the Powering Australian Renewables Fund.	Financial close on Coopers Gap Wind Farm was achieved on 17 August 2017.	Target met 
FY19 Target		
Having permitted sites ²⁸ available for the development of utility scale renewable energy projects.		

We are committed to playing a leading role in developing a pathway to a modern, decarbonised generation sector 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.

In 2016, we launched an innovative new investment vehicle called Powering Australian Renewables Fund (PARF). The fund is aimed at facilitating the construction of approximately 1,000 MW of renewable generation.

Powering Australian Renewables Fund was 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.

Our contribution to PARF will be around \$200 million in equity, while our equity partners’ contribution is around \$800 million. In November 2016, we sold to PARF our 102 MW Nyngan and 53 MW Broken Hill solar plants, which we continue to operate on behalf of PARF.

During FY18 we continued managing construction of the 200 MW Silverton Wind Farm project on behalf of PARF. Once complete, we will operate the Silverton Wind Farm until 2023 (with both AGL and PARF having an option to extend the offtake for a further five years). The Silverton Wind Farm is expected to achieve full generation by October 2018.

During FY18, we also commenced construction of the Coopers Gap Wind Farm project in Queensland on behalf of PARF. When built, the 453 MW wind farm will be the largest capacity wind farm in Australia.

In December 2017, we released our plan for replacing the energy and capacity currently provided by the ageing Liddell coal-fired power station. Our NSW Generation Plan proposes that a total investment

28. A permitted site is a site for which a development application approval has been obtained.

of 1,600 MW²⁹ of renewable energy will be required, in addition to firming capacity such as battery storage, potential pumped hydro, and quick-start gas-fired peaking generation. Visit the [Power station transition and closure](#) section for further details.

By gradually increasing investment in large-scale renewable energy capacity, not extending the operating lives of existing fossil fuel based generation, and providing adequate forward notice of our plans to close our fossil fuel-based generation, we are effectively reducing the greenhouse gas emissions intensity of the Australian electricity system.

Our portfolio of renewable energy

We continue to be Australia's largest non-government operator of renewable energy generation. As at 30 June 2018, we operated 1,889 MW of renewable generation capacity, representing 18% of our total operated generation portfolio.

We currently operate the largest wind farm in Australia, the 420 MW Macarthur Wind Farm in Victoria, which provided enough energy in FY18 to power more than 181,000 average Australian homes³⁰.

The combined output from the renewable energy assets that we operate produced enough electricity to power over 620,000 average Australian homes.

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](#)

29. This figure includes the expected generation capacity from Silverton and Coopers Gap wind farms.

30. Average Australian home consumption is based on the Australian Energy Council residential electricity use and customer numbers per state for FY16 as reported in Electricity Gas Australia 2017.

Minimising other environmental impacts

Minimise our environmental footprint in the areas we operate.

FY18 Target	FY18 Performance	Status
Environmental Regulatory Reportable Incidents: ≤12	Environmental Regulatory Reportable Incidents: 14	Target not met
Compliance with AGL Rehabilitation Principles: 100%	Compliance with AGL Rehabilitation Principles: 100%	Target met
FY19 Target		
Environmental Regulatory Reportable Incidents: ≤12		

This section covers a number of environmental topics. [Jump to each topic:](#)

- Air emissions
- Water management
- Noise
- Waste
- Rehabilitation

We are committed to protecting the environment from preventable risks and harm. We apply a risk-based approach to environmental management, driven and influenced by AGL's <Environment Policy>. Our Health, Safety and Environmental Management System (HSEMS) outlines the way in which potential environmental impacts resulting from our activities should be identified, assessed, managed and minimised, as far as is reasonably practicable.

Air emissions

We operate a portfolio of power generation plants, many of which combust fuels that result in the emission of combustion products to

the atmosphere. Our 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 we regularly maintain our equipment to keep it running efficiently and in compliance with regulatory requirements. We are committed to continue to engage transparently with members of the community who may be concerned about air emissions from our operations.

We report air emissions from our operations to the Federal Government's National Pollutant Inventory (NPI) each year. The NPI is a publicly available database of emissions from Australian industrial facilities. Air 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 (NGSF), we are also required to publish air monitoring data on our website.

We also publish our main air emissions in our [data centre](#), where data relating to emissions of the following pollutant types can be viewed or downloaded:

- Carbon monoxide (CO)
- Particulates (PM₁₀)
- Particulates (PM_{2.5})
- 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) can also be viewed in the [data centre](#). Discussion of our greenhouse gas performance data and our approach to decarbonisation is provided in the [Transition to low carbon energy](#) section.

Improvements to air emissions management and monitoring

AGL's thermal power stations

Air emissions monitoring is conducted at our power stations to ensure that we comply with the specific emissions limits set in our environment protection licences, and in state and federal legislation. Furthermore, we monitor and report on air emissions in accordance with the requirements established in those licences.

AGL Macquarie and AGL Loy Yang power stations are fitted with Continuous Emissions Monitoring Systems (CEMS). By capturing real time data, the CEMS allows these operations to track environmental performance at any moment in time, enabling efficient responses where needed.

AGL Macquarie made a voluntary commitment in 2016 to install CEMS monitors for SO₂ and NOx on Units 2, 3 and 4 at the Bayswater Power Station. Subsequently these monitoring points were added to the Bayswater Environment Protection Licence in September 2017. For more information on air emissions from Bayswater and Liddell power stations, visit the [AGL Macquarie Environment page](#) on the AGL website.

AGL's gas operations

Our gas facilities at the Camden Gas Project, Newcastle Gas Storage Facility, Silver Springs and Gloucester Gas Project are operated under environment licences, which set out requirements for air emissions limits and air emissions monitoring. We report these results in accordance with licence requirements.

In addition to monitoring air emissions from point sources (e.g. stack emissions), we also monitor fugitive emissions from these facilities. Fugitive emissions relate to the irregular gas emissions that occur but are not captured or controlled through an emission point.

We conduct Leak Detection and Repair (LDAR) programs on our gas operations equipment and infrastructure as part of operations and maintenance performance monitoring activities, to ensure that we are consistently operating in accordance with good industry practice. The LDAR programs, required under our environment protection licences, are a critical operational control, enabling the operational site to closely monitor the performance and condition of plant and equipment. Visit the [AGL website](#) to learn more about our air monitoring programs at the Camden Gas Project and the Newcastle Gas Storage Facility.

During FY18 we conducted leak detection surveys at our processing facilities and related infrastructure at our Silver Springs gas facility located in central Queensland. These surveys were carried out at 104 gas wells, processing facilities at the Wallumbilla LPG plant, and for more than 200 km of pipelines and gathering lines.

In FY16 we announced the decision to close the Gloucester Gas Project. Prior to FY18, all gas wells at the Gloucester Project were fully decommissioned. This included leak detection testing, with no leaks identified. In FY18, there were no further requirements for leak detection testing.

Water

Management of water resources, both quality and quantity, is an important environmental issue in Australia and of direct relevance to our business. Governments and the community expect the energy industry to act responsibly so that water resources are used efficiently, and recycled whenever possible, and not detrimentally impacted by its operations.

Water use improvement projects at our thermal power stations

Water for AGL Macquarie's Bayswater and Liddell power stations is sourced from the Hunter River (via Lake Liddell). To reduce our impact on water from the Hunter River, we use reverse osmosis and brine concentrators to treat and recycle approximately 10,500,000 kL per annum. We also limit the amount of water that needs to be extracted by recycling process water that is used to transfer ash to the ash dams. Through this process, we annually recycle approximately 2,000,000 kL of water onsite that would otherwise be withdrawn from the Hunter River. Water monitoring is conducted at AGL Macquarie in accordance with requirements in our environment protection licences.

In FY18, AGL Macquarie progressed its plan for a project to reuse water in the Bayswater Ash Dam, which will reduce the likelihood of discharge from the emergency spillway. When approved, this project will involve the construction of a pipeline to pump water from the Bayswater Ash Dam to the void of a disused mine (Ravensworth Void 4). Transferring the ash dam water to Ravensworth Void 4 for operational use would save around 600,000 kL of river water from being used.

Furthermore, AGL Macquarie was granted regulatory approval to upgrade the existing Bayswater Water Treatment Plant (WTP). Through this work, AGL Macquarie will improve the WTP capacity and provide for a more efficient process to dispose of salt wastes generated through operation of the power station.

Additional information including water monitoring reports is available on the [AGL Macquarie Environment page](#) on the AGL website.

AGL Loy Yang uses groundwater pumped from the aquifers underlying the Loy Yang mine for cooling water, to reduce the amount of water drawn from the Latrobe River. In addition, the AGL Loy Yang Mine fire service system is a closed loop where the run-off water from within the mine is pumped to the Fire Services Reservoir before being returned for use in the mine forming a closed system. This maximises the water usage within the fire system and minimises the requirement for make-up water.

AGL Torrens sources its cooling water from the Port River and manages operations through its environment protection licence. All

water monitoring and discharges are conducted in accordance with the *Environment Protection (Water Quality) Policy 2015*.

Water monitoring at our gas operations sites

We are committed to monitoring and reporting on water management associated with our coal seam gas (CSG) projects. Dedicated groundwater monitoring networks have been established to monitor the water level and water quality characteristics of shallow beneficial aquifers to identify potential changes during CSG production programs.

Camden Gas Project

A hydrogeological summary of groundwater systems in the region of the Camden Gas Project, which focuses on the geology, hydrogeology and groundwater use across the area, is available on our [website](#). 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 we have adopted. Monitoring of produced water volumes, water levels and water quality has shown that CSG activities have not impacted shallow aquifers. Regular water monitoring reports are produced for the Camden Gas Project, which are available on our [website](#).

Visit the [data centre](#) to view or download information about the produced water volume, quality and disposal methods at the Camden Gas Project.

Gloucester Gas Project

Following our announcement in February 2016 that the Gloucester Gas Project would not proceed to final investment stage, in FY18 we continued the process to relinquish Petroleum Exploration Licence (PEL) 285 to the New South Wales Government.

Prior to FY18, all gas wells had been fully decommissioned. During FY18, we continued water monitoring in accordance with our environment protection licence. Monitoring data is available on our [website](#).

During FY17, we received approval from the New South Wales Environment Protection Authority (EPA) to irrigate the remaining water stored in dams at our Tiedmans property, after monitoring results showed that the water quality was suitable for beneficial reuse for irrigation and livestock. This water is derived from a mix of produced water from historical exploration programs (i.e. before the Waukivory Pilot) which was blended with freshwater from paddock runoff from the irrigation area, and direct rainfall, and treated in preparation for beneficial reuse. This approval has enabled a local landholder to beneficially reuse the water for irrigation and livestock watering purposes. In FY18, we completed the reuse of the remaining stored water before cleaning and handing over water storage infrastructure to a local landholder.

Water management at our hydroelectric assets

We operate hydroelectric power stations in Victoria and New South Wales, with three major schemes located on different rivers in the Kiewa, Dartmouth and Eildon catchments, and seven minor schemes. The schemes divert and harness river water (run-of-river) or draw on water from reservoirs for the purpose of electricity generation to meet intermediate and peak customer demand. The water is channelled through the water turbines, through a series of penstock controls (including gates and sluices), to generate

electricity. The channelled water is then directed to a reservoir for reuse or returned to the river as flow.

The hydroelectric schemes supply, on a long-term average, approximately 1,280 MWh per annum, or about 2% of Victoria's electricity demand. Despite 2% representing only a small proportion of total demand, the schemes' capacity to respond to rapid changes in demand and support the electricity system in the event of other generator plant failures, is extremely valuable. Each scheme is located on different river catchments, enabling AGL to maintain operational flexibility in order to maintain its customer commitments at any given time.

Visit our [data centre](#) for:

- the amount of water consumed at our energy generation, gas operations and corporate facilities, broken down by [facility type](#) and by [water source](#), and
- the amount of [managed 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.

Waste

Our operations produce a variety of waste streams, which are either reused, recycled or disposed to landfill.

At our industrial sites, we seek opportunities to reuse waste and recycle materials such as scrap metal and waste oil. Hazardous wastes are transported to licensed waste management facilities using regulated waste tracking systems. At our Torrens Island Power Station we have constructed an irrigation system, which provides for onsite application of treated wastewater, which reduces the amount of wastewater required to be disposed.

At our corporate sites, we are working together with our building owners to continuously improve waste management and recycling practices. Besides co-mingled recycling items (e.g. paper, cans, plastic bottles), we recycle batteries, printer cartridges and redundant IT equipment. We have implemented organic waste recycling at our Melbourne office, and we are working with our other building owners to implement this initiative across the other corporate sites. In FY18 we trialled an initiative to collect disposable coffee cups to be converted into processed engineered fuel to avoid this waste stream from being sent to landfill.

In addition to continuously improving waste management at our operational and corporate sites, our staff also volunteer in clean-up initiatives within the communities where we operate. Read more about how our AGL people give back to the community in the [Community engagement](#) section.

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

Noise

The generation of noise is an unavoidable characteristic of some of our business activities. Many of our projects involve the development of rural land that was previously 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.

We conduct our activities in accordance with noise limits applied to our operations, which are defined by the environment protection licences, authorisations and approvals we hold. We also conduct noise monitoring, as per the requirements established in those licences, authorisations and approvals.

In FY18, we conducted noise monitoring at Camden Gas Project (quarterly) and NGSF (annual), and results confirmed that noise emissions recorded at sensitive receiver locations are compliant with the operations Environment Protection Licence conditions. Noise monitoring conducted in FY18 at AGL's Oaklands Hill Wind Farm also confirmed that the wind farm is operating within the permitted noise levels.

Rehabilitation

To provide certainty to our employees, customers, the communities in which we operate and our broader stakeholders (policy makers and investors), we have set dates by when we plan to close our coal-fired generation assets. We have set out further detail on the principles guiding our approach to closing our large, coal-fired generation assets in our [Power station transition and closure](#) section of the report.

FY18 rehabilitation works

In addition to our ongoing legislative and regulatory requirements, we recognise our responsibility to rehabilitate our sites to an appropriate state upon the cessation of activity. Consistent with our longer-term plans for closing and repurposing our power generation and gas assets, in FY18 we progressed rehabilitation as described below.

AGL Loy Yang

The [Hazelwood Mine Fire Inquiry Report](#) encouraged further research and trials with regard to coal mine rehabilitation, including investigating the use of power station fly ash waste in rehabilitation, and the impacts on the environment, erosion and revegetation. AGL Loy Yang, in collaboration with Federation and Monash universities, is undertaking a five-year program of research into the potential for using engineered soils for rehabilitation, which includes the utilisation of ash and the appropriate formula for such soils.

AGL Macquarie

AGL Macquarie has undertaken a comprehensive study of rehabilitation options for Liddell and Bayswater power stations, along with associated infrastructure such as water supply and ash depositories. This study has assessed potential re-use of the sites and the infrastructure and forms the basis of forward planning for site rehabilitation. Further detail on plans to repurpose the site of the Liddell Power Station are provided in the [Power station transition and closure](#) section.

During FY18, we conducted rehabilitation of a total of 21 hectares of pasture at the Ravensworth Mine Site. We also completed construction of a second composting facility on Void 3 to generate compost for use in rehabilitation of the site and the Liddell Ash Dam. In preparation for the application of organic soil, approximately 9.5 hectares were capped at the Liddell Ash Dam. Other rehabilitation works included the planting of 1,000 saplings as part of the Hunter River Pump Augmentation Project. Over FY18 we continued rehabilitating the disused Ravensworth Mine Void 5 with fly ash from the Bayswater Power Station.

Camden Gas Project

In November 2016, we announced the schedule for Stage One of the rehabilitation of coal seam gas wells in the Camden Gas Project, which entails rehabilitating 41 of the original 144 gas wells. In FY18, we decommissioned a further 10 wells from the Stage One rehabilitation program. Decommissioning and rehabilitation of wells is undertaken with a high level of regulatory oversight by the New South Wales Government's Department of Planning and Environment and the New South Wales Environment Protection Authority as lead regulator, and conducted in accordance with standards set in the New South Wales Government's Code of Practice for Coal Seam Gas.

We continue to engage with the local Macarthur community on the full scope of our activities (operations, closure planning, decommissioning and rehabilitation) as we work towards full closure of the project in 2023. More information is provided on our [website](#).

Gloucester Gas Project

Following our announcement in 2016 that AGL would exit from the Gloucester Gas Project in FY18, we completed surface rehabilitation of these well sites and related infrastructure. The well leases are located in an agricultural setting and have therefore been returned to agricultural use. At the end of FY18 we were awaiting final regulatory approval of rehabilitation conducted at these assets. In the meantime, we are continuing our monitoring program as per requirements of licence and regulatory approvals.

Biodiversity and Cultural Heritage

We develop and operate assets on land that, in many cases, has value for reasons of biodiversity and cultural heritage in addition to its commercial value.

Our large assets maintain risk registers that detail site-specific risks and risk management measures related to biodiversity and cultural heritage.

AGL has biodiversity offsets for some of the assets it operates, such as Macarthur Wind Farm, Nyngan Solar Plant and Broken Hill Solar Plant. We monitor these offsets in accordance with the conditions of approval. For more information on the biodiversity offset management and monitoring for the solar assets, visit the [Nyngan Solar Plant](#) and [Broken Hill Solar Plant](#) websites.

For more than 20 years, we have been monitoring macroinvertebrate and fish at the Kiewa Scheme catchment to assess potential impacts of our desilting activities at our hydro assets, which are required for the effective operation of the hydroelectric power stations. Monitoring results continue to show that impacts on fish and macroinvertebrates are negligible.

AGL Biomass Policy

In recognition of the effect that electricity generation can have on biodiversity, we have established a <Biomass Policy> which states that AGL will not source fuel for power generation from native forest or from plantation forests located in areas cleared of native forest after 1990.



Economic performance

In an evolving energy market, we are guided by two key strategic imperatives: prospering in a carbon-constrained future and building customer advocacy. Visit our [FY18 Annual Report](#) for further details on our strategy.


This section focuses on:

- **Financial management:** In FY18 we announced a strong Underlying Profit after tax, declared record dividends, and drove strong return on equity.
- **Capital investment for growth:** We continue to look for opportunities to unlock growth through prudent investment of capital. Key focus areas in FY18 have been in lower-carbon energy generation, increasing wholesale gas supply, exploring new technologies and markets for our retail customers, continuing our significant customer experience transformation project, and delivering a digital transformation project to drive efficiency and engagement of our people.
- **Reliable energy:** As the largest electricity generator in the National Electricity Market, we recognise that we have a key role to play in ensuring that we manage and maintain our generation portfolio to optimise security of supply for customers.
- **Taxation and transparency:** We are committed to meeting all tax compliance obligations, and to providing transparent information about the taxes we pay and the taxation policies we employ.

Material Issue



Drive value and earnings growth.

FY18 Target	FY18 Performance	Status
Underlying Profit after tax: In line with earnings guidance for FY18.	Underlying Profit after tax: In line with earnings guidance for FY18.	Target met 
FY19 Target		
Underlying profit after tax: in line with earnings guidance for FY19.		
Achieve return on equity targets consistent with AGL Remuneration Framework.		
Total shareholder return outcomes reflected in AGL Remuneration Framework.		
Achieve FY19 component of AGL's Business Optimisation Program ³¹ .		

Profitability

AGL delivered an Underlying Profit after tax of \$1,023 million in FY18, up 28% on FY17, and in the upper half of the guidance range of \$940 million to \$1,040 million provided in August 2017.

The Board declared dividends totalling [115] cents per share for FY18, 80% franked and up [26]% compared with FY17.

AGL uses two metrics, total shareholder return and return on equity, in its Long-Term Incentive Plans, to align executive remuneration with shareholder outcomes.

Return on equity was [13]% in FY18, up from 10.2% in FY17, and [10.7]% on average over the three-year period of the FY16 LTIP. Total shareholder return was 52.8% in that period, compared with 28.0% for the S&P/ASX100 Index.

For more detail on AGL's financial performance and remuneration outcomes, refer to the <2018 Annual Report>.

AGL has guided for FY19 Underlying Profit after tax to be [broadly flat] compared with FY18.

In February 2018, Moody's reaffirmed AGL's credit rating of Baa2, stating that "AGL's credit profile is underpinned by the strength of the company's retail market position and the integrated nature of its operations, through its ownership of a substantial generation fleet."

31. AGL's Business Optimisation Plan as described in the Cost efficiency discussion in the Financial management section.

Energy sales

Total customer electricity sales volumes decreased by 1.2% to 31,171 GWh. Consumer Electricity volumes decreased by 120 GWh or 0.9%, driven by lower average consumption in the residential portfolio as a result of a change in customer mix. Business customers and wholesale markets electricity volumes decreased by 359 GWh or 1.4%, predominately due to the loss of two large volume customers, offset by increased commercial load from existing wholesale customers. Consumer gas volumes increased 1.4 PJ or 2.4% largely driven by an increase in average customer consumption in key states. Business customers and wholesale markets gas volumes decreased 51.2 PJ or 29.9% due to the loss of large business customers and wholesale customers driven by gas supply constraints in the market.

Our customer churn was 18.9%, and was once again lower than the 24.0% churn experienced in the rest of the market, evidence of the strong focus that has been placed on retaining customers.

Total customer numbers were flat in FY18, as growth into the Western Australian gas retail market offset the impact in Queensland and South Australia of increased competition.

Refer to the <2018 Annual Report> for detailed performance analysis of AGL's Customer Markets business.

Wholesale gas portfolio

Limited gas availability and high gas prices have impacted the east-coast domestic gas market, influenced by Australia's gas export trade and unanticipated market pressures. In response to these challenges, we have been investigating options for gas import infrastructure. In August 2017, we announced Crib Point in Victoria as the preferred site for a potential gas import jetty and pipeline to increase energy security and supply for customers in south-eastern Australia, introducing price competition and helping to put downward pressure on wholesale gas prices. In June 2018 we <announced> that we had reached certain key milestones in relation to the project.

Cost efficiency

[AGL plans to undertake a Business Optimisation Program over the three years from FY19 to FY21, which is expected to result in a \$300 million reduction in operating costs in nominal terms.]

Capital investment for growth

Capital expenditure for growth and transformation consistent with publicly disclosed plans.

We recognise the importance of our investment decisions in creating and sustaining long-term value. Our existing business and robust financial position provide a strong platform from which to invest in Australia's energy future and pursue new growth opportunities.

In December 2017, AGL set out in detail its capital investment plans for FY18 through FY20 with specific reference to the company's strategic objectives. Detailed commentary in relation to capital expenditure outcomes in FY18 is available in the [Operating & Financial Review](#) section of the Annual Report.

Highlights of key capital investment projects

We continue to see opportunities for investment in electricity generation assets that provide renewable and near-zero, complementary firm capacity.

Silverton and Coopers Gap wind farms: During FY18, we reached financial close and started construction of the Coopers Gap Wind Farm in Queensland on behalf of the Powering Australian Renewables Fund. Once commissioned, Coopers Gap will be the largest wind farm by capacity in Australia at 453 MW. We have also substantially progressed construction of the 200 MW Silverton Wind Farm near Broken Hill, New South Wales.

NSW Generation Plan: In December 2017, we announced our NSW Generation Plan, which sets out how we plan to affordably and reliably replace the Liddell coal-fired power station, which is scheduled to close in 2022. The NSW Generation Plan proposes a mix of high-efficiency gas-fired power stations, renewables, battery storage and demand response, coupled with an efficiency upgrade at Bayswater Power Station and conversion of generators at Liddell into synchronous condensers.

A key part of this plan is delivering a total of 1,600 MW of renewable energy generation (including Cooper's Gap and Silverton). We have also agreed to purchase 300 MW of generation from at least two new solar power stations to be built by a third-party project developer in New South Wales, with the first of these plants close to reaching financial close by the end of FY18.

As the cost of renewables continues to fall and the price of gas remains high, it is economically difficult to make an investment case for baseload gas-fired generation. However, we continue to see a case for the development of gas-fired peaking plants to provide 'firming' output to complement intermittent, renewable plant. In April 2018, we announced that we would construct a 252 MW gas-fired power plant located near Tomago, New South Wales. AGL is also exploring the potential to build an additional 500 MW of gas-fired capacity in NSW as part of Stage 2 of the NSW Generation Plan. Read more about our NSW Generation Plan in the [Power station transition and closure](#) section.

We have forecast a total of \$490 million of capital expenditure for Stage 1 of the NSW Generation Plan for FY19. For full details refer to the [December 2017 Investor Day Presentation](#).

During FY18, we also began construction of the \$295 million Barker Inlet Power Station in South Australia. The 210 MW gas plant will use reciprocating engines to deliver reliable, dispatchable energy to the National Electricity Market. The new power station will replace two of the four 'A' station turbines at the Torrens Island Power Station, which AGL plans progressively to mothball from 1 July 2019. The Barker Inlet Power Station units will be able to ramp from zero to full capacity in five minutes and are 28% more efficient than the units they will replace.

Visit the [Power station transition and closure](#) section for details on our transition plans for our thermal generation fleet.

Investment in retail customers

Following the deregulation of the Western Australian gas market in 2017, we continued our expansion into the Western Australian gas market, with 21,348 gas customers as at 30 June 2018.

Consistent with our strategic objectives, we are continuing our shift to more personalised retailing – using smarter solutions, technology and services to empower and provide services to our customers. In FY18, we continued delivering outcomes as part of our \$300 million Customer Experience Transformation program.

Investment in wholesale gas

In gas, we continue to pursue multiple options to strengthen supply and develop our portfolio in response to a dynamic and volatile market. In June 2018, we announced several key milestones in relation to our proposed liquefied natural gas (LNG) import jetty project at Crib Point in Victoria. Refer to the [Energy market evolution](#) section for further details.

Investment in our people

To help build our culture and drive engagement of AGL people, we are focusing on delivering a digital transformation through the People, Processes and Performance Transformation (PT3) program. This program is focused on driving changes to ways of working to enable our people and enhance overall business performance. Refer to the [Workplace culture and talent](#) section.

Related information

- [NSW Generation Plan](#)
- [<2018 Operating and Financial Review>](#)
- [2017 Investor Presentation](#)

Material Issue

Reliable energy

Manage our power generation assets efficiently to ensure security of supply for customers.

FY19 Target

Achieve budgeted equivalent availability factor (EAF) across AGL's power generation fleet³².

Reliability and energy system transition

The current generation mix in the National Electricity Market (NEM) is relatively old and emissions-intensive. Around 75% of the installed thermal capacity is already operating beyond its original design life; to replace this energy capacity, both renewable and lower-emission fossil fuel generation sources will form an integral part of the energy mix throughout the transition to a low-emission economy.

Recent heatwaves and storms, which have triggered load-shedding and black out events, have caused increasing anxiety amongst customers, industry and governments about the ongoing security³³ and reliability³⁴ of the energy system. Additionally, the abrupt closure of ageing thermal power plants (such as Northern and Hazelwood power stations) has highlighted the need to responsibly manage this transition towards future energy needs in a way that does not impact the security and reliability of energy.

Read more about the transition to a lower-carbon economy in our [Energy market evolution](#) and [Power station transition and closure](#) sections.

Reliability in the NEM

The framework for delivering reliability in the NEM is primarily market based. AGL, as a generator of electricity in the NEM, is one of a number of players in the market, including other generators, operators of transmission and distribution networks, and the Australian Energy Market Operator (AEMO), who all contribute to the security and reliability of the grid.

The Australian Energy Market Commission (AEMC)'s Reliability Panel sets standards relating to the safety, security and reliability of the NEM. The panel's reliability standard currently requires there to be sufficient generation and transmission interconnection to meet 99.998% of annual electricity demand supplied in the NEM.

The Energy Security Board is currently reviewing the generation sector's reliability framework through the proposed National Energy Guarantee (NEG) which seeks to provide greater assurance that the NEM's reliability needs will be met. Read more about the NEG in our [Energy market evolution](#) section.

Business resilience and reliability

A key aspect of our commitment to providing reliable energy is to ensure our organisation is resilient. Resilience encompasses our ability to anticipate, protect, respond, recover and adapt to uncertainty, change and disruption, with limited impact on our business. Our approach to business resilience is set out in our Business Resilience Principles Framework document.

32. Power stations included are: Liddell, Bayswater, Loy Yang A, Torrens power stations, Somerton and Hydro power stations, and wind and solar farms under our operational control.

33. 'Security' of the energy system refers to the ability of a system to operate within defined technical limits, even if there is an incident such as the loss of a major transmission line or large generator.

34. 'Reliability' of the energy system refers to whether the energy system has enough generation, demand response and network capacity to supply consumers.

In a complex and increasingly uncertain operating environment, we see building resilience capacity and maturity as critical to achieving our strategy and our ability to continue to reliably operate critical infrastructure, such as our key generation assets. As an owner and operator of critical infrastructure, and one of Australia's largest providers of essential services, we are committed to developing and maturing our resilience capability for the benefit of our people, customers, shareholders and energy users generally.

Investing in the ongoing reliability of our energy system

We are committed to taking a leading role in the transition of Australia's energy sector to ensure that the energy system of the future is reliable, as well as affordable and environmentally sustainable. We will do this through disciplined investment in renewable and low-emissions technologies, and through evolving our suite of distributed energy solutions, which enable customers to directly participate in the transition to a low-emissions future (such as distributed renewable generation, battery storage and demand management products). Further detail is provided in the [Energy market evolution](#) section.

During FY18, we progressed the following initiatives:

New South Wales (NSW) Generation Plan: An important part of ensuring reliability of energy is providing sufficient notice of proposed closure of generation assets to provide a signal to the market on the need for further investment. In 2015, we gave effectively seven years' notice to the market that we would close our Liddell Power Station in 2022. In December 2017, we outlined our plans for the Liddell Power Station site beyond its retirement, in our [NSW Generation Plan](#). The NSW Generation Plan proposes a mix of high-efficiency gas-fired power stations, renewables, battery storage and demand response, coupled with an efficiency upgrade at Bayswater Power Station and conversion of generators at Liddell into synchronous condensers. Read more about our NSW Generation Plan in the [Power station transition and closure](#) section.

Complementary firm capacity: In an environment where the cost of renewables is falling, and the gas price remains high, it is unlikely that a long-term investment case can be made for baseload gas as a replacement for baseload coal. However, we see a case for the development of gas-fired power stations to provide 'firming' output to complement intermittent, renewable plant. In April 2018, we announced that we would construct a 252 MW gas-fired power station, located near Tomago, NSW. AGL also proposes to build an additional 500 MW of firming capacity from another gas-fired power plant in New South Wales as part of Stage 2 of the NSW Generation Plan. Read more about our NSW Generation Plan in the [Power station transition and closure](#) section.

In FY18, we announced an innovative approach which aims to effectively increase the reliability of renewable energy generation. Our 'Wind Product Firming Unit', rolled out in South Australia and Victoria in April 2018, has been developed to allow intermittent wind energy to be bundled with dispatchable energy (such as gas peaking generation) and be contracted like other forms of 'firm' energy.

Barker Inlet Power Station: During FY18 we commenced construction of the Barker Inlet Power Station, located adjacent to our Torrens Island Power Station. When completed, the reciprocating engine, gas-fired Barker Inlet Power Station will have a capacity of 210 MW. The new power station will replace two of the four Torrens A turbines which we will progressively mothball from 1 July 2019. The Barker Inlet Power Station units will be able to ramp from zero to full capacity in five minutes, and are 28% more efficient than the units they will replace.

Bayswater Distributed Control System (DCS): In March 2018, we commenced installation works of a \$63 million DCS at the Bayswater Power Station. The DCS is designed to improve the reliability (effective availability factor) of the power station.

Demand response: Demand response is a form of demand-side management, where energy users are compensated to reduce their energy usage at peak times, hence reducing the likelihood of load-shedding events or blackouts. In October 2017, AGL entered into a partnership with the Australian Renewable Energy Agency (ARENA) and the New South Wales Government to supply 20 MW of demand response in New South Wales, as part of the Short Notice Reliability and Emergency Reserve Trader (SN RERT) initiative by ARENA and AEMO, for the period 1 December 2017 to 30 November 2020. Refer to the [Product innovation](#) section for further details.

Virtual Power Plant (VPP): In FY18 we progressed the development of our VPP in South Australia. The VPP involves 1,000 connected batteries installed in homes and businesses, providing 5 MW of peaking capacity and offering customers the opportunity to save on their energy bills.

For further details, see the [Renewable energy](#) and [Customer-led approach and delivery](#) sections.

FY18 Performance

We use a number of metrics to measure the reliability of our electricity generation assets including equivalent availability factor (EAF), which measures the percentage of rated energy that is available when required.

In addition to equivalent availability factor, the following information about our generation portfolio is available to view or download in the [data centre](#):

- installed capacity of operated generation assets
- electricity output
- wind farm generation.

Related information

- [NSW Generation Plan](#)



Complying with all our tax obligations and transparently disclosing details of the taxes we pay and the taxation policies we employ.

We are committed to meeting all tax compliance obligations, and to providing our stakeholders with information about the taxes we pay and the taxation policies we employ.

We have adopted the Board of Taxation's voluntary Tax Transparency Code (TTC), and the tax-related disclosures in this report and our 2018 Annual Report meet the requirements of this Code.

Our Tax Risk Management Policy sets out clear objectives and accountabilities for managing tax risk. The policy is endorsed by the Board and reviewed every two years.

The key focus of this policy is to:

- ensure all tax obligations are satisfied
- ensure tax risks are identified, managed and communicated to relevant stakeholders, including AGL's senior management and the Audit and Risk Management Committee
- maintain a co-operative and transparent relationship with taxing authorities, and
- ensure the management of tax risks is appropriately resourced.

Group Tax manages AGL's tax strategy in accordance with the <AGL Compliance Management Policy> and the <AGL Code of Conduct>. Material tax risks and compliance issues are reported to the Chief Financial Officer and ultimately to the Audit and Risk Management Committee as part of our governance framework.

We manage our Australian tax obligations in line with the expectations of the Australian Tax Office (ATO). Due to AGL's gross revenue, AGL is defined as a 'key taxpayer' under the ATO's Risk Differentiation Framework. We are therefore subject to increased levels of review by the ATO.

In the interests of transparency, we engage regularly with the ATO in a cooperative manner. This open dialogue includes an annual pre-lodgement compliance review with the ATO.

We do not have any material operations outside Australia³⁵, and we have no tax obligations in any jurisdictions other than Australia. We have no international related party dealings. We do not engage in activities which artificially shift profits to low- or no-tax jurisdictions.

We have a strong history of paying fully franked dividends to our shareholders. The franking credits attached to the dividends paid by listed companies are a direct function of Australian income taxes paid each year. However, as announced at our FY16 Annual General Meeting, our dividend policy has been updated to target a higher payout ratio of approximately 75% of Underlying Profit after tax, franked to a minimum of 80%. The FY18 interim and final dividends are 80% franked. The reduction in franking is due to an increase in the payout ratio.

35. In February 2016 AGL announced that it made an investment (22% ownership) in a US company, Sunverge Energy Inc. AGL also has non-controlling interests in two US funds investing in companies focused on energy impact technologies, a US company developing behind the meter storage orchestration technology, and a Canadian company developing smart home ecosystem products.

Under Australian taxation law, AGL has formed two tax consolidated groups (TCG), whereas for accounting purposes, they 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) operating the Loy Yang A Power Station and mine form a second TCG. The latter TCG has prior year tax losses.

Performance

During FY18, we contributed and collected a total of \$666.8 million in taxes, including corporate income tax instalments of \$159 million. Visit the [data centre](#) to view our FY18 tax contribution summary.

Our effective tax rate on Underlying Profit after tax was 29.5% for FY18, which is in line with the Australian corporate tax rate of 30%. Visit the [data centre](#) to view our effective tax rates in prior years.

Effective tax rate	FY18 \$m
Gross revenue	12,816
Underlying Profit before tax	1,451
Underlying income tax	(428)
Non-controlling interest	1
Underlying net profit after tax	1,023
Effective tax rate	29.5%

We use Underlying Profit rather than statutory profit³⁵ to determine the effective tax rate, as Underlying Profit provides a better reflection of the performance of our underlying and ongoing operations, and is the metric used to determine our dividend distribution.

Broadly, differences between AGL's effective tax rate and the corporate tax rate of 30% are related to:

- non-deductible expenses that are expensed for accounting
- benefits arising from research and development
- recognition of unbooked tax losses, and
- adjustments arising from accounting/tax differences on disposals.

Reconciliation of Statutory Profit to taxable income

Under the Australian Accounting Standards, income tax expense is calculated on Statutory Profit. There are differences between a company's income tax expense and the actual cash tax paid by the company, primarily because income tax expense includes amounts that were not paid/received during the financial year. These are referred to as deferred tax items.

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. Statutory Profit is adjusted for such differences to arrive at taxable income, which is taxed at 30%. The tax liability is then reduced for any tax offsets such as research and development expenditure.

In the final quarter of calendar year 2018, the ATO will publish details of gross revenue, taxable income and income tax for certain entities based upon tax returns for the year ended 30 June 2017.

Being in a capital-intensive industry, our taxable income is generally lower than our Statutory Profit since tax depreciation is generally greater than accounting depreciation.

Since the abrupt closure of the Hazelwood power station, the Victorian wholesale electricity price curve (along with the eastern states) has been substantially elevated (the curve, in the years immediately before and after the acquisition of Loy Yang by AGL was substantially lower). As a result, the AGL Generation TCG has started recouping prior year tax losses (incurred before and after acquisition by AGL³⁶).

Related Information

- <AGL Compliance Management Policy>
- <AGL Code of Conduct>
- <AGL Dividend Policy>

35. 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.

36. AGL acquired Loy Yang in June 2012. At the time of acquisition, Loy Yang had tax losses of around \$2.2 billion which increased post the acquisition and peaked at around \$2.9 billion.

Other information

GRI Index

GRI 102: General Disclosures 2016

GRI Index

Disclosure reference	Response or link	Reason(s) for omission(s)
102-1: Name of the organization	AGL Energy Limited	-
102-2: Activities, brands, products, and services	AGL sells gas and electricity and related products and services to around 3.6 million customer accounts in Australia. Refer to our Asset map and our website for further information.	-
102-3: Location of headquarters	AGL's head office is located at L24/200 George Street, Sydney, NSW, 2000. Refer also to the Contact us section of the AGL website	-
102-4: Location of operations	AGL operates in Australia. AGL outsources some functions to organisations located within India and the Philippines, but has no direct employees in these regions.	-
102-5: Ownership and legal form	Shareholding information is included in the 2018 Annual Report	-
102-6: Markets served	AGL sells gas and electricity to customers in New South Wales, Victoria, South Australia and Queensland, and gas to the Western Australian gas market. AGL services residential, business, commercial and industrial, and wholesale market segments. Refer to the Energy sold and Consumer and business markets by state and fuel type charts for further information.	-
102-7: Scale of the organization	Total number of employees is reported in Employees by location . Operations are displayed on the Asset map . Key financial data (including revenue, market capitalisation, net debt and equity) is available in the Financial performance summary . The quantity of energy sold is available in the Energy sold chart.	-
102-8: Information on employees and other workers	The Employees by employment status chart shows a breakdown of permanent versus fixed term and full-time versus part-time employee by gender. This information is not broken down by region, however the Employees by location chart provides a breakdown of all employee types by location and gender. The number of hours worked by contractors versus the number of hours worked by employees is available in the Health and safety - contractors and Health and safety - employees charts respectively. There have been no significant variations in employee numbers during FY18. Footnotes provided for each chart detail any relevant assumptions.	The number of employees is separately broken down by contract type, location, employment status and gender. Providing additional combinations of breakdowns is considered not applicable to our organisation, as these disclosures do not cover the specific impacts that make the topic material.

UNGC COP

CEO Statement of Support

I am pleased to reaffirm my support for the ten Principles of the United Nations Global Compact covering the areas of Human Rights, Labour, Environment and Anti-Corruption.

Since becoming a signatory to the United Nations Global Compact (UNGC) in 2016, we are proud to be one of over 9,500 business signatories to the UNGC across 160 countries, including over 100 actively participating organisations in Australia. As further demonstration of AGL's commitment to the UNGC Principles, I attended the United Nations CEO Private Sector Forum in September 2017 with leaders of other organisations.

Below, you will find our 2018 UNGC Content Index, designed to provide our stakeholders with an overview of how we are meeting or implementing the UNGC principles through links to relevant sections of AGL's 2018 Sustainability Report.

I trust you will find this Communication on Progress and our broader 2018 Sustainability Report informative.

Signature

Andy Vesey
 Managing Director and CEO, AGL Energy Limited
 9 August 2018

Human Rights		
Principle		Response or link to 2018 Sustainability Report
1	Businesses should support and respect the protection of internationally proclaimed human rights	Behaviour of AGL's directors, employees and contractors is guided by the AGL Values and the AGL Code of Conduct. AGL operates in Australia only in accordance with the laws of Australia. Our Sustainability Report covers many issues that relate to human rights, including:
2	Make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> • Strong and ethical governance • Health and safety • Workplace culture and talent • Energy prices and affordability • Power station transition and closure, and • Business and investment leadership.
Labour		
Principle		Response or link to 2018 Sustainability Report
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	As reported in the Workplace culture and talent section of AGL's Sustainability Report, AGL upholds the freedom of association and the right to collective bargaining. As at end of FY18, more than 50% of AGL's workforce was covered by collective bargaining agreements.
4	The elimination of all forms of forced and compulsory labour	AGL operates in Australia only in accordance with the labour laws of Australia and AGL's Code of Conduct. AGL's Supplier Code of Conduct, which applies to our suppliers. The latter code prohibits any form of child, forced or involuntary labour, and requires our suppliers to abide with all international standards and domestic regulations relating to the employment of children.
5	The effective abolition of child labour	

UNGC COP

Human Rights		
6	The elimination of discrimination in respect of employment and occupation	<p>The Workplace culture and talent section describes our approach to diversity and inclusion, and the removal of discrimination, and how these attributes are promoted and embedded throughout our business.</p> <p>Our Supplier Code of Conduct requires our suppliers to promote an inclusive workplace free of discrimination, harassment, bullying and other unlawful behaviour on discriminatory grounds.</p>
Environment		
Principle		Response or link to 2018 Sustainability Report
7	Businesses should support a precautionary approach to environmental challenges	<p>AGL's Environment Policy sets out our corporate environmental vision, of protecting the environment and minimising our environmental footprint in the areas we operate.</p> <p>Our precautionary approach to climate change is reflected in our AGL Greenhouse Gas Policy and expanded on in the Transition to low carbon energy section as well as our <i>Powering a resilient economy</i> report, prepared in accordance with the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD).</p>
8	Undertake initiatives to promote greater environmental responsibility	<p>AGL is committed to playing a leading role in developing a pathway to a modern, decarbonised generation sector through investment in new renewable energy and near-zero emission technologies.</p>
9	Encourage the development and diffusion of environmentally friendly technologies	<p>Our Sustainability Report covers many issues that relate to environmentally-responsible initiatives and technologies, including:</p> <ul style="list-style-type: none"> • Energy market evolution • Transition to low carbon energy • Product innovation, and • Capital investment for growth.
Anti-corruption		
Principle		Response or link to 2018 Sustainability Report
10	Businesses should work against corruption in all its forms, including extortion and bribery	<p>As outlined in the Strong and ethical governance section, AGL has embedded risk-based anti-bribery and corruption controls throughout our processes and policies, including within the AGL Code of Conduct and the Fraud and Corruption Risk Control Policy.</p> <p>We also have a comprehensive Anti-Money Laundering / Counter-Terrorism Financing Compliance Program and an Australian Financial Services Licence Compliance Program within our wholesale markets (energy trading) areas. In this regard we conduct regular risk assessments to determine the adequacy of the controls that are in place.</p>

Assurance statement

[TBC]