



ASX and Media statement

AGL 2010 Sustainability Report

22 November 2010

Attached is a copy of AGL's Sustainability Report 2010 which will be published today.

Tomorrow, Michael Fraser AGL's Managing Director and CEO will host a webcast in relation to the Sustainability Report. Also presenting will be:

Mr Tim Nelson, Head of Economic Policy & Sustainability
Ms Sue Brown, AGL Environment Manager

Date: Tuesday, 23 November 2010
Time: 1400hrs to 1500hrs
Webcast: The briefing will be webcast live via the following link:

www.aglinvestor.com

Conference Call: The dial-in details are shown below:
Local Number (Australia): 02 8064 0614 (Conf ID: AGL)
International Toll Free: 1800 148 543 (Conf ID: AGL)

Questions will be taken at the conclusion of the briefing. A replay of the webcast and conference call will be made available on the AGL website.

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About AGL

AGL is one of Australia's leading integrated energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

Energy
in action.®

Summary
Sustainability
Report
2010



Cover: Cooper, son of AGL Mechanical Engineer Mark Faith, and Stevie, daughter of AGL Planning Team Leader Daniel Tanaskovic, play near the waters of the Kiewa River, Victoria.

This page: Mark Faith, Mechanical Engineer shows the Kiewa River to Cooper.



Contents

AGL's 2010 report is structured into three sections: a summary report, which is effectively the Directors' report of the strategic sustainability performance of the business; a management report (sustainability performance accounts), which provides additional layers of data and information about specific issues; and an assurance report. By structuring the report in this way, the journey towards integrated annual reporting can be commenced, as this structure mirrors annual reporting requirements in the Corporations Act.

What's in print

AGL Summary Sustainability Report 2010

Designed to be accessible by a broad range of stakeholders who have a general interest in AGL's sustainability performance, the summary provides an overview of AGL's sustainability goals and performance against the top 12 strategic sustainability indicators that have been established for the organisation.

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What's available online > www.agl.com.au/sustainability

> Sustainability Performance Accounts

Detailed performance data across a wide range of subject areas has been prepared for stakeholders who have a special or detailed interest in particular aspects of AGL's sustainability performance.

> Assurance Statement

Reporting on AGL's sustainability performance

AGL publishes an annual sustainability report so that stakeholders can gain an understanding of the social, environmental and economic challenges and opportunities that face the organisation and the industry, and the steps that are being taken to address these responsibly to enhance the long-term value of the business.

As a company that started out 173 years ago, AGL understands the importance of taking a long-term view.

At AGL, when we think about 'sustainability', we don't just think about the environment; we also think about our responsibilities to all our stakeholders – our employees, our customers, the community and our investors. Our key objective is to build a sustainable future for AGL, where we will continue to be successful and respected for the next 10, 20 or 50 years, by doing the right thing by these stakeholders.

In 2009/10 the transformation of energy markets has continued, with several significant changes in relation to energy policy.

The Renewable Energy Target legislation was passed in August 2009 and amended in June 2010 to create supportive investment environments for both small and large-scale renewable projects. Over the 10 years to 2020, we anticipate that up to \$30 billion in new investment by the energy industry will be stimulated by this legislation.

Energy prices are increasing substantially in many of the states within which AGL operates. Much of this is related to upgrading ageing electricity networks as poles and wires are replaced and capacity is installed to meet increasing peak demand. While we are focused on working with our customers to maximize energy efficiency opportunities, we recognise that for a proportion of low-income households, these price rises will increase customer hardship. In this context, we will continue to work with the AGL Customer Council to develop policies that both governments and AGL can implement to ensure all customers can access competitively priced energy as an essential service.

Climate change initiatives

AGL has continued to strengthen its position as having the largest privately operated portfolio of renewable generation facilities in Australia. We had 252 MW of new renewable assets committed for construction as at 30 June 2010, and over 2,000 MW of identified projects under development. Since the end of the reporting period, we have also committed to build the 420 MW Macarthur Wind Farm, which will be the biggest in the southern hemisphere. In 2008/09, we entered into contracts to sell more than 1 TWh of new renewable energy annually. Through these contracts, we will achieve our target of becoming Australia's largest retailer of renewable energy by volume, as the volumes sold under the contracts escalate over the coming 18 months.

Developing world-class customer service

AGL is committed to being a world-class customer-focused energy company. We are Australia's largest energy retailer, with around 3.24 million customer accounts. Regrettably, due to temporary systems-related issues in 2008/09, a number of our customers experienced delays in receiving bills which resulted in a high number of ombudsman complaints about AGL during this period. Therefore it is pleasing that customer complaints fell from 76 per 10,000 customers in the quarter ending 30 June 2009, to 48 per 10,000 customers in the corresponding quarter for 2009/10. This reflects our greater focus on customer service and ongoing improvements being delivered by our move to a single billing system in 2008/09.

Engagement and safety of our people

Our vision is to be an employer of choice, recognised through having an engagement score in the 'Best Employer' zone. We recognise that our people are critical to the ongoing long-term success of AGL, in providing energy infrastructure and services for Australians. This year, we achieved a 10.7 percent improvement in employee engagement. Our goal for 2010/11 is to improve engagement sufficiently to reach Best Employer status.

The AGL Board and AGL management believe that the safety and wellbeing of our employees is of paramount importance. Our safety vision is for AGL to have zero injuries. In the past year, we made significant progress towards this goal by reducing our total injury frequency rate (TIFR) from 3.9 to 2.7.

Local community engagement

Over the past 12 months, we have continued to consult with communities where we are developing projects. For the first time, this year we have provided an economic snapshot of the benefits delivered to local communities around our Hallett precinct of wind farms. More broadly, we have continued to support the wider community in which we retail energy through the Energy for Life program.

In summary, this report documents our long-term vision of a sustainable AGL and how we have considered and addressed the challenges relating to ongoing sustainability that we have faced during 2009/10. We welcome your views on this report, our broader performance and our stakeholder communication. Mechanisms for providing feedback are outlined in this report.



Jeremy Maycock
Chairman



Michael Fraser
Managing Director and CEO

AGL has Australia's largest number of retail energy and dual fuel customers, retailing natural gas, electricity and energy-related products and services to more than 3.24 million customer accounts across New South Wales, Victoria, South Australia and Queensland.

AGL has a diverse power generation portfolio, including baseload, peaking and intermediate generation plants spread across traditional thermal (gas and coal) as well as renewable sources (including hydro, wind, landfill gas and biomass). AGL owns, operates and/or controls 3,757 MW installed generation capacity. Of this, 1,073 MW is renewable generation capacity operated by AGL.

AGL also owns and/or operates coal seam gas exploration and production in five petroleum basins across New South Wales, Queensland and South Australia, with equity ownership of 1,578 PJ (2P) and 3,372 PJ (3P) reserves.

Listed on the Australian Securities Exchange (ASX code: AGK), AGL is an S&P/ASX 50 company with a market capitalisation of around \$6.6 billion. AGL maintains a BBB investment grade credit rating from Standard & Poor's.

AGL's integrated business strategy

AGL's integrated business strategy provides access to multiple profit pools and balances risk between upstream supply of energy and customers' demand for energy.

AGL is Australia's leading integrated renewable energy company. AGL retails gas and electricity, develops and operates a portfolio of electricity generation plants, and has an expanding presence in upstream gas production.

Sustainability and our business strategy

AGL's ability to effectively respond to social, environmental and economic challenges is fundamental to the long-term success of the business. The material risks that guide AGL's business priorities include:

- > Economic performance – delivering AGL's integrated strategy and managing longer term challenges that may affect sustainable returns to investors.
- > Climate change – structuring AGL's portfolio for a carbon constrained future and adapting to climate change risks.
- > Environment – managing the environmental impacts of supplying energy to customers, throughout the energy supply chain.
- > Customers – delivering excellent service and value to customers and providing access to energy for vulnerable customers.
- > People – providing the safest and best workplace environment to develop the skills and talents of employees to deliver outstanding business results.
- > Community – engaging with local communities and managing the impact of development activities, as well as responding to broader community needs.

About this report

This report covers the performance of AGL Energy Limited (AGL) and the activities and facilities over which AGL had operational control for all, or part, of the financial year ended 30 June 2010 (FY10). Together, the 2010 Sustainability Report and the 2010 Annual Report provide the full account of AGL's performance for the period.

Net Balance Management Group has provided independent assurance over this report using the AA1000 Assurance Standard (2008). The Assurance Statement from Net Balance is included on page 114 of the online report.

The Global Reporting Initiative's (GRI) 'G3' Sustainability Reporting Guidelines and the GRI Electric Utility Sector Supplement were used in the preparation of this report. The Guidelines have been applied to meet the requirements of an 'A+' Application Level. A full GRI content index is included on pages 102 to 112 of the online report.

Market capitalisation

\$6.6 billion

Employees (FTE)

2,078

Gas sales volume (p.a.)

210.9 PJ

Generation capacity

3,757 MW

Customer accounts

3.24 million

Electricity sales volume (p.a.)

34,362 GWh

As at 30 June 2010



Cooper (left) greets Don Christie (far right), who worked on the construction of the Kiewa Scheme from 1951 to 1982, and his son Robert Christie, AGL Outlying Works team member (centre), who is a long-term AGL employee.

Sustainability blueprint

The water that powers AGL's Kiewa Hydroelectric Scheme, Victoria.

Economic

Deliver superior growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earning streams.

Ongoing profitability

Vision:

Industry leading earnings profile based on sustainable business practices

2010/11 target:

Underlying Profit:

\$450–\$480 million

Sustainable growth

Vision:

Solid credit rating reflecting underlying cash-flow potential

2010/11 target:

Credit rating:

BBB

Climate Change

Invest in cleaner energy forms to reduce the greenhouse gas intensity of energy across the supply chain.

Carbon risk

Vision:

Emissions intensity significantly lower than the Australian electricity average

2010/11 target:

Intensity compared to Australian electricity average:

>50% below

Energy generation sources

Vision:

Australia's largest renewable energy company

2010/11 target:

Renewable proportion of operated generation capacity:

45%

Environment

Excellence in environmental management and performance.

Environmental risk

Vision:

To have an environmental risk profile that is As Low As Reasonably Practicable (ALARP)

2010/11 target:

Update, establish and monitor environmental risk registers for significant power generation and coal seam gas projects

Water management

Vision:

To be recognised as a prudent and responsible user of water that seeks to minimise the adverse impact of its operations on local water resources

2010/11 target:

Continue to develop a Water Management Strategy for coal seam gas projects

The 2010 AGL Sustainability Report provides a new framework within which AGL will report its performance as a sustainable business. Twelve strategic indicators of success have been established that will allow stakeholders to track performance over time. All of the activity and initiatives within the business will contribute towards improvement in one or more of these 12 indicators. Importantly, visions have been set for each of these indicators, demonstrating the attributes of the company AGL wishes to be over the longer term.

Customers	People	Community
<p>Become a world-class customer-focused energy company.</p>	<p>Engage our employees in ways that continue to support our business, grow their skills and deliver outstanding business results in a safe and sustainable way.</p>	<p>Connect our business and employees with the community in ways which make a genuine contribution, engage our people and strengthen our business.</p>
<p>Customer experience</p> <p>Vision: Top ranking energy company for customer satisfaction</p> <p>2010/11 target: Establish new customer satisfaction score and target</p>	<p>Employee engagement</p> <p>Vision: Engagement score at 'best employer' level</p> <p>2010/11 target: Engagement score: >65%</p>	<p>Community engagement</p> <p>Vision: Best practice local community engagement</p> <p>2010/11 target: Implementation of community engagement plans: 100%</p>
<p>Customers in hardship</p> <p>Vision: Recognised industry leader in customer hardship policy</p> <p>2010/11 target: Establish target for average level of energy debt of customers on Staying Connected program</p>	<p>Organisational safety</p> <p>Vision: To have zero injuries</p> <p>2010/11 target: TIFR: 2.5</p>	<p>Community contribution</p> <p>Vision: Social return on investment measured and at target levels</p> <p>2010/11 target: Employee Volunteering participation rate: 15%</p>

Around the world, policy makers are increasingly focused on three issues of concern to local communities: climate change and air quality, energy security and customer hardship.

Cooper, son of AGL Mechanical Engineer Mark Faith and Stevie, daughter of AGL Planning Team Leader Daniel Tanasković, play near the waters of the Kiewa River, Victoria.

In almost every case, the policy prescriptions being developed by governments to address climate change and air quality, energy security and customer hardship are uniform: emissions trading; renewable energy targets and energy efficiency schemes. Australia is no different, with the Commonwealth and State Governments continuing to develop policies to address these key issues. The impacts of government policy on AGL and the energy sector are likely to be profound.

Climate change and air quality

A key element in successfully building energy infrastructure with a very long lifespan is policy certainty. In this context, it is disappointing that Australia does not have a proposed or operating emissions trading scheme following the bi-partisan political support for such a scheme from 2007 to 2009. The proposed Carbon Pollution Reduction Scheme, which would have provided broad-based climate change policy certainty, was not passed by the Commonwealth Parliament as had been anticipated in 2009.

The consequences of this policy uncertainty are likely to be significant over the longer term. Research undertaken by AGL's economists during 2009/10 to estimate the costs of climate change policy uncertainty identified that a three-year delay in providing certainty (from 2010 to 2013) could lead to an unnecessary six percent increase in customer bills by 2020. This increase is largely because the uncertainty prevents optimal investment decisions.

It is critical that policy makers in Australia follow the lead of policy makers in the European Union and introduce a broad-based emissions trading scheme to provide investment certainty and deliver environmental outcomes. Both the EU Emissions Trading Scheme and the US Regional Greenhouse Gas Initiative provide a market-based mechanism that investors can use to price greenhouse gas emissions in long-term investment decisions.

Energy security

Australia is a significant energy exporter. Black coal exports are worth around \$55 billion annually and combined energy exports make up around one-third of total exports of goods and services. While coal is likely to continue to be exported in the short to medium term, the trend towards renewable and other forms of lower emission energy (such as LNG) cannot be ignored. Renewable energy targets are now in place in Europe, China and many states of the US.

Accordingly, Australian policy makers have introduced policies for Australian energy markets to ensure Australia is keeping pace with global trends towards renewable energy. In 2009/10, the expanded Renewable Energy Target was introduced and refined to create two distinct markets for renewable energy: the Large Scale Renewable Energy Target (LRET) and the Small Scale Renewable Energy Scheme (SRES).

From 1 January 2011, the LRET requires electricity retailers to progressively increase the amount of energy they purchase from large-scale renewable sources such as wind and biomass. By 2020, this will increase to 41,000 GWh of new renewable energy, enough to power around 5.9 million Australian households. AGL has been a strong supporter of this policy.

The SRES requires electricity retailers to purchase the output from small-scale renewable technologies installed at the household level, such as solar PV. From 1 January 2011, retailers will be required to purchase all output at a rate of \$40 per MWh. This will provide all Australian households with financial incentives to install small-scale renewable energy systems.

The transformational nature of these policies will require companies across the energy sector to adapt, if they wish to remain successful. For example:

- > AGL needs to ensure that it has the right skills to assist customers to install household level solar PV systems, while at the same time ensuring that the skills and resources to construct large-scale wind farms are also available.
- > The community will notice change in the types of energy generation projects being proposed. Instead of concentrated thermal power stations occupying relatively small amounts of land, wind and solar farms will need to be constructed, requiring different forms of community engagement with greater numbers of local stakeholders.

Customer hardship

Energy prices are increasing within many states of Australia. In most cases, this is largely due to the need to invest in network infrastructure as ageing poles and wires require replacement, and as the capacity required for peak demand increases due to increased uptake of air conditioning.

For most customers, these price increases will have a marginal impact on the proportion of household income spent on energy. However, for low-income consumers, these price increases are likely to have a material impact on energy affordability. As energy is an essential service, this presents AGL, alongside governments, communities and the energy industry, with significant challenges. It is crucial that all households are able to cook meals, heat or cool their house and produce and use hot water.

Energy efficiency is likely to play a crucial role in reducing the impact of price increases on low-income households. The Victorian, New South Wales and South Australian State Governments have all introduced energy efficiency schemes with obligations on electricity retailers to improve household energy efficiency. While these schemes have demonstrated the potential of energy efficiency, further policy development focused on low-income households is immediately necessary. In 2010/11, AGL will be working with the AGL Customer Council and government stakeholders to ensure this issue is addressed ahead of time.



Economic

AGL's goal is to deliver superior growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earnings streams.

Economic visions:

- > Industry leading earnings profile based on sustainable business practices
- > Solid credit rating reflecting underlying cash-flow potential

Australia is embarking upon a decade of transformational reform within electricity and gas markets. Policies such as the expanded Renewable Energy Target, revised in June 2010, will require approximately \$30 billion dollars of new investment by the industry in energy infrastructure by 2020. In this environment, achieving growth in total shareholder returns and diversification of earnings streams requires companies to develop portfolio flexibility within their corporate strategies and significant rigor in their investment processes. Similarly, maintaining an investment grade credit rating is crucial in facilitating the requisite investments in long-lived energy assets that otherwise face a merchant income stream, given Australia's energy market institutions.

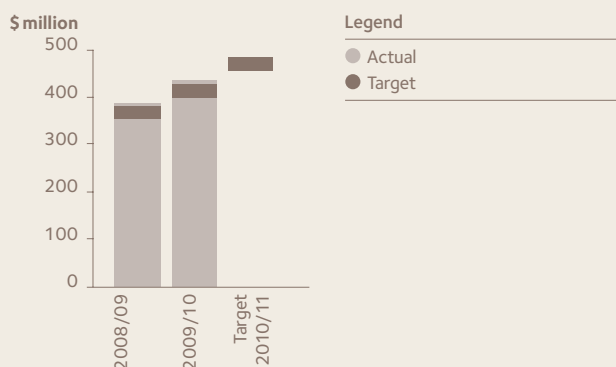
Ongoing profitability

In a capital constrained environment, shareholder returns as measured by Underlying Profit are increasingly important. Optimising returns from each business area through the delivery of AGL's integrated strategy will position AGL to deliver growth in coming years.

Performance

AGL delivered an Underlying Profit of \$428.9 million for 2009/10. The result was driven by a strong Retail Energy performance and reduced interest payments through lower debt levels.

Underlying Profit



Target 2010/11

Underlying Profit:

\$450–\$480 million

Further information

Delivery of AGL's integrated business strategy influences Underlying Profit and other financial indicators.

Go to www.agl.com.au/sustainability for further information about AGL's performance in the following areas:

- > **Electricity generation**
- > **Upstream gas**
- > **Retail energy**

Sustainable growth

An investment grade credit rating and improved capital efficiency substantially enhance AGL's ability to fund future growth. AGL participates in the National Electricity Market, which is a gross pool electricity market with a uniform first-price auction clearing mechanism. This market design and accompanying institutional arrangements require that retailers retain an investment grade credit rating to ensure smooth flow of trade, transactions and investments in the wholesale markets.

Performance

In its annual ratings review, Standard & Poors (S&P) reaffirmed AGL's credit rating of BBB/stable. Additionally, S&P reduced the amount required to be capitalised for the payment stream arising under wind farm Power Purchase Agreements (PPAs) from 100 percent to 50 percent, hence increasing AGL's debt capacity.

Current debt levels and forecasted capital expenditure for 2010/11 highlight that the debt headroom available to maintain a BBB credit rating is approximately \$850 million.

Performance 2009/10

Credit Rating

BBB

Target 2010/11

Credit Rating

BBB

Further information

Go to www.agl.com.au/sustainability for further information about AGL's performance in the following areas that are crucial for allowing sustainable growth:

- > **Disciplined approach to growth**
- > **Economic risk management**
- > **Economic contribution to the community**

AGL's goal is to invest in cleaner energy forms to reduce the greenhouse gas intensity of energy across the supply chain.

Climate change visions:

- > Emissions intensity significantly lower than the market average
- > Australia's largest renewable energy company

AGL's Hallett 1 Wind Farm,
South Australia.

AGL accepts the scientific consensus that greenhouse gas emissions in the atmosphere need to be stabilised to minimise dangerous climate change.

AGL considers the stationary energy supply sector will require significant decarbonisation by mid-century. As a leading investor in a sector that accounts for approximately 40 percent of Australia's greenhouse gas emissions, AGL recognises that climate change and emission reduction targets pose both risks and opportunities.

AGL has continued to be a leader in advocating the introduction of a price on carbon. AGL is working with its stakeholders to assist government in its deliberations on the optimal approach to reducing greenhouse gas emissions and delivering certainty for investors in the energy supply sector.



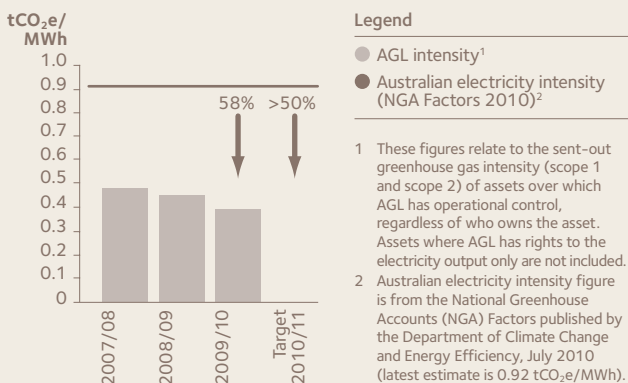
Carbon risk

The greenhouse intensity of AGL's operated generation assets when compared to the Australian electricity average helps to measure how well the organisation is positioned to manage the risk of regulatory intervention through a carbon price.

Performance

The carbon intensity of AGL's operated generation portfolio fell this year, after reaching a plateau over the last two years. AGL's intensity is currently 58 percent below the Australian electricity average.

Carbon intensity of operated generation portfolio



Performance 2009/10

Intensity¹ compared to Australian electricity average

58% below

Target 2010/11

Intensity¹ compared to Australian electricity average

>50% below

Further information

AGL also uses three additional approaches for measuring and communicating the greenhouse gas impact of its business. Go to www.agl.com.au/sustainability for further information about:

- > **Operational Footprint**
- > **Equity Footprint**
- > **Energy Supply Footprint**

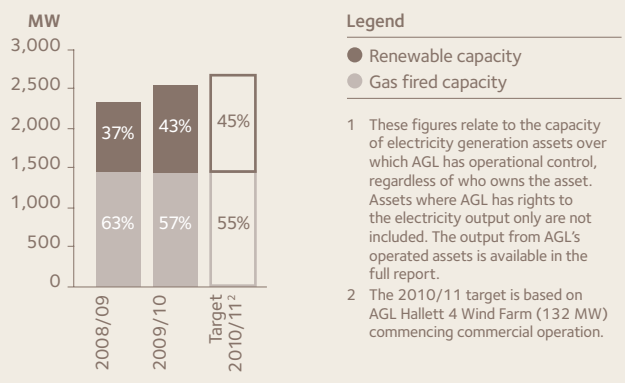
Energy generation sources

AGL continues to be Australia's leading investor in renewable energy, leveraging off existing policies and positioning the company for future value realisation as the costs of carbon become accounted for in the energy supply chain.

Performance

A further 223.5 MW of renewable energy generation projects commenced commercial operation in 2009/10. The deployment of Bogong Hydro Power Station and the AGL Hallett 2 Wind Farm increased AGL's operated renewable capacity by almost 20 percent to 1,073 MW.

Installed capacity of operated electricity generation¹



Performance 2009/10

Renewable proportion of operated generation capacity

43%

Target 2010/11

Renewable proportion of operated generation capacity

45%

Further information

Go to www.agl.com.au/sustainability for further information about AGL's performance in the following areas:

- > **Renewable energy target**
- > **Future carbon price**
- > **Research, development and deployment of new technologies**

AGL's goal is to achieve excellence in environmental management and performance.

Environmental visions:

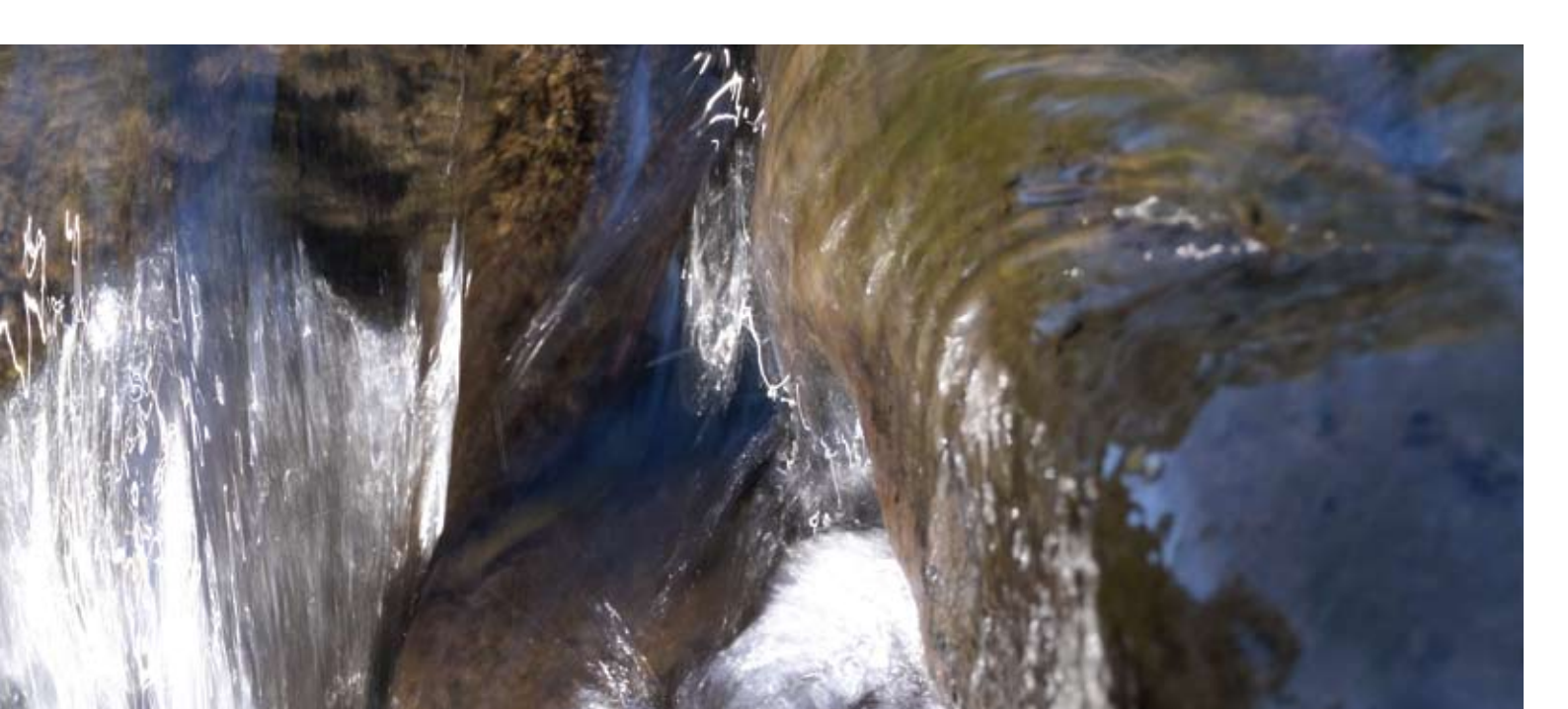
- > To have an environmental risk profile that is As Low As Reasonably Practicable (ALARP)
- > To be recognised as a prudent and responsible user of water that seeks to minimise the impact of its operations on local water resources

Flowing water that powers AGL's Kiewa Hydroelectric Scheme, Victoria.

AGL's operations have a material environmental footprint and have the potential to affect various segments of the environment.

AGL's environmental program is driven by the environmental risk profile of the business and by regulatory requirements. AGL's Environmental Principles and corporate health, safety and environmental management system, Life Guard, provide a framework to facilitate the pro-active management of environmental risks and compliance responsibilities.

Management of water resources is a critical environmental issue facing Australia and one which is relevant to AGL's business. Potable water is consumed at some of AGL's power generation assets. Water is also utilised for the generation of hydro power, and groundwater is brought to the surface as a necessary by-product of coal seam gas exploration and production activities.



Environmental risk

AGL aims to maintain an environmental risk profile that is 'As Low As Reasonably Practicable' (ALARP). This aspiration marries both the need to operate in an environmentally responsible manner and the need to direct resources and efforts on a risk basis by focusing on the most material issues.

Performance

AGL's environmental risk profile indicates that the highest levels of residual environmental risks facing the business relate to groundwater, surface water and biodiversity.

AGL's groundwater risks are largely reflective of gas exploration and production activities and the potential effects of sub-surface drilling on groundwater systems beneath the Earth's surface. The biodiversity and surface water risks are reflective of the fact that some of AGL's operations are located within sensitive environments. For example, the Kiewa Hydro scheme is located within the Alpine National Park and the Torrens Island Power Station is located adjacent to a protected dolphin sanctuary.

AGL is focusing on reducing the likelihood of adverse impacts to these environmental segments.

For the energy sector, air quality issues are a significant concern. AGL's operations have minimal impact on local air quality. AGL's objective is to continue to build low emission generation assets that, in addition to addressing climate change, also contribute to creating a cleaner environment.

Target 2010/11

Update, establish and monitor environmental risk registers for significant power generation and coal seam gas projects.

Further information

Go to www.agl.com.au/sustainability for full performance information for each environmental risk area:

- > [Water](#)
- > [Biodiversity and cultural heritage](#)
- > [Air emissions](#)
- > [Noise](#)
- > [Waste](#)

Water management

As a company that owns hydro power stations and coal seam gas projects, AGL takes very seriously the responsible use of water resources.

Performance

During 2010/11, AGL will undertake a full water balance across all its operations to enable full characterisation of AGL's water use, water-based waste streams and volumes of by-product water produced. This will identify opportunities to reduce consumption, increase re-use and recycling rates, and find alternative uses for water that is otherwise being disposed of as waste.

Consumed water

33% potable water
67% groundwater

368 ML

Produced water

Water produced from
coal seam gas projects

98 ML

Managed water¹

Sea water used to
cool the Torrens Island
Power Station

562,300 ML

Water passed
through hydro
power stations

466,500 ML

1 Non-consumptive use.

Target 2010/11

Continue to develop a water management strategy for each coal seam gas project.

Further information

Go to www.agl.com.au/sustainability for further information about AGL's performance in the following areas:

- > [Produced water](#)
- > [Consumed water](#)
- > [Managed water](#)



AGL's goal is to be a world-class customer-focused energy company.

Customer visions:

- > Top ranking energy company for customer satisfaction
- > Recognised industry leader in customer hardship policy

Providing a customer experience that meets customer needs is imperative to drive long-term growth and value to shareholders. AGL has an obligation to deliver a service that meets customer expectations, and a responsibility for ensuring access to energy for vulnerable customers.

In the recognition that every AGL employee can have an impact on customer experience, AGL has focused on initiatives that help employees understand how they can improve the customer experience.

In 2010, AGL launched a new AGL Customer Charter which clearly outlines what customers can expect from AGL. The Charter contains a set of customer promises, and defines the standards to which AGL can be held to account. AGL will commence quarterly public reporting of performance against the charter before the end of 2010/11.

Customer experience

The measurement of customer satisfaction facilitates an understanding of whether AGL is servicing customers to the standard that they expect, and whether initiatives to improve customer service have been successful.

Performance

In 2008/09, AGL set a target to achieve a Net Promoter Score (NPS) in the top quartile of all Australian energy retailers by 2012. Performance during 2009/10 has been consistently higher than the August 2008 benchmark score of -54.9 percent. NPS for the final quarter of 2009/10 was -47.3, slightly lower than the peak score in March 2010, which placed AGL in the second quartile for the first time since AGL's measurement of NPS commenced.

NPS will continue to be monitored going forward. However from 2010/11, AGL will use a suite of measurements to understand the customer experience that AGL provides, with the primary focus being on an overall customer satisfaction score. In light of this, the original NPS target for 2012 no longer applies.

Target 2010/11

Establish new customer satisfaction score and target.

Further information

Go to www.agl.com.au/sustainability for further information about the following drivers of improved customer experience:

- > [Retail performance](#)
- > [Responsibilities as an essential service provider](#)
- > [Energy efficiency and renewable energy products and services](#)

Customer hardship

As an essential service provider, AGL recognises the importance of assisting customers who are experiencing financial hardship to maintain access to energy. As energy prices continue to rise, predominantly due to upgrades to network infrastructure (poles and wires), low-income consumers are likely to be disproportionately affected. AGL has increased focus on early identification of those experiencing financial hardship.

AGL's hardship assistance program, *Staying Connected*, is designed to support access to energy for vulnerable customers.

Performance

In 2009/10 AGL commenced measurement of the average level of energy debt of *Staying Connected* participants.

AGL also measures the time it takes to return *Staying Connected* customers to a sustainable energy position, and the frequency of customers returning to the program. Of the *Staying Connected* participants at 30 June 2010, 36 percent have been on the program for two or more years, and 10 percent of *Staying Connected* participants were customers returning to the program.

Performance 2009/10

Average level of debt of customers on *Staying Connected*

\$1,382

Target 2010/11

Average level of debt of customers on *Staying Connected*: Continue measurement and establish target.

Further information

Go to www.agl.com.au/sustainability for further information about AGL's approach to customer hardship, including *Staying Connected* performance measures.

AGL's goal is to engage our employees in ways that continue to support our business, grow their skills and deliver outstanding business results in a safe and sustainable way.

People visions:

- > Engagement score at 'best employer' level
- > To have zero injuries

AGL employees: Matthew Arnott, Electrical Fitter Operator, and Sarah McLeod, Head of Hydro, at Bogong Power Station, Victoria.

Employees are critical to the delivery of AGL's business strategies. It is important that AGL creates a safe and engaged working environment where employees can contribute to delivering a positive customer experience.

Maintaining and improving employee engagement is important for attracting and retaining talented employees and, ultimately, for the delivery of business results.

Health and safety considerations are integrated into all business decisions and processes, as safety is one of the core values underpinning AGL's business.

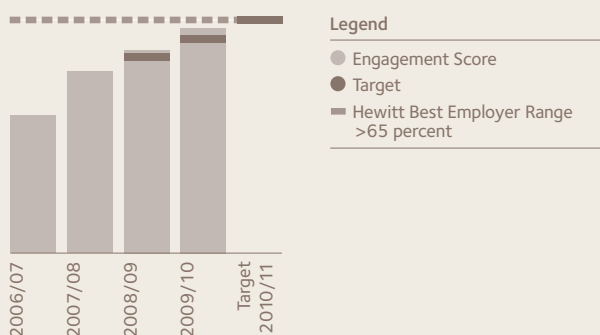
Employee engagement

Employee engagement measures the degree to which employees are committed to the company they work for, and is a core metric for measuring the health and success of the organisation. AGL undertakes an annual AGL Engagement Survey, administered by an independent provider (Hewitt). Organisations that achieve engagement scores over 65 percent are regarded as being in the 'best employer' zone.

Performance

AGL set a target to increase engagement by 7 percent compared to 2008/09, and exceeded this target with a 10.7 percent increase.

Employee engagement



Performance 2009/10

Improvement in engagement score
10.7%

Target 2010/11

Engagement score
>65%

Further information

Improving performance in the following key areas will influence employee engagement over the long term. Go to www.agl.com.au/sustainability to find out more about:

- > **Diversity and inclusion**
- > **Talent acquisition and development**
- > **Reward, recognition and benefits**

Organisational safety

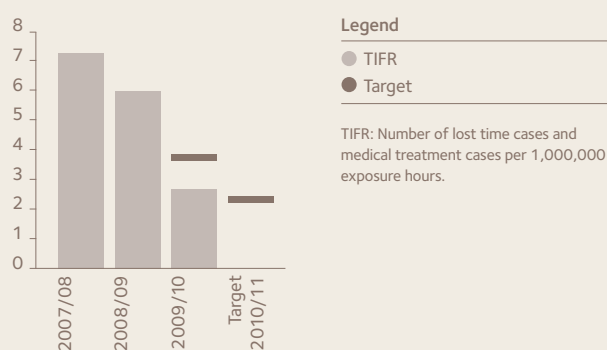
The safety performance of an organisation is indicative of the values that underpin the organisation, the business 'culture', and the effectiveness of the implementation of health and safety policies and procedures.

AGL uses a number of performance indicators to measure and track safety performance.

Performance

Historically, AGL used lost time injury frequency rate (LTIFR) as the key safety indicator. To provide a broader focus on injury prevention, AGL has adopted total injury frequency rate (TIFR) as the primary measure of safety performance.

Total injury frequency rate



Performance 2009/10

TIFR
2.7

Target 2010/11

TIFR
2.5

Further information

Go to www.agl.com.au/sustainability for additional safety statistics and further information in the following key areas which drive safety performance:

- > **Systematic approach to safety strategy, and a workplace culture that actively embraces safety as a core business value**
- > **Employee wellbeing**

AGL's goal is to connect AGL's business and the community in ways which make a genuine contribution, engage our people and strengthen our business.

Community visions:

- > Best practice local community engagement
- > Social return on investment measured and at target levels

AGL has a responsibility to work with the community to develop mutually beneficial projects, and to sensitively manage the associated environmental, social and financial outcomes. By engaging local communities during the project development process, AGL is able to deliver and operate projects while satisfying community concerns. AGL also supports local communities through local sponsorships, providing financial and in-kind support.

To augment and build upon this engagement, AGL's Energy for Life program seeks to make a genuine contribution to the wider community. AGL is cognisant of the fact that some members of the community experiencing short- or long-term hardship may find it difficult to access essential services such as energy, or may be without a home. Homelessness, therefore, is one of the main focus areas of the Energy for Life program.

Lisa Drew, AGL Information Centre Officer, talking to community members at the AGL Hydro Information Centre, Victoria.

Community engagement

Community liaison and consultation are vital to the success of new developments, the expansions of existing infrastructure and ongoing operations. The variable nature of AGL's development projects necessitates a tailored approach to community engagement based upon the needs of individual communities and projects.

Performance

Across the business, AGL establishes constructive working relationships and multi-directional communication channels with community stakeholders.

A new Project Management Framework was developed for the Power Development business unit. This requires community engagement plans to be developed as part of a communication plan for each new construction project. All Power Development construction projects that commenced during 2009/10 have community engagement plans.

Target 2010/11

Implementation of Power Development and Upstream Gas community engagement plans

100%

Further information

AGL will be a long-term owner/operator of generation assets and upstream gas projects, and is committed to being a valued member of the local community.

Go to www.agl.com.au/sustainability for further information about community engagement undertaken in the following business areas:

- > **Power Development**
- > **Upstream Gas**

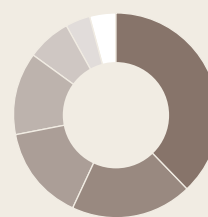
Community contribution

Contributing to local communities, as well as to community causes that reflect the interests of AGL employees, brings benefits to both AGL and the community. Communities benefit from receipt of in-kind and financial support, and AGL and its people benefit through improvements to employee engagement associated with greater community integration.

Performance

The success of AGL's community contribution program is measured by the level of community investment, with a particular focus on investments which employees contribute to, namely Employee Giving and Volunteering initiatives.

Community contribution



Legend

● Building AGL's brand	38%
● Supporting the local community	19%
● Partnerships (Energy Matters)	15%
● Warmth in Winter	13%
● Volunteering (recorded in SAP)	7%
● Other volunteering	4%
○ Employee Giving	4%

The level of community investment is measured using the London Benchmarking Group model which provides an independent and consistent framework for organisations to account for their community contributions.

Performance 2009/10

Employee Volunteering participation rate

11.8%

Target 2010/11

Employee Volunteering participation rate

15%

Further information

Improving the success of AGL's community contribution is driven by engaging employees in the Employee Giving and Volunteering programs and developing strategic charitable initiatives and partnerships. Go to www.agl.com.au/sustainability for further information about:

- > **Employee Giving and Volunteering**
- > **Warmth in Winter and other partnerships**

AGL's sustainability performance has been recognised domestically and internationally by independent experts.

AGL is included in the following indexes:



DJSI World

In September 2010, AGL was included as a constituent company in the Dow Jones Sustainability World Index (DJSI World) 2010/11, which tracks the top 10 percent in terms of sustainability performance in each sector of the world's largest 2,500 companies. AGL was also a constituent of the 2009/10 Index.



DJSI Asia Pacific

In September 2010, AGL was included as a constituent company in the Asia Pacific Dow Jones Sustainability Index (DJSI Asia Pacific) 2010/11, which tracks the top 20 percent in terms of sustainability performance of the 600 largest companies in the developed Asia Pacific Markets. AGL was also a constituent of the 2009/10 Index.



FTSE4Good

FTSE4Good

AGL is a constituent company in the FTSE4Good Index Series. The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in these companies.



AuSSI

AGL is a constituent company in the Australian SAM Sustainability Index (AuSSI), which tracks the performance of Australian companies that lead their industry in terms of corporate sustainability.

Recognition and awards

Australasian Investor Relations Association Awards 2009

In December 2009, AGL won the award for Best Environmental, Social and Governance Disclosure by an Australasian Company.

Carbon Disclosure Project

In October 2010, AGL earned a place in the ASX200/NZ50 2010 Carbon Disclosure Leadership Index, and a leading ranking in the Australian and New Zealand utilities sector. AGL was also listed in the ASX200/NZ50 2009 Leadership Index. In 2010 AGL was included on the list of ten Carbon Performance Leaders from the ASX200/NZ50.

SAM Sustainability Yearbook 2010

In January 2010, AGL was listed as the SAM Sector Mover 2010 for the international Electric Utilities Sector and also achieved SAM Gold Class 2010 status.

New South Wales Government Green Globe Awards 2010

In July 2010, AGL was awarded two Green Globe Awards: the Business Sustainability Award, and the (not for nomination) Climate Change Leadership Award.

Clean Energy Awards 2010

In September 2010, AGL's Bogong Hydro Power Project was named Most Outstanding Clean Energy Project.

Supported frameworks

AGL is a signatory to the Energy Supply Association of Australia's Sustainable Practice Framework.

AGL is a founding member of the London Benchmarking Group Australia and New Zealand.

Product accreditation



AGL Green Spirit, AGL Green Living® and AGL Green Energy® are accredited under the National GreenPower Program.

Feedback

To provide feedback on AGL's sustainability performance or on any aspect of this report, please contact:

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Email: sustainability@agl.com.au

Visit the AGL Sustainability Blog at
www.aglblog.com.au

1W0004
SPIRAL CASE PRESSURE
TWO PIPE

DRAFT TUBE

UPPER DRAFT



About this report

The AGL Summary Sustainability Report 2010 is printed on Envi™. Envi is certified as carbon neutral under the Federal Government's National Carbon Offset Scheme and is the stock of choice for AGL customer communications.

All inks and varnishes used to print this report have a vegetable oil base (such as linseed oil and soy oil) obtained from non-genetically modified plants.

This report was designed by Precinct and printed by Blue Star Print Group.

Individuals who kindly appear in this report are employees and friends of AGL.

AGL Energy Limited
ABN 74 115 061 375

Pressure gauges at Bogong Power Station, Victoria.



Sustainability Performance Accounts 2010

AGL016. Draft #5

Date. 18.11.10
Time. 10.30

/ Account Director. Kathy Oosterman
/ Designer. Louise / Typesetter. GW

Precinct.

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AGL is Australia's leading renewable energy company and largest private owner, operator and developer of renewable generation assets.

AGL's integrated business strategy

AGL's integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and customers' demand for energy.

Upstream supply – renewable generation and thermal generation

Merchant Energy manages AGL's power generation assets and wholesale energy sourcing portfolio. Merchant Energy also manages energy sales to AGL's major customers and to other retailers, and provides energy efficiency and carbon management services.

AGL has a diverse power generation portfolio, including baseload, intermediate and peaking generation plants spread across traditional thermal (coal and gas) as well as renewable sources (including hydro, wind, landfill gas and biomass).

Renewable energy generation assets comprise around 42 percent of AGL's operated generation portfolio (by installed capacity), or 30 percent of owned, operated or controlled assets. More information on AGL's renewable assets is available in the [Climate change](#) chapter of this report.

Strategic direction: AGL has a medium-term target of owning and/or operating around 6,000 MW of generating capacity, aiming to achieve 60–70 percent of load internally covered to deliver desired portfolio outcomes.

Upstream supply – gas production

Upstream Gas is responsible for managing the growth of AGL's upstream gas portfolio to secure long-term, sustainable and market competitive gas supplies for customers and for power generation requirements.

AGL owns and/or operates coal seam gas (CSG) exploration and production projects in five petroleum basins across New South Wales, Queensland and South Australia.

The investments that make up AGL's upstream gas portfolio include:

- > Camden Gas Project: 100 percent interest, operated by AGL
- > Hunter Gas Project: 100 percent interest, operated by AGL
- > Gloucester Basin Gas Project: 100 percent interest, operated by AGL
- > Spring Gully Gas Project: 0.0375–0.75 percent joint-venture interests, operated by Origin Energy
- > Moranbah Gas Project: 50 percent joint-venture interest, operated by Arrow Energy
- > Galilee Gas Project: 50 percent joint-venture interest (farming in), operated by AGL
- > CSM Energy: 35 percent equity stake in a private company aiming to extract CSG from mining operations and deliver it to market.

Upstream Gas also manages AGL's 9.9 percent equity interest in Torrens Energy Limited. AGL and Torrens Energy have entered into a Geothermal Alliance Agreement to jointly commercialise baseload geothermal projects close to the electricity transmission network.

Strategic direction: AGL is targeting ownership of around 2,000 PJ of 2P upstream gas reserves, but will continue to contract if this achieves superior economic outcomes.

Transmission and distribution

Ownership of large-scale electricity or gas transmission and distribution systems that are used to transport energy from the upstream supply side (gas production and electricity generation) to the end customer is not core to AGL's integrated strategy. AGL does not own gas or electricity distribution networks or electricity transmission networks, but does have some strategic investments in gas transmission infrastructure, as outlined in the [Economic](#) chapter of this report.

Retail markets

AGL has Australia's largest retail energy and dual fuel customer base, retailing natural gas, electricity and energy-related products and services to more than 3.24 million customer accounts across New South Wales, Victoria, South Australia and Queensland. A breakdown of customer numbers by state and fuel type is provided on [page 41](#) of this report.

In 2009/10 the total amount of energy sold to AGL's mass market customers was 15,079 GWh of electricity and 58.3 PJ of gas.

AGL also sold an additional 19,283 GWh of electricity and 86.7 PJ of gas to major commercial and industrial customers.

Strategic direction: AGL is focusing on managing and growing margins, by leveraging upstream strategy and achieving retail economies of scale through a service platform capable of supporting four to five million customers.

Corporate support

AGL's Retail Energy, Merchant Energy and Upstream Gas businesses are supported by a full complement of corporate services.

Further information about AGL's integrated strategy is available in the [Economic](#) chapter of this report.

Projects under development and construction

AGL has a range of projects in different stages of development to deliver strategic depth and flexibility to its electricity generation portfolio. Projects under development in 2009/10 are summarised in the table below.

During 2009/10 AGL completed construction of two key electricity generation projects: Bogong Hydro Power Station (140 MW) and the AGL Hallett 2 Wind Farm (71 MW).

Investments and divestments

In April 2010, AGL concluded the sale of the Berwyndale to Wallumbilla Pipeline (BWP).

Since 30 June 2010:

- > AGL has acquired all of the issued shares in Mosaic Oil NL by way of a scheme of arrangement.

Renewable and gas generation development projects

	Project	Nominal capacity (MW)	Location	Type	Status	Definition
Renewable	Oaklands Hill	67	Vic.	Wind	Committed in construction	Committed
	Hallett 4	132	SA	Wind	Committed in construction	Committed
	Hallett 5	52	SA	Wind	Committed in construction	Committed
	Macarthur	420	Vic.	Wind	Committed in construction (Aug 2010)	Committed
	Barn Hill	150	SA – Redhill	Wind	DA approved	Probable
	Hallett 3	99	SA – Hallett	Wind	DA subject to appeal	Probable
	Coopers Gap	300	Qld – Kingaroy	Wind	Landowner Agreements in place	Probable
	Crows Nest	150	Qld – Toowoomba	Wind	Permitted	Possible
	Ben Lomond	150	NSW – Armidale	Wind	Landowner Agreements in place	Possible
	Others	Up to 900	Various	Various	Under Review	Possible
Gas generation	Dalton	600	NSW – Dalton	Gas peaker	In development	Probable
	Tarrone	600	Vic. – West	Gas peaker	In development	Probable
	Leafs Gully	360	NSW – Appin	Gas peaker	In development	Possible
	TIPS Peaker	700	SA – TIPS	Gas peaker	DA on public exhibition	Possible
	SEQ 1	360	SE Qld – Ipswich	Gas peaker	Site secured	Possible
	SEQ 2	1,150	SW Qld – Kogan	Gas peaker/CCGT	Site acquired	Possible
	Other	Up to 360	Various	Gas peakers	Sites secured	Possible

Notes

Probable projects: Projects that are under development with an approved budget and pending final investment decision.

Possible projects: Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months.

Hydro Electric Power Stations

Dartmouth Power Station

Location	Victoria
Capacity	180 MW

McKay Creek Power Station

Location	Victoria
Capacity	160 MW

Bogong Power Station

Location	Victoria
Capacity	140 MW

Eildon Power Station

Location	Victoria
Capacity	135 MW

West Kiewa Power Station

Location	Victoria
Capacity	61.6 MW

Wind Farms

AGL Hallett 1 Wind Farm

Location	South Australia
Capacity	94.5 MW

AGL Hallett 2 Wind Farm

Location	South Australia
Capacity	71.4 MW

Wattle Point Wind Farm

Location	South Australia
Capacity	90.8 MW

Thermal Power Stations

Loy Yang Power Station

Location	Victoria
Fuel type	Coal
Capacity	708.5 MW (AGL's 32.5% equity share)

Not operated by AGL

Torrens Island Power Station

Location	South Australia
Fuel type	Gas
Capacity	1,280 MW

Oakey Power Station

Location	Queensland
Fuel type	Gas
Capacity	282 MW

Not operated by AGL

Somerton Power Station

Location	Victoria
Fuel type	Gas
Capacity	150 MW

Yabulu Power Station

Location	Queensland
Fuel type	Gas
Capacity	121 MW

Not operated by AGL

Upstream Gas Projects

Gloucester Gas Project

Location	New South Wales
Reserves (2P)	669 PJ

Moranbah Gas Project (50% interest)

Location	Queensland
Reserves (2P)	501 PJ

Not operated by AGL

ATP 364P Exploration Project (50% interest)

Location	Queensland
Reserves (2P)	246 PJ

Not operated by AGL

Camden Gas Project

Location	New South Wales
Reserves (2P)	154 PJ

Hunter Gas Project

Location	New South Wales
Reserves (2P)	Nil (in exploration)



Operated by AGL



Not operated by AGL

The assets listed above and displayed on the map comprise upstream gas projects, and power generation assets larger than 50 MW as at 30 June 2010. Operated as well as partly owned or non-operated assets are included. Assets under construction are not included.

View the AGL Earth tool for more generation and upstream gas assets at agl.com.au/earth



AGL publishes an annual Sustainability Report so that stakeholders can gain an understanding of the social, environmental and economic challenges and opportunities that face the organisation and the industry, and the steps that AGL is taking to enhance the long-term value of the business.

Report 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 over which AGL had operational control for all, or part, of the financial year ended 30 June 2010 (2009/10). All data in this report relates to 2009/10 unless otherwise stated.

Together, the 2010 Sustainability Report and the 2010 Annual Report provide the full account of AGL's performance for the period.

Where information regarding AGL's partially owned and non-operated investments is material, available and relevant, it is included and clearly referenced. This report excludes the performance of franchise AGL Energy Shops and AGL Assist. The performance of joint ventures which are not operated by AGL are excluded.

AGL's previous Sustainability Report was released in November 2009, covering the 2009 financial year (2008/09). This and prior Sustainability Reports for AGL and The Australian Gas Light Company (AGLC)¹ dating back to 2003/04 are available on the AGL website at agl.com.au.

Report structure

This report is published in eBook format on the AGL website, and comprises three main elements:

1. AGL Summary Sustainability Report 2010 (pages 1 to 21)

This section of the report is designed to be accessible by a broad range of stakeholders who have a general interest in AGL's sustainability performance. It provides an overview of AGL's sustainability goals and performance.

The summary section of this document is also available in hardcopy.

2. Sustainability Performance Accounts (Management Report) (pages 22 to 100)

This section of the report provides detailed performance data across a wider range of subject areas, and has been prepared for stakeholders who have a special or detailed interest in particular aspects of AGL's sustainability performance.

A Global Reporting Initiative (GRI) Index is located on (pages 101 to 112).

3. Assurance Statement (pages 113 to 116)

Global Reporting Initiative

The Global Reporting Initiative's (GRI) 'G3' Sustainability Reporting Guidelines and the GRI Electric Utility Sector Supplement were used in the preparation of this report. These documents provide guidance for organisations to use as the basis for disclosure about their sustainability performance, providing a universally applicable, generally acceptable and comparable framework that helps stakeholders understand reported information.

A full GRI content index is included on **pages 101 to 112** of this report.

AGL has self-assessed the extent to which the GRI guidelines have been applied in the preparation of this report. AGL also engaged Net Balance Management Group Pty Ltd (Net Balance) to complete a third-party GRI 'Application Level' assessment of the report. Net Balance agreed with the self-assessment that the report meets the requirements of an 'A+' Application Level. This is reflected in the GRI application level table shown below.


It is AGL's intention to report at an 'A+' level in the future.

For further information about the GRI guidelines and application levels, refer to the GRI website at globalreporting.org.

Note

¹ In October 2006, AGL Energy Limited became the new holding company for the AGL Energy group of companies following the merger of AGLC with Alinta Limited and the subsequent demerger of AGL Energy Limited.

GRI application level

		2002 In accordance	C	C+ Report externally assured	B	B+ Report externally assured	A	A+ Report externally assured
Mandatory	Self declared							
	Third party checked							
Optional	GRI checked							

How to read this report

Performance data in this report has been structured into six chapters, representing the categorisation of AGL's sustainability risks: Economic, Climate change, Environment, Customers, People and Community.

Within each chapter, two focus areas have been identified by the Board Safety, Sustainability and Corporate Responsibility Committee and the executive team. Together, these 12 focus areas represent those issues considered to be the most material sustainability challenges for AGL.

A vision has been stated for each of the 12 focus areas. These visions are designed to help guide decision making.

A one-year performance target has been set for each of the 12 focus areas. Following the end of 2010/11, AGL will report on progress against each target. Each year, a new suite of targets is expected to be established, and the vision for each focus area reaffirmed. The focus areas are intended to remain the same in future years; however, should AGL's material issues change, the focus areas may be adjusted.

High-level performance data relating to each focus area is presented in the summary section of this report.

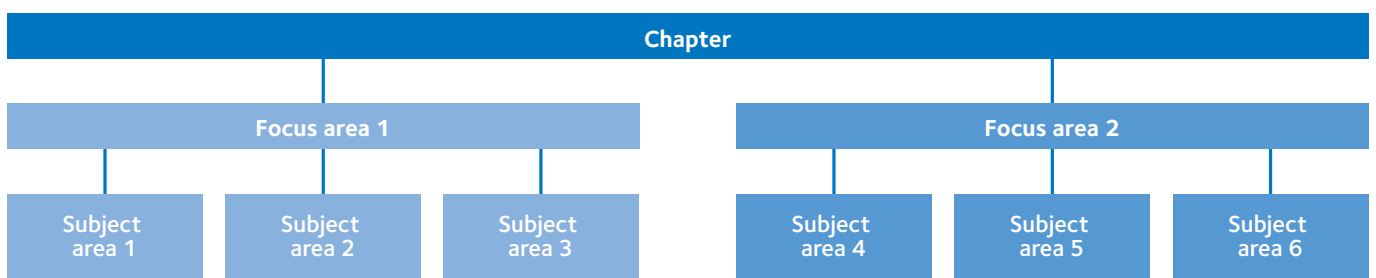
The body of the report contains additional detail about each focus area, including AGL's management approach and further supporting data.

A set of subject areas that influence overall performance in each focus area have also been identified. Performance data for each of these subject areas is available in the body of the report. A roadmap showing the subject areas for each focus area is provided on the introductory page to each chapter of this report.

AGL recognises that there is not always a linear relationship between the identified subject areas and focus areas, and that each subject area may have an influence on performance in more than one focus area.

However, the selected structure is intended to provide a simple model for disclosing sustainability related performance data. The representation of AGL's major sustainability risks and opportunities in this way will provide a map for the future that can be consistently communicated year after year, and which stakeholders can use to measure successes and failures.

Reporting model



Chapter

Each chapter has an overarching goal, to guide long-term performance.

Focus areas

Within each chapter two focus areas have been identified which are considered to be material sustainability challenges for AGL.

To guide decision making and drive performance in each of the 12 focus areas:

- > a long-term vision has been stated
- > a one-year performance target has been set.

Subject areas

Success in each of the 12 focus areas is driven by performance in other subject areas. Where available, performance data is provided.

AGL recognises that there is not always a linear relationship between the identified 'subject areas' and 'focus areas', and that each subject area may have an influence on performance in more than one focus area.

Assurance

Net Balance has provided independent assurance over this report using the AA1000 Assurance Standard (2008). A 'Type 2 – Moderate Level' of assurance was undertaken which both assesses how well AGL meets the AA1000 AccountAbility Principles of Inclusively, Materiality and Responsiveness, as well as testing the reliability of reported information. The Assurance Statement from Net Balance is included on [page 114](#) of this report.

In addition, AGL has sourced further assurance about data accuracy and reliability through the following mechanisms:

- > Deloitte Touche Tomatsu has undertaken an audit of AGL's methodology for determining greenhouse gas emissions (Operational Footprint).
- > Haystac Positive Outcomes (a Division of Mitchell Communications Group) has reviewed how AGL determines the value of community contributions using the methodology established by the London Benchmarking Group (Australia). A statement from Haystac Positive Outcomes is included on [page 117](#) of this report.
- > Data in the **Economic** section of the report includes financial information from AGL's audited 2010 Financial Report. The full financial report is available on the AGL website at agl.com.au.

It is AGL's intention to continue to have future Sustainability Reports assured to the AA1000 Assurance Standard.

Consultation about this report

AGL engages with different stakeholder groups on a regular basis, as outlined in the **Stakeholder engagement** chapter of this report [pages 33 to 36](#).

Specific comment on the scope and content of aspects of this report was also sought from the AGL Climate Change Council and the AGL Customer Council.

- > AGL Climate Change Council members who were invited to review a draft of the **Climate change** chapter of this report included representatives from the Australian Conservation Foundation, WWF-Australia and The Climate Institute.
Changes that were made to the draft chapter following consultation with the AGL Climate Change Council included providing additional information about AGL's investment in Loy Yang Power.
- > AGL Customer Council members who attended a half-day workshop in early 2010 focusing on the content of the 2009 Sustainability Report with a view to improving the 2010 Sustainability Report included representatives from UnitingCare Kildonan Child and Family Services, the South Australian Farmer's Federation, and St Vincent de Paul Society.

AGL has decided that some of the information that the Council expressed an interest in seeing would be better suited to a forum other than the annual Sustainability Report, such as a more interactive and regularly updated sustainability website or portal. As such, AGL has started to increasingly communicate through the AGL Sustainability Blog, providing educational presentations through this forum.

Council members suggested that AGL use language in the report that is more meaningful to customers, and include a 'customer voice' via case studies. Increasingly, AGL is using the Sustainability Report as a vehicle for communicating with investors, with other forums more accessible to community stakeholders.

The Council also indicated that it would prefer the report to include further information about corporate governance. A full corporate governance statement is currently included in the AGL Annual Report, with key aspects duplicated in the Sustainability Report.

Some of the specific data that the Customer Council requested which AGL has incorporated in the report include: wrongful disconnection statistics, workforce diversity and recognition of gender imbalance, improved information about energy efficiency, waste data, and the role of the Safety, Sustainability and Corporate Responsibility Committee (SSCR).

- > All members of the Customer Council were invited to review a draft of the **Customer** chapter of the report. Changes that were made to the draft following the review included providing further information on industry working groups which AGL participates in, as well as clearer explanations of some customer metrics (such as Net Promoter Score and wrongful disconnections definitions), and some language changes.
AGL also took on board comments made by the Council regarding the overall tone of the report. Although the Sustainability Report is designed to be read by many stakeholder groups, it is AGL's view that the report is more strongly directed to existing and potential investors, and that the language used is appropriate for this purpose.

Feedback

Mechanisms for providing feedback are outlined on [page 21](#) of the summary section of this report.

Governance and management

Best practice corporate governance standards support sustainable performance by AGL over time.

Sustainability and corporate governance

AGL's governance structures and processes are consistent with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 2nd Edition' issued in August 2007. The eight ASX principles are:

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

AGL's **Annual Report** includes a full statement disclosing the extent to which AGL has adopted and met the ASX principles and recommendations. The AGL Annual Report is available at 2010annualreport.agl.com.au.

AGL Board and AGL Board committees

At 30 June 2010, the AGL Board comprised seven, independent non-executive directors (including the Chairman of the Board), and one executive director who is the Managing Director and CEO. Detailed information about the structure, responsibility and experience of the AGL Board is included in AGL's **Annual Report**.

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

Safety, Sustainability and Corporate Responsibility Committee

The Safety, Sustainability and Corporate Responsibility Committee operates under a formal Charter, which requires it to oversee promotion across AGL of the principles of safety, sustainability and corporate responsibility as the foundations of good management and good business. The Committee meets on a quarterly basis and oversees and reviews:

- > AGL's actions to meet its obligations to maintain the health and safety of its people
- > the social, environmental and ethical impact of AGL's policies and practices
- > initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen
- > the integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities.

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

The Safety, Sustainability and Corporate Responsibility Committee Charter is available at agl.com.au/SSCR.

Audit and Risk Management Committee

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks. The Committee operates under a formal Charter.

The Audit and Risk Management Committee Charter is available at agl.com.au/ARMC.

People and Performance Committee

The People and Performance Committee convenes at least twice yearly to oversee the appropriate recruitment, retention and remuneration of directors, senior managers and other employees with the capabilities necessary to promote AGL.

The People and Performance Committee Charter is available at agl.com.au/PPC.

Sustainability management structure

The AGL executive team builds sustainability considerations into business strategy and day-to-day operations.

Responsibility for AGL's sustainability strategy lies within the Economic Policy and Sustainability team within the Corporate Affairs business unit. This team is responsible for developing sustainability strategy and policy, liaising with the business on these policies and reporting progress on sustainability issues.

AGL has also established a Sustainability Implementation Committee comprising representatives from across the business who act as 'champions' for AGL's sustainable business strategy. The Committee meets on a quarterly basis and has been instrumental in developing internal sustainability key performance indicators and establishing sustainability targets for the organisation. The Committee also takes joint responsibility for the preparation of AGL's Sustainability Report.

Key systems and policies

A range of formal policies, plans and management systems govern AGL's day-to-day operations:

Risk management

AGL recognises that risk is dynamic and is inherent in all external and internal operating environments. AGL is committed to managing all risks effectively, and integrates risk management practices into all business processes and operations to drive consistent, effective and accountable action, decision making and management practice. AGL has an integrated approach to Enterprise Risk Management (ERM) which is consistent with the Australian Standard for Risk Management AS/NZS/ISO 31000, the COSO Framework and ASX Corporate Governance Principles. The AGL Board has ultimate responsibility for overseeing the performance of AGL, including effectively monitoring risk management and internal control systems. To assist it in discharging its responsibilities, the Board has established the Board Audit and Risk Management Committee. AGL's Risk Management Policy sets out the objectives and accountabilities for the management of risk within AGL such that it is structured, consistent and effective. Key aspects of AGL's approach to risk management are outlined in the **Economic** chapter of this report.

AGL's Risk Management Policy is available at agl.com.au/RiskPolicy.

Code of Conduct

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

The Code is administered by the AGL Ethics Panel. The Ethics Panel comprises: Company Secretary, Group Head of People and Culture, Head of Legal, Head of Group Audit, and an independent person with expertise in managing employee grievances. The responsibilities of the Ethics Panel include putting in place procedures for distribution of, and compliance with, the Code; investigation and reporting of any alleged breaches of the Code; and recommending to the Board any changes required to support the effectiveness of the Code.

The payment of membership fees and subscriptions to political parties is addressed in the Code, and the political networking forums in which AGL participates are outlined in the [Stakeholder engagement](#) section of this report.

AGL's Code of Conduct is available at agl.com.au/CodeofConduct.

Health, safety and environmental management system ('Life Guard')

AGL's health, safety and environmental (HSE) management system is based on the recognised standards AS/NZS/ISO 14001 (Environmental Management Systems) and AS/NZS 4801 (Occupational Health and Safety Systems). Life Guard sets the corporate standards and requirements for health, safety and environmental management for all aspects of AGL's business. Life Guard committees monitor and drive performance improvement and compliance with Life Guard.

AGL's Health, Safety and Environment Policy is available at agl.com.au/HSEpolicy.

Market disclosure

The Market Disclosure Policy outlines how AGL manages continuous disclosure obligations and communication with capital markets. An internal Market Disclosure Committee is responsible for ensuring that all AGL announcements are timely, contain clearly written, material information, and are objective and factual, to allow investors to assess the consequences of information on their investment decisions. The Policy was updated in February 2010.

AGL's Market Disclosure Policy is available at agl.com.au/MarketDisclosurePolicy.

Privacy

AGL's Privacy Statement and companion internal document, the Privacy Policy, outline AGL's responsibilities and commitments in relation to the privacy of customers, shareholders, employees and other stakeholders. The Statement is consistent with the National Privacy Principles, as documented in the Commonwealth's Privacy Act 1988.

AGL's Privacy Statement is available at agl.com.au/Privacy.

Legislative compliance

The Compliance Policy and Plan covers legislative requirements, management responsibilities, training, reporting on compliance and provision for internal audit.

AGL's Compliance Policy is available at agl.com.au/CompliancePolicy.

Public policy advocacy

AGL aims to provide governments with access to the right information so that the effects of energy market and climate change policy on both AGL's business and AGL's customers are fully understood. AGL participates in the development of public policy by providing submissions, consulting with government and government departments, participating in government networking events and by speaking at government inquiries.

AGL also works with a number of energy industry associations to provide common industry and business positions to governments on energy market and greenhouse policy issues. Refer to the [Stakeholder engagement](#) section of this report for further information.

Copies of AGL's submissions are publicly available on the relevant government department websites.

Key issues for which AGL plays a policy advocacy role are listed below.

Price risk

Price risks exist for energy retailers where regulated prices do not reflect current energy costs. AGL actively participates in regulatory price reviews when they arise.

Energy regulation

AGL recognises that an efficient market and regulatory framework assists in ensuring that customers are not exposed to inappropriate costs and risks. To facilitate the development of a consistent framework for Australia's energy markets, AGL has made a number of submissions to energy regulators.

Climate change policy

In 2009/10 AGL contributed to a number of public policy discussions, including those about the newly amended expanded Renewable Energy Target. AGL continues to advocate the adoption of a broad-based emissions trading scheme in Australia.

Stakeholder engagement

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

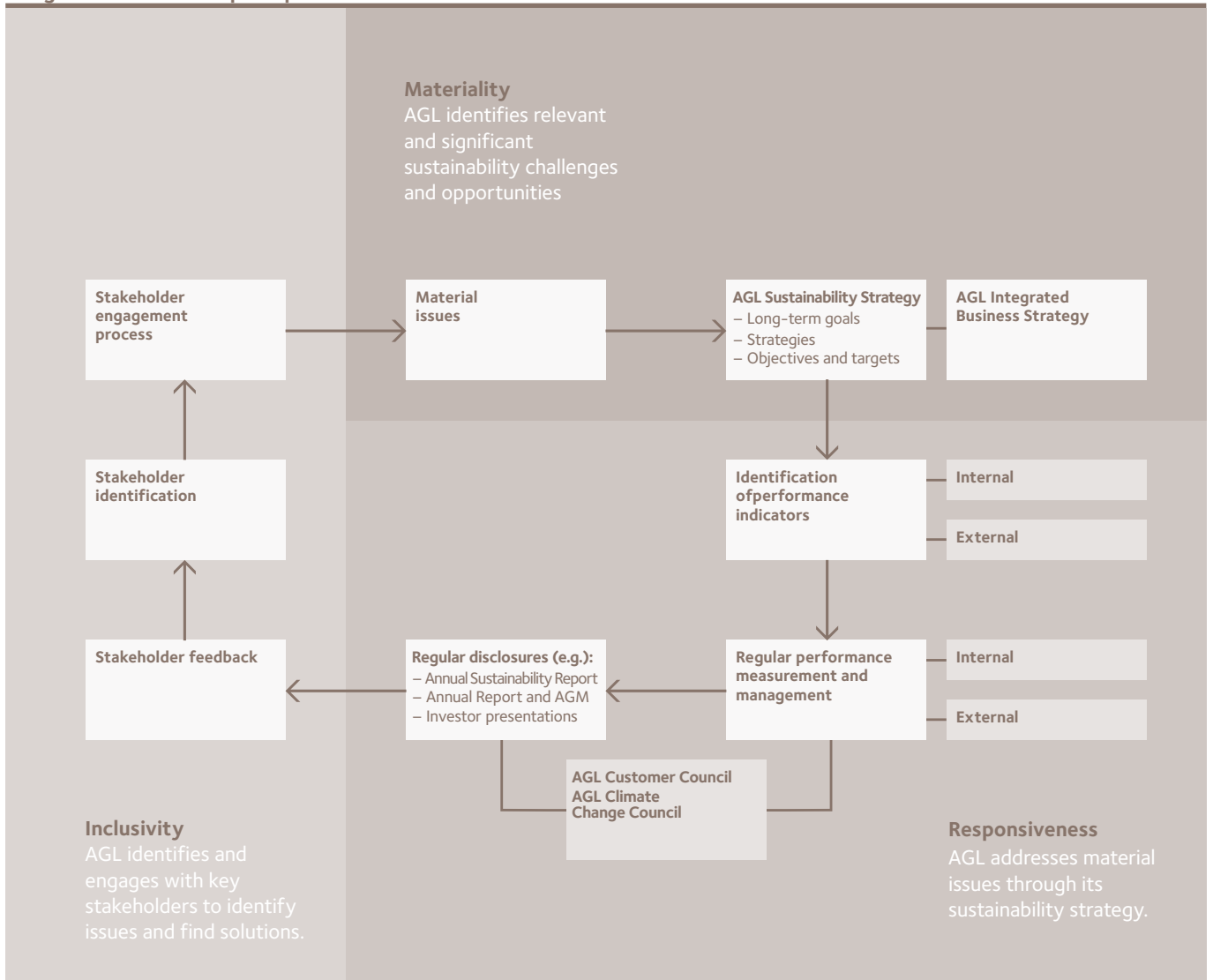
AA1000 principles

AGL incorporates the AA1000 principles of inclusivity, materiality and responsiveness, as shown in the diagram below.

The AA1000 accountability principles are:

- > **Inclusivity:** An organisation shall be inclusive
- > **Materiality:** An organisation shall identify its material issues
- > **Responsiveness:** An organisation shall respond to stakeholder issues that affect its performance

Integration of AA1000 principles



Engagement activities

AGL's approach to engaging with key stakeholders during 2009/10 is summarised below.

Stakeholder groups/main issues	Engagement mechanisms in 2009/10
<p>Employees To remain competitive AGL requires a high performance culture where people are safe, engaged, accountable, empowered, recognised and rewarded.</p> <p>The key issues for AGL employees include: career development and training, appropriate remuneration and recognition, workplace safety, and personal wellbeing. Employee engagement surveys show that company reputation and corporate responsibility are important issues for AGL employees.</p>	<p>The AGL Engagement Survey is undertaken annually, and provides employees with the opportunity to give feedback about the organisation, and make suggestions for improvement. In 2009/10 more than 80 percent of AGL employees participated in the employee engagement survey.</p> <p>AGL uses a 360° feedback program for senior executives, to collect feedback on executive performance from a range of employees, including peers, direct reports and senior management.</p> <p>The Senior Leadership Forum is a mechanism to increase connection and commitment to, as well as shared ownership for, the strategy and direction of AGL among over 60 leaders. It also provides a forum to inform and update leaders across the business about the key priorities, projects and issues of each business group.</p> <p>In 2009/10 AGL held nine 'CEO roundtable' events, involving approximately 90 employees. The roundtables provide AGL's CEO with an informal opportunity to meet employees at all levels and to directly hear and discuss successes, challenges, issues and achievements. Issues and feedback raised in the sessions are noted and circulated to relevant business leaders to address.</p> <p>Twice-yearly Employee Roadshows are held to present financial results, operational highlights, and strategic priorities for the next 12 months. The Roadshows provide employees with the opportunity to receive relevant and timely information about AGL's performance and strategies, and to ask questions of relevant personnel, including executives and the CEO.</p> <p>Other stakeholder engagement mechanisms include:</p> <ul style="list-style-type: none"> > conducting surveys to gather quantitative information and feedback. For example, in October 2009 over 800 employees responded to a survey about flexible work practices > gathering qualitative feedback through discussion groups, roundtables and face-to-face discussions. For example, between October 2009 and February 2010, 130 employees participated in discussion groups aimed at gathering in-depth, qualitative data concerning diversity issues at AGL.
<p>Investment community In addition to market disclosure obligations, AGL recognises the importance of engaging with the investment community about the non-financial risks and opportunities that may influence the company's performance and growth in the longer term.</p> <p>Investors are increasingly interested in AGL's responses to social and environmental risks. Over 50 percent of all funds under management by Australian asset managers fall under a United Nations Principles for Responsible Investment (UN PRI) commitment to integrate sustainability considerations into their analyses and investment decision-making. AGL's preparations for a carbon-constrained future are of particular interest to analysts.</p>	<p>The Annual General Meeting (AGM) provides shareholders with the opportunity to review financial results, and to vote on a range of issues, including director remuneration, the election of directors, and constitutional changes. The AGM also provides the opportunity for shareholders to ask questions of AGL's directors concerning performance and strategy. It is a legal requirement for AGL to conduct an AGM each year.</p> <p>AGL makes regular announcements to the ASX concerning significant matters, including financial results, acquisitions, and divestments – providing the investment community with timely access to material data and other information that may affect investment decisions. During 2009/10, AGL made over 65 ASX announcements.</p> <p>The 'Investor Centre' on the AGL website provides a central location for stakeholders to access financial information, including share price, investor presentations, and dividend history.</p> <p>AGL publishes an Annual Report and Sustainability Report each year to provide AGL's stakeholders (including investors) with relevant financial and non-financial results for the year, and to provide a summary of AGL's business strategies and plans for the next year. Producing an Annual Report is a legal requirement for AGL, and shareholders are able to provide direct feedback on the results contained within the report at the Annual General Meeting.</p> <p>AGL voluntarily publishes an annual Sustainability Report to provide a broader spectrum of information regarding social, environmental and economic performance.</p> <p>In November 2009, AGL held its first 'sustainability webcast' for the release of the 2009 Sustainability Report. In this presentation, AGL's Managing Director and Head of Sustainability outlined AGL's 2009 sustainability performance to mainstream and ethical investors, media and other interested stakeholders. Following the webcast presentation, stakeholders were provided with the opportunity to question AGL management directly.</p> <p>AGL participates in the Dow Jones Sustainability Index, the Carbon Disclosure Project and the FTSE4Good Index. These tools are used by the investment community to collect relevant non-financial performance information to facilitate informed investment decisions.</p> <p>AGL conducts semi-annual independent qualitative and quantitative surveys of equity investors and analysts, allowing these stakeholders to provide unattributed feedback on management, strategy, disclosure, financial performance and balance sheet structure.</p> <p>Feedback from investors and analysts on key issues and concerns are reported to directors on a regular basis.</p> <p>Other engagement mechanisms include Institutional Investor and Equity Analyst events, including domestic and international 'roadshows', presentations to stock brokers and industry conferences, and investor tours of assets and operations.</p>

Stakeholder groups/main issues	Engagement mechanisms in 2009/10
<p>Government AGL's business is affected by policy decisions of federal and state government departments. Governments have responsibility for ensuring the accessibility of essential services, such as energy. As a provider of an essential service, AGL liaises closely with governments.</p> <p>State and federal governments are concerned with a wide range of issues, including response to climate change, energy prices, and reliability of energy supply.</p>	<p>AGL's Government Affairs personnel have regular dialogue with relevant state and federal governments in relation to a range of policy issues, including meetings, policy submissions (both directly and via industry associations), and briefings.</p> <p>AGL is a member of Labour and Liberal political networking forums where these are established in each state where AGL operates. These comprise Progressive Business Victoria (ALP), Progressive Business South Australia (ALP), Business Dialogue New South Wales (ALP) and the Millennium Forum New South Wales (Liberal).</p>
<p>Regulators and market operators Energy regulators and market operators are responsible for price regulation, market rules and operations, and their decisions can have a significant influence on AGL's business.</p> <p>The key issues for state energy regulators include reliability of energy supply, sustainability of energy supplies, efficient investment in utility infrastructure, and consumer protection.</p>	<p>AGL engages with the Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER), and Australian Energy Market Operator (AEMO), as well as the New South Wales, Victorian, Queensland and South Australian energy regulatory bodies, including direct engagement, participation in working groups and activities undertaken as part of industry associations.</p>
<p>Investment partners, joint ventures and suppliers AGL has a range of investments in upstream electricity generation and gas production.</p> <p>AGL has business relationships with investment partners and suppliers.</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 representation on the Loy Yang Power Board as well as the Environment Committee.</p>
<p>Energy industry AGL plays an active role in leading industry support for renewable and greenhouse initiatives within the Australian energy industry.</p> <p>The business impacts of energy policy are a primary concern for the Australian energy industry.</p>	<p>During 2009/10, AGL continued to participate in the Business Council of Australia, the National Generators Forum, the Australian Financial Markets Association, the Energy Retailers Association of Australia and the Clean Energy Council. AGL is also a member of the Energy Supply Association of Australia (esaa) and is a signatory to the esaa Sustainable Practice Framework.</p> <p>AGL has representatives on the Boards of the Clean Energy Council, the Energy Retailers Association of Australia, the National Generators Forum and the Australian Financial Markets Association.</p> <p>AGL also participates in other forums and working groups, including the National Smart Meter Program, and Advanced Metering Infrastructure groups.</p>
<p>Customers To maintain and improve market share within Australia's highly competitive energy market, it is essential that AGL responds to customer feedback, as well as working internally to improve the service delivered to customers. AGL needs to work collaboratively with governments and the community sector to support customers who are experiencing difficulty accessing and affording essential services such as energy.</p> <p>Customers are concerned with the quality of service provided by AGL, billing and pricing, and the introduction of new energy policy and infrastructure and the resulting impacts for residential and business customers</p>	<p>As part of AGL's commitment to customer service, the AGL Customer Council was formed in June 1998. The Council includes representatives from a range of community and consumer groups. The continuing aim of the Council is to act as a forum for communication between AGL and representatives of residential and small business customers.</p> <p>The Customer Council meets on a quarterly basis and is briefed on a wide range of matters that affect AGL customers and the communities in which AGL operates. The Customer Council takes particular interest in AGL's Staying Connected program, and other issues relating to vulnerable customers.</p> <p>In November 2009, AGL launched the Customer Connections program which provides opportunities for AGL to interact with small groups of customers in an open discussion about their experiences with AGL</p> <p>In 2009/10, AGL developed a new Customer Charter and redesigned both gas and electricity bills. These initiatives were completed following extensive stakeholder engagement, including consultation with key AGL stakeholders, customer surveys and focus groups.</p> <p>The Charter outlines AGL's commitment and timeframes for responding promptly to phone and written enquiries. AGL's Customer Advocacy team also deals directly with customer concerns.</p> <p>The account management of AGL's major commercial and industrial customers is approached on a customer-preferred basis; however, mechanisms include face-to-face meetings, executive engagement, dedicated communications, general correspondence and carbon briefings.</p> <p>AGL engages a customer experience advocacy partner to consult and conduct research surveys of major customers. These surveys include gathering qualitative feedback.</p> <p>Other feedback mechanisms available to customers include an online information request facility.</p>

Stakeholder groups/main issues	Engagement mechanisms in 2009/10
<p>Local communities The success of AGL is shaped and measured not only by the financial outcomes, but also by the social and environmental impact of decisions and actions on the wider community. Engaging with the community on development projects is vital to AGL's long-term success. Only by engaging the community at every stage of the development process, with transparency, accountability and regular communication, is AGL able to deliver and operate projects and maintain the respect of the community.</p>	<p>As part of the development approval and construction processes for each major project, AGL consults with the local community and obtains feedback.</p> <p>Community Consultation Committees (CCCs) are in place for upstream gas projects, including the Camden Gas Project, the Hunter Gas Project and the Gloucester Basin Gas Project. Each CCC is chaired by an independent chairperson and includes local council appointed representatives, local residents, local environment groups and AGL representatives. The CCCs form a key forum for community involvement.</p> <p>AGL has opened two information centres in areas with significant operations. In South Australia, the Burra Information Centre is located near the Hallett wind farms. In Victoria, AGL has launched an interactive information centre at the site of the Bogong Hydro Power Station. Refer to page 92 for further details.</p> <p>The information centres provide a focal point for local community engagement concerning the construction and operation of infrastructure.</p> <p>AGL has established a number of websites for energy generation projects in development. The websites provide information on the projects and aim to address community concerns. An online contact form is located on each of the websites, together with the details of a community consultation hotline to allow AGL to respond to specific community enquiries. Refer to the Energy generation page on the AGL website for further information. (www.agl.com.au/about/EnergySources/Pages/energy-assets.aspx)</p> <p>AGL is increasingly using social media to communicate and engage with the community. The AGL Sustainability Blog is a forum for AGL to provide timely and accessible information to interested stakeholders on a broad range of issues, such as: AGL's customer focused initiatives, key external presentations by employees, and rapidly evolving energy policies. The AGL blog is updated frequently, with over 110 blog posts by AGL contributors in 2009/10.</p> <p>Michael Fraser, AGL's Managing Director, is a member of Twitter and regularly provides updates on energy related issues.</p>
<p>Non-government organisations (NGOs) AGL engages with NGOs to understand the causes which they represent and to find constructive ways to work together to deliver mutually beneficial outcomes.</p>	<p>The AGL Climate Change Council was established during 2008/09 and includes representatives from AGL and NGOs such as WWF-Australia, the Australian Conservation Foundation and The Climate Institute. The Climate Change Council meets quarterly to enable discussion and constructive dialogue on a range of issues relating to climate change, including government policy, emission reduction targets and program implementation.</p> <p>AGL is a member of Environment Business Australia (EBA), as well as being represented on the Board. The EBA is a collective of businesses promoting commercial solutions to environment challenges. The EBA supports, through policy submissions to government and other advocacy work, the immediate adoption of a carbon price in Australia.</p> <p>AGL is a member of the Climate Institute Climate Partners Network. As a Climate Partner, AGL is a constituent of a collective of leading businesses working to promote climate change solutions, to transition Australian to a low-carbon, clean energy economy.</p> <p>The AGL Customer Council includes representatives from the following NGOs and community groups:</p> <ul style="list-style-type: none"> > Consumer Action Law Centre > Farmers Federation of SA > Kildonan UnitingCare > Public Interest Advocacy Centre > Queensland Council of Social Services > St Vincent de Paul Society > UnitingCare NSW ACT > UnitingCare Wesley Adelaide

AGL's goal is to deliver superior growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earnings streams.

Australia is embarking upon a decade of transformational reform within electricity and gas markets. Policies such as the expanded Renewable Energy Target, which was amended via legislation passed in June 2010, will require approximately \$30 billion dollars of new investment in renewable energy infrastructure by 2020. In this environment, achieving growth in total shareholder returns and diversification of earnings streams requires companies to develop portfolio flexibility within their corporate strategies and significant rigour in their investment processes.

AGL has developed sophisticated portfolio flexibility around its core integrated business strategy to thrive in this transformational environment. Rigorous investment processes and appropriate hurdles for the rate of return on investments will continue to drive total shareholder returns.

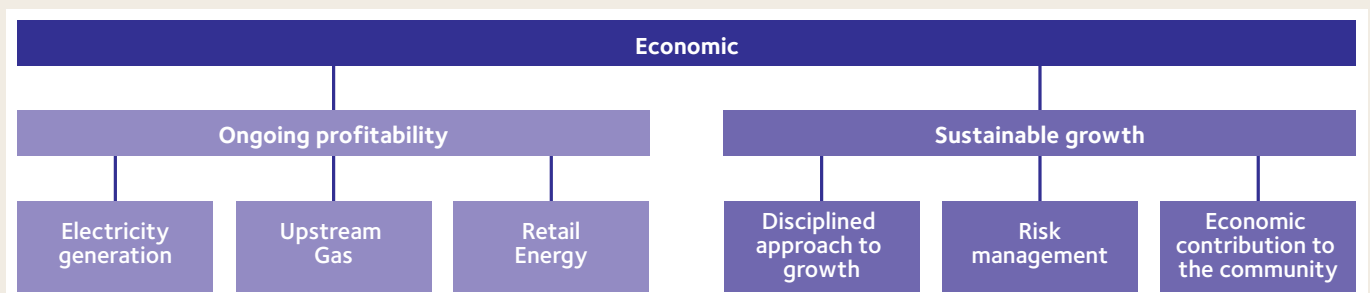
The two key focus areas for the Economic chapter of this report are ongoing profitability and sustainable growth. An overarching sustainability indicator and target for 2010/11 accompanies each of these focus areas – however, success in these areas is dependent on a number of factors which are outlined in further detail in the following pages.

Ongoing profitability: In a capital constrained environment, shareholder returns as measured by Underlying Profit¹ are increasingly important. Continued focus on the integrated business strategy and optimising returns from each business area will position AGL to deliver growth in coming years.

Sustainable growth: The nature of the National Energy Market and the accompanying institutional arrangements means that it is crucial for AGL to have an investment grade credit rating. An investment grade credit rating also generally provides more favourable borrowing margins and offers shareholders additional confidence in the security and sustainability of earnings.

Note

¹ Underlying Profit reflects the actual performance of AGL's business by adjusting statutory profit (reported in accordance with Australian Accounting Standards) by fair value movements and one-off significant items.



Introduction to ongoing profitability

In a capital constrained environment, shareholder returns as measured by Underlying Profit are increasingly important. Continued focus on its integrated business strategy will position AGL to deliver growth in coming years.

Approach

AGL retails gas and electricity to residential, small business and commercial and industrial customers. The cost of supply fluctuates with movements in energy prices. AGL's integrated business strategy balances risk between upstream supply of energy and customer demand for energy.

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

Vision for ongoing profitability: AGL's vision is to have an industry leading earnings profile based on sustainable business practices.

Drivers: Delivery of AGL's integrated business strategy has a direct influence on the Underlying Profit result and on other financial performance indicators. Optimisation of performance in the three business areas of electricity generation (Merchant Energy), Upstream Gas and Retail Energy is addressed on [pages 38 to 41](#).

Performance

AGL delivered an Underlying Profit of \$428.9 million for 2009/10, representing a 13.2 percent increase compared to the prior corresponding period. This result was above the initial guidance range (\$390–\$420 million) issued to the market on 29 October 2009, and within the upper end of the revised guidance range of \$420–\$430 million issued on 3 June 2010.

The Underlying Profit was largely driven by strong Retail performance and reduced interest payments resulting from lower debt levels.

On 21 October 2010, AGL announced a guidance range of \$450–\$480 million for 2010/11.

AGL shareholders were paid dividends totalling 59.0 cents per share (49 percent franked) for the full financial year 2009/10, an increase of 5 cents per share, or 9.3 percent, on the 2008/09 dividend.

Optimisation of electricity generation portfolio

AGL has Australia's largest privately owned, operated and controlled portfolio of renewable generation assets and a pipeline of renewable development opportunities. AGL's integrated business strategy is consistent with a carbon-constrained future.

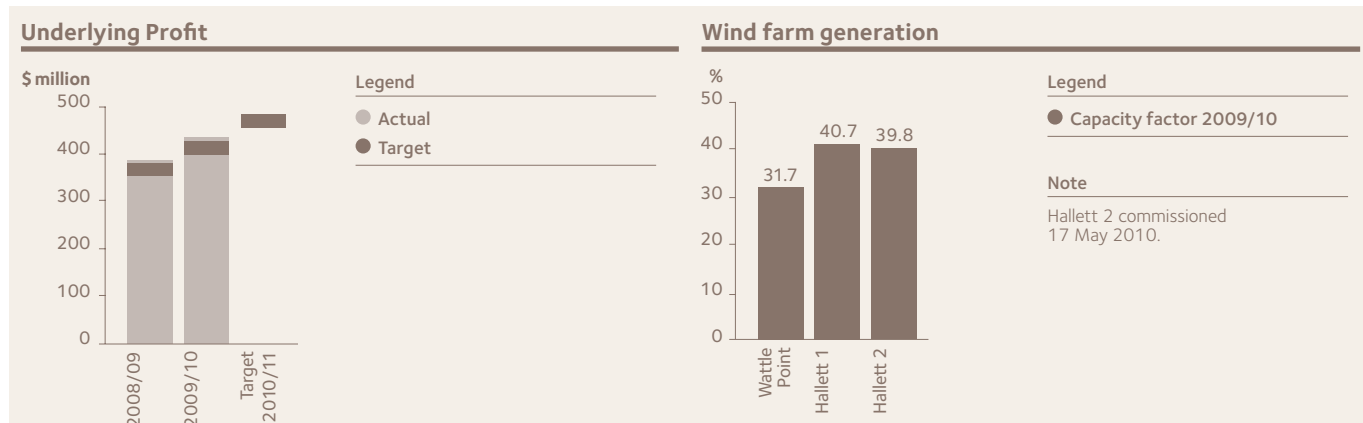
Approach

Amendments to the Renewable Energy Target were legislated in June 2010. Energy companies now have the legislative certainty required to proceed with the significant investments necessary to meet the mandatory target. Over the next decade, it is estimated that the industry will need to spend approximately \$30 billion on new renewable generation assets. Based on current customer numbers, AGL would need to invest approximately \$4.9 billion if it were to meet its share of the mandated scheme.

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

For wind farms, the capacity factors achieved determine revenue, and AGL recognises the importance of accurately projecting capacity factors during the development stages of projects to ensure that actual performance meets the investment case.

For all renewable generation assets, revenue is partly dependent on the value of Renewable Energy Certificates and partly on the wholesale National Electricity Market price. Higher returns are possible where individual investors' costs are lower than the costs associated with the marginal project required to meet the Renewable Energy Target. Through early site selection, AGL has sourced some of the best sites for wind development in the country, allowing for potentially greater returns over the long term.



Performance

During 2009/10, the operational performance of gas and hydro generation assets has been strong with significantly greater rainfall in 2009/10 compared to previous years. Dartmouth (180 MW) returned to service in September 2010 operating on a limited capacity basis. Eildon (135 MW) too is operational with reduced capacity.

Commercial availability and start reliability of generation assets show strong performance well above the industry average, as highlighted in the chart below.

During 2009/10, AGL completed the construction of 223.5 MW of new renewable energy. At 30 June 2010, AGL had 252 MW of new renewable generation under construction. In August 2010, AGL also announced the construction of the 420 MW Macarthur Wind Farm in Victoria. Renewable and gas fired generation projects under development are listed on [page 25](#) of this report.

Key achievements

- > AGL completed construction of two key electricity generation projects: Bogong Hydro Power Station (140 MW) and the AGL Hallett 2 Wind Farm (71 MW), as well as an upgrade of McKay Creek Hydro Power Station (10 MW).
- > AGL secured three long-term fixed price contracts to provide renewable energy for the Victorian desalination plant, the South Australian desalination plant and Melbourne Water for periods of between 20 years and 27 years, with a maximum usage of approximately 1,540 GWh per annum. The electricity off-take from these three contracts is equal to the entire output of AGL's committed wind farms (excluding the recent commitment to Macarthur).
- > In collaboration with First Solar and Bovis Lend Lease, AGL is bidding for Commonwealth funding to develop up to 200 MW of solar powered electricity generation across five locations utilising thin film solar photovoltaic (PV) technology. In May 2010, AGL's proposal was one of eight projects shortlisted for funding under the Commonwealth Government's Solar Flagships program.

Gentrader Contracts

The New South Wales electricity privatisation process involves the sale of seven businesses; three electricity retailers and four 'gentrader contracts'. Gentrader contracts provide the holder with the 'rights' to trade the electrical output of the generating portfolios into the National Electricity Market and receive the sales receipts, even though the power stations will continue to be owned, operated and maintained by New South Wales Government Owned Corporations. This privatisation process is expected to be completed during 2010/11.

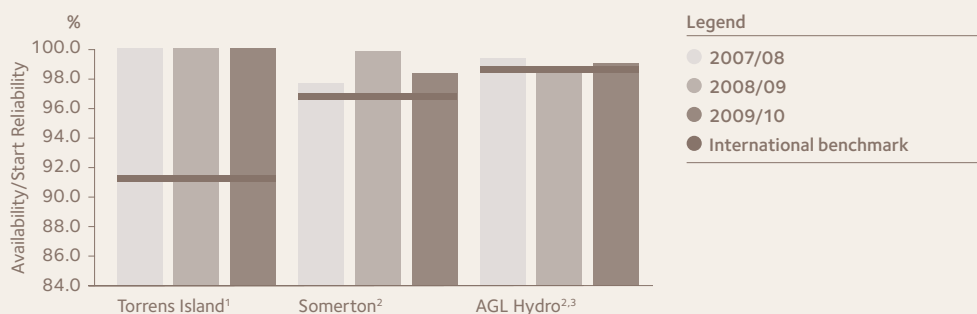
The majority of gentrader contracts in this privatisation process involve the trading rights to black coal-fired power plants in New South Wales. Given the increasing focus of energy policy on reducing greenhouse emissions, involvement in coal power stations appears at first glance to be inconsistent with this emerging policy direction. However, these pre-existing power facilities will remain essential to the power system over current planning horizons for ensuring security and reliability of electricity supply across the entire National Electricity Market. This is likely to be the case irrespective of who operates the plant or sells its output.

More than 90% of electricity in New South Wales is produced from black coal generators as a result of the existing generators built by the New South Wales State Government. Therefore, to supply customers with electricity in New South Wales, a retailer such as AGL has two options:

- > Purchase electricity from the wholesale spot market. Around 90% of this energy will be produced by coal-fired generators; and/or
- > Purchase a Gentrader contract and utilise the available energy for their own customers.

The end result from an emissions perspective is the same in both cases. As black coal provides the vast majority of electricity in New South Wales, retailers will be supplying customers with energy sourced from coal irrespective of their commercial and contractual arrangements unless they are supplying customers who elect to purchase renewable energy through GreenPower.

Commercial availability/start reliability



Notes

- 1 Commercial availability is used to measure Torrens Island performance, and represents the percentage of times the plant is available to operate when required.
- 2 Start reliability is used to measure the performance of Somerton and AGL Hydro. Start Reliability is the percentage of times the plant started successfully when required to start.
- 3 NERC – North American Electric Reliability Council Five Year average for Hydro facilities adjusted for the difference in operating regime between the North American fleet and AGL's fleet which operate as peaking plant, which increases the frequency of starts and stops.

Optimisation of upstream gas portfolio

AGL has a target of acquiring 2,000 PJ of 2P gas reserves in the medium term to manage security of supply.

Approach

AGL continues to be a significant purchaser of gas in the wholesale market. AGL's Upstream Gas group is focusing on building a diversified domestic gas portfolio to deliver duration and flexibility. AGL is targeting medium term ownership of around 2,000 PJ of 2P upstream gas reserves, but will continue to purchase gas from the wholesale market if this achieves superior economic outcomes.

Performance

Over the past 12 months, AGL's gas reserves entitlement has been expanded by 471 PJ (43 percent) to 1,578 PJ at the 2P level and by 1,068 PJ (46 percent) to 3,372 PJ at the 3P level.

Substantial reserve upgrades were certified in the Gloucester Basin, Camden area and Queensland exploration permit ATP 364P (50 percent interest back-in rights).

Over the next several years, AGL intends to focus on proving up additional reserves. The potential value creation is substantial, although the contribution to earnings will be limited until the reserves are developed and ready for production and delivery to market.

It is anticipated that with the investments and existing wholesale contracts in place, AGL will be able to satisfy supply requirements for customers well beyond 2017. The combination of remaining wholesale contract volumes plus reserves demonstrates growth in the sustainability of the business.

Key achievements

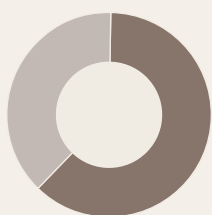
In 2009/10 AGL:

- > upgraded 2P gas reserves from 1,107 PJ to 1,578 PJ, up 43 percent
- > divested its interests in the Berwyndale to Wallumbilla Pipeline for \$82.6 million.

Following the close of the financial year:

- > completed the acquisition of Mosaic Oil by Scheme of Arrangement
- > Hunter initial reserve assessment of 142 PJ 2P reserves.

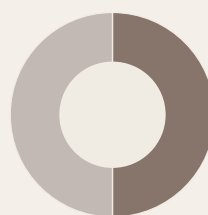
Current gas portfolio



Legend

● Contract	61.8%
● Equity gas	38.2%
Gas portfolio	4,129 PJ

Future gas portfolio



Legend

● Contract	50%
● Equity gas	50%

Efficiency of retail business

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

Approach

AGL is focusing on the management and growth of margins, by leveraging its upstream strategy and achieving retail economies of scale through a service platform capable of supporting four to five million customers.

Following the implementation of a new SAP billing system in 2009, AGL's focus in 2010 was to drive improvements in the customer experience, to improve operational efficiency and to increase customer numbers.

In July 2010, AGL announced some organisational changes within the Retail Operations business unit that are intended to lower AGL's cost to serve to remain competitive. As part of these changes, a range of back office processes will be outsourced to service providers located overseas. Many roles held by permanent employees, as well as roles held by Maximum (Fixed) Term and Labour Hire employees, will no longer be required. Further information will be included in the 2011 Sustainability Report.

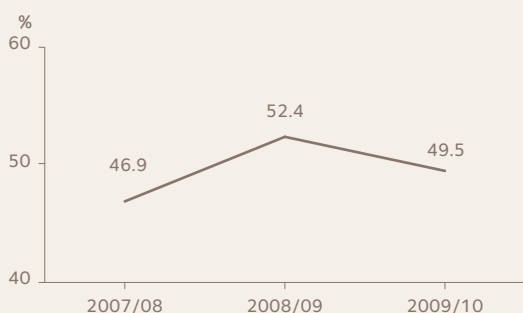
Performance

Relatively high levels of competitor activity persisted throughout 2009/10. AGL's average national customer churn for 2009/10 was 14.7 percent, compared to an average market churn of 18.7 percent.

Following resolution of some early problems associated with the implementation last year of a new SAP billing platform, the business was able to focus on increasing the customer base. During the year, total customer accounts increased by 45,317 to approximately 3.24 million. Importantly, dual fuel customer numbers increased by 122,278 (9.9 percent) to 1.36 million.

The business is now operating more efficiently, with the level of operating costs as a proportion of gross margin falling from 52.4 percent in 2008/09 to 49.5 percent in 2009/10. This is being reflected in reduced levels of employee turnover at customer service centres, improvements in customer call handling times, and fewer customer complaints.

Net OPEX to gross margin ratio



Retail markets by state and fuel type

State	Gas	Electricity	Total
NSW	726,692	380,801	1,107,493
Vic.	468,190	642,588	1,110,778
SA	96,788	477,879	574,667
Qld	77,454	371,267	448,721
Total accounts (Net) 30 June 2010	1,369,124	1,872,535	3,241,659
Percentage change from 30 June 2009	-1.4%	+3.6%	+1.4%

Introduction to sustainable growth

An investment grade credit rating generally provides more favourable borrowing margins and offers shareholders additional confidence in the security and sustainability of earnings.

Approach

The National Electricity Market is a gross pool, uniform, first-price, electricity market auction. The market design and accompanying institutional arrangements requires large retailers to retain investment grade credit ratings to ensure smooth flow of trade and transactions in the wholesale market. Critically, an investment grade credit rating and improved capital efficiency substantially enhance AGL's ability to fund future growth.

Vision for sustainable growth: AGL's vision is to maintain a solid credit rating reflecting underlying growth potential.

Drivers: Applying a disciplined approach to growth [page 43](#) and an appropriate economic risk management framework [page 44](#) are crucial strategies in maintaining a BBB credit rating in the long term, and allowing sustainable growth. Sustainable growth through future investments in electricity generation and upstream gas is also contingent on delivering new projects that provide economic benefit to both AGL and the community [page 45](#).

Performance

In its annual ratings review, Standard & Poors (S&P) reaffirmed AGL's credit rating of BBB/stable. Additionally, S&P reduced the amount required to be capitalised for the payment stream arising under wind farm Power Purchase Agreements (PPAs) from 100 percent to 50 percent, hence increasing AGL's debt capacity.

Based on debt levels at 30 June 2010 and forecast capital expenditure for 2010/11, AGL has debt headroom available to maintain a BBB credit rating.

Additionally, in September 2010, AGL diversified its debt funding sources and increased the length of debt maturities through A\$338 million in funding from a US Private Placement.

Disciplined approach to growth

A disciplined approach to growth is critical to improving shareholder returns and maintaining sustainable growth.

Approach

AGL's rigorous investment processes, appropriate hurdle rates of return and focus on return on assets (EBIT to Funds Employed Adjusted) will contribute to maintaining a BBB credit rating in the long term.

Performance

EBIT to Funds Employed + Adjusted

AGL has introduced a more appropriate calculation to measure return on investment and the efficiency of AGL's assets: EBIT to Funds Employed Adjusted. This metric is used to calculate Long Term Incentive Plan (LTIP) entitlements for the AGL executive team and nominated senior leaders to ensure a close alignment with shareholders' interests.

EBIT to Funds Employed Adjusted has improved over the last three years, increasing from 10.5 percent to 11.3 percent. This has been driven by improved returns on the Retail business from 8.6 percent in 2008/09 to 10.2 percent 2009/10.

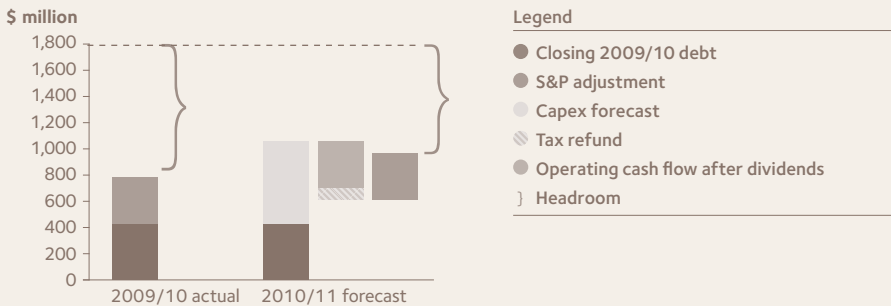
An improvement on the 2009/10 result is being targeted for 2010/11.

Capital management and expenditure

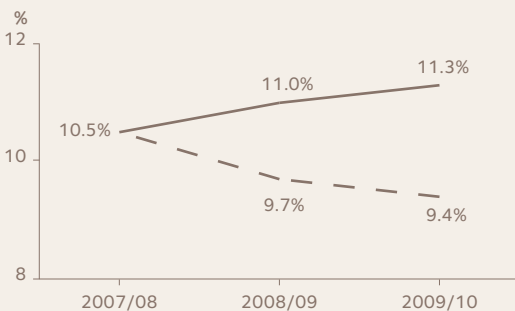
Focus on capital management and operating cash flow has enabled AGL to further strengthen its balance sheet. This leaves AGL well positioned to take advantage of opportunities such as participating in the New South Wales electricity asset sale process, and to continue investing in its pipeline of electricity generation and upstream gas development projects.

AGL has indicative capital commitments for 2010/11 of approximately \$620 million. AGL maintains flexibility to accelerate or defer capital expenditure on its projects depending on market conditions.

Debt capacity

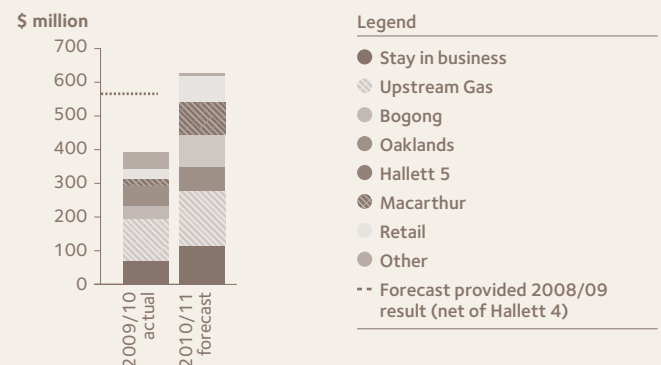


EBIT to Funds Employed and EBIT to Funds Employed Adjusted



Legend
 — EBIT to Funds Employed Adjusted
 - - EBIT to Funds Employed

Capital projects expenditure



Legend
 ● Stay in business
 ● Upstream Gas
 ● Bogong
 ● Oaklands
 ● Hallett 5
 ● Macarthur
 ● Retail
 ● Other
 - - Forecast provided 2008/09 result (net of Hallett 4)

Economic risk management

AGL manages economic risks effectively by integrating risk assessment into decision-making and management processes.

Wholesale energy risks – approach and performance

A number of commercial optimisation activities are utilised in AGL's electricity, gas and environmental products portfolio management division, including:

- > reducing wholesale electricity costs through optimising load diversity between customer classes and regions
- > optimising across the gas and electricity portfolios with arbitrage opportunities provided by gas generation assets
- > accelerating or decelerating hedging programs based on AGL's view of future market prices
- > employing a variety of instruments including weather derivatives to balance risk and return.

All of these commercial activities have independent risk management oversight to maintain portfolio positions within defined limits.

Risk management performance is monitored through a continuous review of hedging contracts, the physical portfolio position and the possible economic outcomes from these positions. A Risk Management Committee of senior business managers meets regularly to review these performance measures.

During 2009/10, portfolio positions and portfolio economic risk measures remained within the required limits of the Wholesale Energy Risk Management Policy.

Price regulation risks – approach and performance

A key issue within the energy sector is the continued regulation of household and small business electricity and gas prices by state governments. In 2008/09, Victoria became the first state in Australia to discontinue regulation of retail prices and is now the most competitive market in Australia. Some other states have also committed to remove price regulation when competition is demonstrated to be effective. AGL continues to be concerned about the price risks that exist for energy retailers where regulation of prices is continued, as there will always be a risk that the regulated rate will not reflect current energy costs.

AGL is an active participant in price review processes across the National Electricity Market. Price reviews completed throughout 2009/10 comprised reviews into the gas and electricity retail prices in New South Wales, and a review of the electricity retail price in Queensland. A review of the electricity retail price in South Australia is currently underway.

Treasury risks – approach and performance

AGL's activities expose it to a variety of financial risks. These risks include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

AGL's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on AGL's financial performance, by utilising a range of derivative financial instruments to hedge risk exposures.

During 2009/10, hedging thresholds for interest rate, foreign exchange and credit risk were consistent with the Risk Management Policy. AGL maintained the appropriate liquidity buffer in accordance with Board approved levels throughout the year.

Economic contribution to the community

AGL's capability to deliver new renewable energy and upstream gas projects is dependent on AGL adopting a sustainable project delivery model whereby new projects deliver economic benefit to both AGL and the community.

Hallett wind farms economic impact assessment

AGL has five wind farm projects situated in the Hallett region of South Australia, and as such has a significant presence in the local community.

During 2009/10, AGL engaged Sinclair Knight Merz to undertake an assessment of the economic impact the Hallett wind farm projects have had on the mid-north region of South Australia, encompassing the Regional Council of Goyder, Northern Areas Council and Clare and Gilbert Valley Council areas.

Key findings

The results of the study are summarised in the table below. Qualitative findings included:

- > The wind farms had improved the economic circumstances of a number of local farmers as a result of lease payments for the use of land, the creation of employment opportunities and the creation of demand for under-utilised assets such as farmhouses that contractors use for accommodation of site personnel.
- > Local businesses that have benefited from contracts with the wind farms include domestic scale electricians, transport operators, machine operators, general labourers, quarries and concrete businesses. Accommodation and food services providers have had a significant increase in sales.
- > The wind farms appear to have increased the buoyancy of the local rental market and encouraged new accommodation developments.
- > The wind farms have had no noticeable impact on visitation to the region and if anything seem to have had a positive impact in terms of visitor interest.

Further information

The full economic impact assessment report is available at [agl.com.au/Downloads/AGL Final Economic Impact Report.pdf](http://agl.com.au/Downloads/AGL_Final_Economic_Impact_Report.pdf)

Hallett wind farms economic impact assessment results

Economic impact	To date (June 2010)	On completion of Hallett 1, 2, 4 and 5	On completion of Hallett 1, 2, 3, 4 and 5
Project development and construction expenditure (total)	\$800 million	\$897 million	\$1,065 million
Project development and construction expenditure (regional)	\$88 million	\$111 million	\$132 million
Ongoing operational expenditure (total per year)	–	\$25 million	\$30 million
Ongoing operational expenditure (regional per year)	–	\$12.5 million	\$15 million
Ongoing annual increase to Gross Regional Product	–	1.15%	1.4%
Average annual direct construction employment (regional)	98 people	90 people	80 people
Average annual direct construction, manufacturing and support employment (regional/national/international)	185 people	200 people	190 people
Total direct construction job years (regional)	450 FTE	540 FTE	640 FTE
Total direct construction, manufacturing and support job years (regional/national/international)	850 FTE	1,000 FTE	1,200 FTE
Total direct operations jobs per year (regional)	15 people	36 people	42 people
Additional indirect job years (regional/national/international)	–	2,000 FTE	2,400 FTE

Note

FTE = Full-time equivalent.

Financial performance summary

Detailed financial information is available in AGL's 2010 Annual Report, which is available at agl.com.au.

Financial performance summary

	2007/08	2008/09	2009/10
Revenue	\$5.7b	\$6.1b	\$6.6b
Operating earnings before interest and tax ¹	\$693.2m	\$643.1m	\$652.1m
Net finance costs	\$175.9m	\$94.0m	\$47.5m
Underlying net profit after tax ¹	\$341.0m	\$378.8m	\$428.9m
Underlying basic earnings per share	78.3 cps	85.0 cps	95.6 cps
Total annual dividend ²	53.0 cps	54.0 cps	59.0 cps
Total assets ³	\$9.5b	\$9.0b	\$8.7b
Shareholders' equity	\$5.0b	\$5.8b	\$5.8b
Underlying operating cash flow (before tax)	\$501.2m	\$509.3m	\$630.3m
Total capital expenditure	\$324.6m	\$552.1m	\$389.7m
Gearing [net debt/(net debt + equity)]	29.0%	7.8%	6.7%
EBIT to average funds employed return	10.5%	9.7%	9.4%
EBIT to average funds employed adjusted return	10.5%	11.0%	11.3%

Notes

- 1 Excluding significant items and fair value movements of financial instruments.
- 2 Dividends in 2008/09, 2007/08 and the Interim dividend for 2009/10 were fully franked (the Final dividend for 2009/10 was unfranked).
- 3 Includes derivative financial instrument contracts at fair value.

Distribution of revenue

	2007/08	2008/09	2009/10
Revenue ¹	5,653.5m	6,051.1m	6,610.7m
Other income ²	223.7m	1,869.2m	6.4m
Total revenue	5,877.2m	7,920.3m	6,617.1m
Cost of goods, services, materials and other external costs	-5,317.0m	-5,633.2m	-5,895.6m
Wages, salaries and benefits to employees	-259.1m	-283.5m	-318.1m
Dividends to shareholders	-225.6m	-236.1m	-255.9m
Net interest paid on borrowings	-151.9m	-81.5m	-35.8m
Income tax (expense)/income	62.2m	-390.6m	-21.5m
Movement in retained earnings	-14.2m	1,295.4m	90.2m

Notes

- 1 The breakdown of revenue for 2008/09 has been restated.
- 2 Includes profit on sale of non-core assets.

AGL's goal is to invest in cleaner energy forms to reduce the greenhouse gas intensity of energy across the supply chain.

AGL accepts the scientific consensus that greenhouse gas emissions in the atmosphere need to be stabilised to minimise dangerous climate change. According to the Intergovernmental Panel on Climate Change, this effectively requires global emissions to peak in 2015 and be reduced by up to 85 percent relative to 2000 levels by mid-century. AGL supports the recognition by the Commonwealth Government that an ambitious and comprehensive global agreement is squarely in Australia's national interests, and notes that stabilising CO₂e concentrations to 450 ppm by mid century translates into a 25 percent reduction target on 2000 levels by 2020 for Australia¹

AGL considers the stationary energy supply sector will not only require significant decarbonisation by mid-century, it may also be relied upon for reducing greenhouse gas emission from other sectors, including transport. As a leading investor in the sector that accounts for approximately 40 percent of Australia's greenhouse gas emissions, AGL recognises that climate change and reduction targets pose both risks and opportunities.

The Board Safety, Sustainability and Corporate Responsibility Committee receives quarterly reports of performance on two key indicators with respect to climate change: current and projected greenhouse gas intensity of the electricity generation portfolio; and absolute greenhouse gas emissions. Annual performance against these metrics is also reported publicly.

AGL has continued to be a leader in the energy supply sector in advocating the introduction of a price on carbon. Despite prevailing political uncertainty with regard to a national mechanism placing a price on carbon, AGL is working with its partners to assist government in its deliberations on the optimal approach to reducing greenhouse gas emissions and delivering certainty for investors in the energy supply sector.

The National Greenhouse and Energy Reporting Scheme (NGERS) requires AGL to disclose scope 1 and scope 2 emissions. Although a compliance obligation, this reporting protocol directly feeds into AGL's investment strategy and risk management.

AGL is progressing its carbon risk assessment process beyond mitigation to more closely look at adaptation issues. During 2009/10, a vulnerability assessment of electricity generation assets was updated, working off the release of updated information on the impacts of climate change on Australia's physical climate. AGL's Climate Change Council, consisting of non-government organisations advocating climate change policy, continues to meet quarterly to inform AGL's policy and strategy.

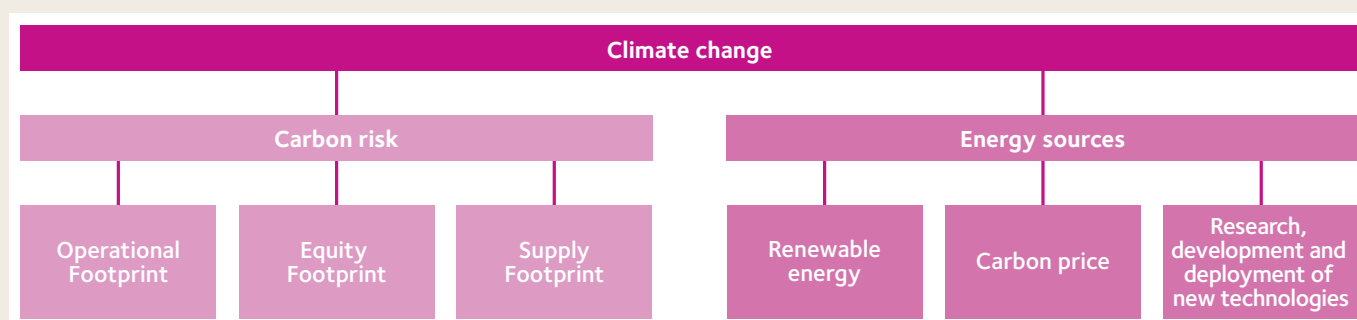
The two key focus areas for the Climate Change chapter of this report are greenhouse risk and energy sources. An overarching sustainability indicator and target for 2010/11 accompanies each of these focus areas – however, success in these areas is dependent on a number of factors which are outlined in further detail in the following pages.

Carbon risk: Risks to AGL presented by climate change could become significant over time. To pre-emptively manage these risks and work towards minimising exposure, the emissions-intensity of electricity generated by AGL is included as a key performance indicator. Underpinning this indicator is a range of strategies, including preparing for the introduction of a carbon price. AGL's greenhouse footprint is also included in this section of the report.

Energy generation sources: The opportunities for AGL in cementing a leadership position in low-greenhouse gas emitting energy generation and supply are significant. AGL continues to be Australia's leading investor in renewable energy, leveraging off existing policies and positioning the company for future value realisation as the costs of carbon become accounted for in the energy supply chain.

Note

1 www.climatechange.gov.au/en/government/reduce/national-targets.aspx accessed 14 July 2010.



Climate change risks

Climate change brings a number of risks to AGL's operations and investment strategy. The diversity of risks is considerable and many have both upside and downside potential.

AGL recognises that extreme weather events and changes in weather patterns arising from climate change present risks to its business, in terms of physical impacts to energy infrastructure as well as financial risks associated with changes to energy demand.

Categories of climate change risk

Energy demand

Demand for electricity in Australia is heavily dependent on economic growth and temperature. As the economy grows, so does demand for energy, and as temperatures rise, so too does the demand for electricity because of higher utilisation of air conditioning. As demand can change quite rapidly due to higher temperatures, prices at peak demand times can often increase by several thousand percent. Current climate science indicates that temperatures (both average and peak) are likely to increase throughout the National Electricity Market region (predominantly Australia's east coast). In summary, electricity demand is likely to become peakier with increased summer air-conditioning load, and residential heating gas demand in winter is likely to fall. Peakier characteristics of the electricity sector require retailers and integrated energy companies such as AGL to devote significant resources to managing price volatility. AGL's recent acquisitions and investments demonstrate strategic efforts to manage price volatility. These commercial risks are being managed by consistently updating forecasts of energy demand based upon the latest temperature and other weather data; and investing in assets that provide profitable solutions, such as gas and hydro peaking generation and gas storage capabilities.

Physical risks to infrastructure

AGL owns a number of power stations and gas production assets in the eastern states of Australia. The risks to AGL include both physical damage and reduced supply reliability. Physical damage could result from increased incidences of violent storms and reduced operating capacity. In turn, reduced supply reliability could potentially impact AGL's ability to cost effectively supply retail customers. AGL has examined the proximity of its assets to coastlines and does not believe that sea level rise poses a significant threat at this stage.

Water availability risks

AGL owns a number of hydro electricity generation assets. When these assets were acquired, a key element of the due diligence work undertaken involved long-term hydrology considerations. AGL engaged experts in this field and considered the risks associated with reduced rainfall and changes in rainfall patterns.

Regulatory risks

AGL has identified climate change, and the changing regulatory, economic and social environment impacts associated with the introduction of a carbon price, as a key risk.

Customer

AGL has also sought to minimise and manage the risks associated with climate change by catering to increasing demand from consumers to reduce their own greenhouse gas emissions footprints. In 2009 the Carbon Management Services (CMS) business unit was established. The CMS unit provides strategic consulting advice on climate change risks/opportunities to customers, implements projects that reduce a customer's carbon footprint, and assists in managing exposure to increased costs related to climate change policy responses.

Actions taken in 2009/10 to address climate change risks

Vulnerability assessment of electricity assets

During 2009/10, AGL commenced an updated assessment of the potential vulnerability of AGL's electricity generation assets to climate change. This assessment is based on key Australian publications by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Bureau of Meteorology (BOM).

Based on the CSIRO/BOM report of February 2010, AGL considers there are two key physical phenomena emerging from climate change that the business must consider:

- 1. Australia is likely to be hotter in coming decades:** Australian average temperatures are projected to rise by between 0.6 and 1.5 °C by 2030. Warming is projected to be lower near the coast and in Tasmania and higher in central and north-western Australia. These changes will be experienced through an increase in the number of hot days.
- 2. Much of Australia is likely to be drier in coming decades:** Compared to the period 1981–2000, decreases in rainfall are likely in the decades to come in southern areas of Australia during winter, in southern and eastern areas during spring, and in south-west Western Australia during autumn. An increase in the number of dry days is expected across the country, but it is likely that there will be an increase in intense rainfall events in many areas.

The vulnerability assessment improved granularity of the potential downside risks emerging from issues of water availability, interrupted access to market through transmission being compromised and reliability of plant. Potential opportunities were also evaluated, in particular the value of peaking plant to meeting peakier electricity load at times of high temperatures.

Carbon Implementation Program

The Carbon Implementation Program (CIP) was initiated two years ago to prepare the business for the introduction of the Carbon Pollution Reduction Scheme (CPRS) on 1 July 2011.

Following considerable change in government policy on the CPRS and its timing for commencement, the CIP discontinued its work program but is ready to reconvene when there is certainty regarding political commitment for the introduction of a price on carbon.

Introduction to carbon risk

In the energy industry, to get an accurate picture of a company's greenhouse performance it is not enough to look solely at the total amount of greenhouse gas emitted from the company's operations. It is equally important to examine the greenhouse intensity of the assets managed and invested in by the company, and how the company's business strategy will contribute to the overall greenhouse intensity of Australia's economy into the future.

Approach

Australia's electricity supply sector is dominated by coal fired generation, providing some 81 percent of Australia's electricity (esaa 2010). Consequently, electricity generation accounts for over one third of greenhouse gas emissions in Australia. Consistent with its Greenhouse Gas Policy (August 2009), AGL has identified that placing a cost on greenhouse gas emissions will alter the economic incentives for electricity generation. In particular, lower intensity generation over time will become comparatively lower cost relative to coal fired generation, increasing its market share and contributing to the reduction of Australia's greenhouse gas emissions.

The greenhouse intensity of AGL's operated electricity generation portfolio compared to the market average is an important metric for measuring how well the organisation is positioned to manage the risk of regulatory intervention through a carbon price.

Vision for carbon risk: AGL's vision is to have an emissions intensity significantly lower than the market average.

Drivers: In addition to measuring the greenhouse intensity of generation as an indicator of future economic impacts on AGL, AGL also uses three approaches for measuring and communicating the greenhouse gas impact of its business: an Operational Footprint [page 50](#), an Equity Footprint [page 52](#) and an Energy Supply Footprint [page 53](#).

Performance

The greenhouse intensity of electricity generated from AGL's operated assets compared to the market average is one way to determine how the portfolio is positioned to compete in an energy market that includes a price on carbon.

The greenhouse gas intensity of AGL's operated electricity generation assets decreased by 11% compared to 2008/09.

Greenhouse footprint

A summary of AGL's three greenhouse footprints is presented below. Further detail about each footprint is provided in the following pages.

Operational Footprint

The Operational Footprint covers the emissions from activities and assets that AGL operates. The Operational Footprint has decreased by 11 percent compared to 2008/09 to 1.490 MtCO₂e, primarily due to a decrease in electricity generation from Torrens Island Power Station.

2009/10	1.489 MtCO ₂ e
2008/09	1.677 MtCO ₂ e
2007/08	2.030 MtCO ₂ e

Equity Footprint

The Equity Footprint sets out AGL's share (by percentage investment level) of the emissions from fully or partly owned entities. The Equity Footprint has increased to 7.8 MtCO₂e due to an increase in emissions associated with AGL's stake in Loy Yang Power. However this increase has been largely offset by a decrease in the AGL Operational Footprint.

2009/10	7.8 MtCO ₂ e
2008/09	7.7 MtCO ₂ e
2007/08	8.1 MtCO ₂ e

Energy Supply Footprint

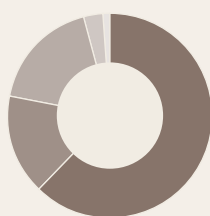
The Energy Supply Footprint estimates the greenhouse gas emissions associated with the use of electricity and gas by AGL customers. The Energy Supply Footprint has decreased slightly compared to 2008/09.

2009/10	47.3 MtCO ₂ e
2008/09	48.6 MtCO ₂ e
2007/08	51.3 MtCO ₂ e

Note

AGL's Operational Footprint includes scope 1 and scope 2 emissions only. Scope 3 emissions were included in this footprint in previous Sustainability Reports, therefore historical emissions have been recalculated this year to include only scope 1 and scope 2 emissions.

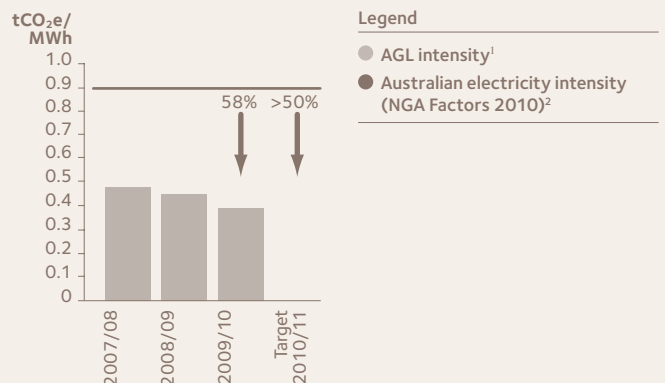
Output and intensity of AGL operated electricity generation assets¹



Generation intensity
0.39 tCO₂e/MWh

Legend	%
● Gas	63%
● Hydro	16%
● Wind	18%
● Landfill gas, biomass and biogas	3%
● Diesel	0.02%
● Solar	0.003%
Total output	3,589 GWh

Intensity of AGL operated electricity generation assets¹



Legend
● AGL intensity ¹
● Australian electricity intensity (NGA Factors 2010) ²

Notes

- These figures relate to the sent-out greenhouse gas emissions (scope 1 and scope 2) intensity of generation assets over which AGL has operational control, regardless of who owns the asset. Assets where AGL controls or has rights to the electricity output only are not included.
- Australia-wide scope 2 greenhouse gas emissions intensity figure is from the National Greenhouse Accounts (NGA) Factors published by the Department of Climate Change and Energy Efficiency, July 2010 (latest estimate is 0.92 tCO₂e/MWh).

Operational Footprint

The Operational Footprint covers the emissions from activities and assets that AGL operates.

Performance

The Operational Footprint has decreased by 11 percent compared to 2008/09 to 1,489 ktCO₂e, primarily due to a decrease in electricity generation from the Torrens Island Power Station.

The greenhouse intensity of electricity produced from AGL's operated electricity generation portfolio was 0.39 tCO₂e/MWh in 2009/10, a decrease of 11 percent compared to 2008/09.

This decrease was due to a decrease in gas fired generation at AGL's Torrens Island Power Station, and an increase in renewable generation as a result of new wind and hydro assets coming online.

During 2009/10 there was a two percent decrease in electricity generation, and a 13 percent decrease in greenhouse gas emissions from AGL's operated electricity generation assets compared to the previous year.

Electricity generation

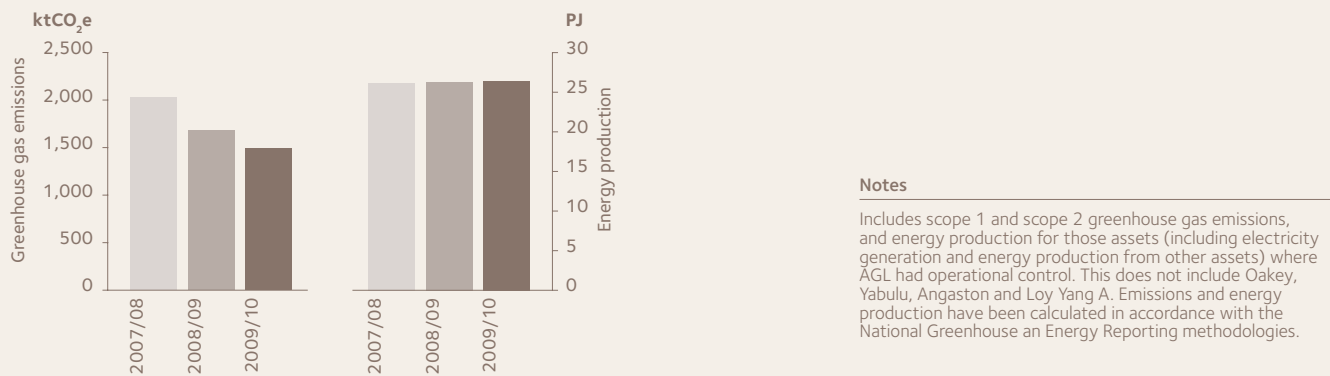
AGL's portfolio of gas fired power generation includes the Torrens Island Power Station (1,280 MW intermediate generation plant) and the Somerton Power Station (150 MW peaking plant) as well as embedded natural gas fired cogeneration plants at Coopers and Symex, and the 12 MW embedded coal seam gas fired power station at Moranbah.

AGL's operational footprint is dominated by greenhouse gas emissions from operated gas fired generation assets. In 2009/10, gas fired generation comprised 94 percent of AGL's operational greenhouse gas emissions. This remained fairly stable compared to 2008/09, when 95 percent of emissions arose from the operation of these facilities.

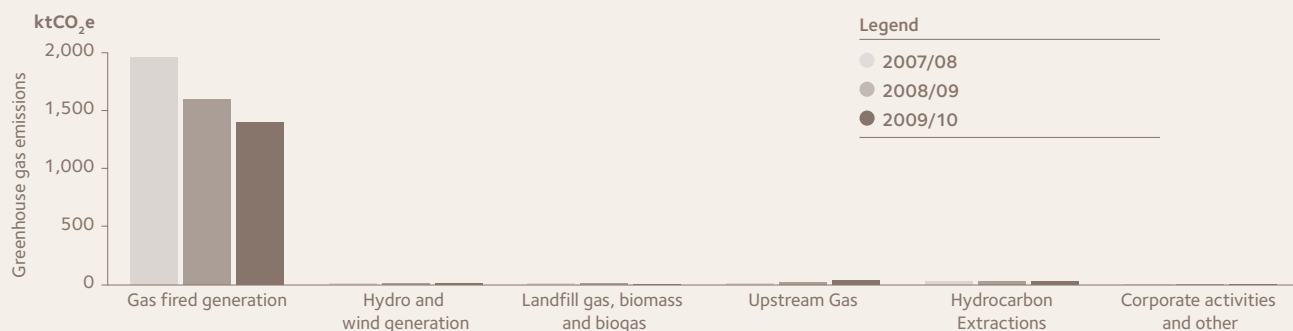
With a decrease in generation from the Torrens Island Power Station, emissions from gas fired generation in 2009/10 decreased by 13 percent compared to the previous year.

Emissions from renewable generation assets are, by their nature, small compared to other types of generation. AGL's operated renewable generation portfolio includes hydro generation assets in Victoria and New South Wales, and the Wattle Point and Hallett wind farms in South Australia.

Operational Footprint: Greenhouse gas emissions and energy production



Operational Footprint: Greenhouse gas emissions by activity type



Notes
Includes scope 1 and scope 2 greenhouse gas emissions for assets where AGL had operational control during 2009/10. This does not include Oakey, Yabulu, Angaston and Loy Yang A. While corporate activities are included, it should be noted that these emissions have been offset by purchasing 100% GreenPower and Greenhouse Friendly certified carbon abatement.

The commissioning of the Hallett 2 Wind Farm and the Bogong Power Station during 2009/10 contributed to a marked increase in renewable generation compared with 2008/09. In 2009/10, renewable generation from AGL's operated assets increased by 25 percent compared to 2008/09 to a total of 1,326 GWh. In particular, 2009/10 saw large increases in hydro and wind generation, which increased by 55 percent and 10 percent respectively, compared to the previous year.

The AGL Energy Services division within Merchant Energy operates a variety of other 'embedded' generation facilities, including landfill gas, biomass and biogas generation facilities and the Wilpena Pound Solar/Diesel facility. Emissions from these facilities remained fairly stable during 2009/10.

Hydrocarbon Extractions (HC Extractions)

AGL owns the Hydrocarbon Extractions (HC Extractions) facility at Kurnell, New South Wales. HC Extractions produces LPG and naphtha from oil refinery waste gas. HC Extractions greenhouse gas emissions result from natural gas use, electricity consumption and minor emissions associated with fugitive emissions at the site. Greenhouse gas emissions for 2009/10 have remained fairly constant compared to 2008/09.

Upstream Gas

Greenhouse gas emissions from AGL's Upstream Gas projects increased by 86 percent compared to the previous year, largely as a result of increased activity at the Hunter and Gloucester Gas Projects, and a minor increase in production from the Camden Gas Project.

During the period, AGL continued exploration and testing operations at the Gloucester Basin Project, Innamincka Exploration Project, Galilee Project and the Hunter Gas Project.

During 2009/10, the Hunter and Gloucester Gas Projects continued into the well testing phase of the projects, which includes some gas flaring and venting. As a result, emissions from these projects increased substantially, compared to the low levels of activity in previous years.

Emissions from the Camden Gas Project have also increased compared to 2008/09 as a result of a small production increase over the period.

While there has been a significant year on year increase in greenhouse gas emissions from the Upstream Gas business, this is largely because emissions from these projects have historically been low because most of the projects have been in their initial stages. Upstream Gas emissions account for less than three percent of AGL's total Operational Footprint. AGL expects greenhouse gas emissions to increase over time as production increases from these projects.

Retail and Corporate

AGL manages a number of office facilities where employees carry out services related to the provision of gas and electricity to customers, and provide corporate services to support the broader business. Activities included in this data include electricity use and vehicle transport.

Scope 3 emissions

Scope 3 emissions are classified as indirect emissions (other than associated with the purchase of steam/heat or electricity) that occur outside an organisation's direct boundary. The primary sources of scope 3 emissions from AGL's operated activities are from the purchase of fuel (mainly natural gas), with 85 percent arising from the use of natural gas for electricity generation. In 2009/10, AGL's scope 3 emissions were 307 ktCO₂e, which represents a decrease from 388 ktCO₂e in 2008/09. This is directly related to a decrease in generation from the Torrens Island Power Station (and a corresponding reduction in the use of natural gas in the facility).

Equity Footprint

The Equity Footprint sets out AGL's share (by percentage investment level) of the emissions from fully or partially owned entities. The Equity Footprint indicates to AGL shareholders the greenhouse gas impacts associated with their investment.

Performance

The Equity Footprint has increased to 7.8 MtCO₂e from 7.7 MtCO₂e in 2008/09, due to an increase in emissions associated with AGL's stake in Loy Yang Power. However, this increase has been largely offset by a decrease in the AGL Operational Footprint resulting from reduced electricity generation from Torrens Island Power Station compared with 2008/09.

The greenhouse intensity of electricity produced from electricity generation assets that AGL fully or partly owns in 2009/10 was 0.94 tCO₂e/MWh, a slight decrease from 0.95 tCO₂e/MWh in 2008/09. This intensity is dominated by AGL's equity share of Loy Yang A Power Station, which provides around 60 percent of AGL's equity share of electricity generation each year. The Hallett 1, Hallett 2 and Wattle Point wind farms are not considered in this footprint as they are operated but not owned by AGL.

Included interests

Loy Yang Power produced approximately 19 MtCO₂e emissions in 2009/10. AGL has estimated greenhouse gas emissions for 2009/10 using National Electricity Market data to estimate the sent out (MWh) for the period multiplied by the ACIL Tasman estimated greenhouse gas emissions intensity, which includes point source and upstream emissions associated with fuel production. The greenhouse gas intensity of the electricity produced by Loy Yang A is estimated at 1.22 tCO₂e/MWh.¹ Loy Yang A contributes considerably to the Equity Footprint. This power station operates at the low end of the emission intensity range of 1.2–1.5 tCO₂e/MWh for Victorian coal-fired generators and is considered to be one of the most efficient amongst these generators.²

The Moranbah Gas Project is a joint venture between AGL and Arrow Energy, which produces CSG from the Bowen Basin in Queensland to supply gas to the Queensland market, including the AGL-owned 12 MW Moranbah Power Station. Greenhouse gas emissions are generated mainly from the CSG combusted in the processing and compression of gas prior to sale and from gas fired electricity

generation used by the project. AGL has estimated the 2009/10 greenhouse gas emissions from these activities based on data provided by Arrow Energy for the previous year, since the activities have not changed significantly year-on-year.

On 20 January 2009, AGL acquired a 37.5 percent interest from Innamincka Petroleum Limited (INP) in activities carried out within permits PEL 101 and PEL 103 in the Cooper Basin. The activities include oil and gas production activities, and exploration of CSG resources. AGL has estimated the greenhouse gas emissions from these activities based on data provided by Innamincka Petroleum.

AGL holds a 50 percent interest in Energy Infrastructure Management (EIM) which over the period operated a range of gas infrastructure assets including the North Queensland Gas pipeline and the Berwyndale to Wallumbilla Pipeline. Greenhouse gas emissions result from fugitive emissions along these pipelines and fuel use in the course of operating the pipelines. During the period, AGL sold the Berwyndale to Wallumbilla Pipeline operated by EIM. EIM continued to operate the pipeline during the period, and therefore AGL's share of emissions from its activities has been estimated.

During the reporting period, AGL also had equity interests in CSM Energy, Central Queensland Energy Joint Venture, Mascotte Joint Venture, Spring Gully Project and Torrens Energy. AGL estimates that the greenhouse gas emissions associated with the activities carried out as part of these projects are considered negligible within the AGL Equity Footprint and have therefore not been included.

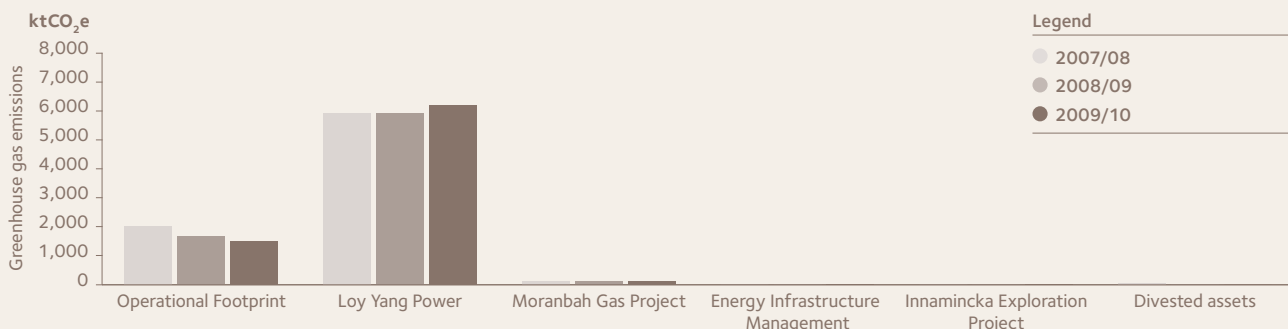
In addition, AGL owns a 50 percent equity interest in the ActewAGL Retail partnership, which includes the operation of the retail electricity, gas and water businesses of ActewAGL. Minimal greenhouse emissions result from office based activities for the ActewAGL partnership.

As reported in the 2009 Sustainability Report, on 18 December 2008 AGL completed the divestment of its interests in oil and gas in Papua New Guinea. As a result, AGL no longer has any overseas interests which result in significant GHG emissions.

Notes

- 1 ACIL Tasman, *Fuel resource, new entry and generation costs in the NEM*, April 2009.
- 2 ACIL Tasman estimate Loy Yang A thermal efficiency at 27.2% (HHV – sent out). Victorian coal-fired generators (greater than 1,000 MW capacity) thermal efficiencies range from 22–27.2% (HHV – sent out) (ACIL Tasman, April 2009).

Equity Footprint: Greenhouse gas emissions



Notes
Greenhouse gas (GHG) emissions from Loy Yang Power for 2007/08 were updated from last year's report with the provision of new data. New data was made available for the sent out electricity (MWh) for the 2009/10 period, i.e. accounting for 'in-station' use which had not been included in last year's report. Divested assets include GHG emissions associated with equity investments AGL held prior to 2009/10.

Energy Supply Footprint

The Energy Supply Footprint is a modelled estimate of the greenhouse gas emissions associated with the consumption of electricity and gas by AGL's customers. The Energy Supply Footprint covers greenhouse gas emissions resulting from the production, transportation, distribution and consumption of electricity and gas throughout the energy supply chain.

Electricity Supply Footprint

Carbon dioxide is produced during the generation of electricity from the combustion of fossil fuels such as coal and natural gas. Energy losses occur across the energy supply system (transmission and distribution systems, and power stations auxiliary loads); however, the emissions associated with these losses are attributed to power stations, where additional electricity is generated to cover these losses. There are no direct greenhouse gas emissions at the consumer end of the supply chain.

The Energy Supply Footprint emissions associated with the provision of electricity to AGL's customers has remained relatively constant since 2008/09, in line with a minor increase in total sales in 2009/10. The overall emissions intensity of electricity supplied in 2009/10 also remained constant compared to 2008/09.

Electricity Supply Footprint

Source	Emissions (MtCO ₂ e)		
	2007/08	2008/09 ¹	2009/10
Generation	36.2	33.6	33.5
Transmission and distribution	2.4	2.3	2.5
Consumption	0	0	0
Total	38.6	35.9	36.0

Note

1 AGL has updated the electricity sales by state for the 2008/09 period due to a previous misallocation of sales volume by state. This has resulted in a reduction in total greenhouse gas emissions because a greater proportion of the sales were made in NSW and a lower amount in Vic. than previously used in the model.

Gas Supply Footprint

In the case of gas supply, greenhouse gas emissions arise from the removal and venting of carbon dioxide at the gas fields, and some losses of methane and emissions from the combustion of natural gas as an energy source to produce the gas. Further emissions occur during transmission and distribution, comprising fugitive emissions and emissions arising from the use of additional natural gas in compressors along the pipelines. At the consumer end of the supply chain, the combustion of natural gas results in the production of greenhouse gas emissions.

The Energy Supply Footprint emissions associated with the provision of gas to AGL's customers has decreased by 11 percent¹ to 11.3 MtCO₂e since 2008/09, primarily due to a decrease in the volume of total gas sales. The intensity of gas supplied to AGL customers in 2009/10 has remained relatively constant compared with 2008/09.

Note

1 AGL has recalculated greenhouse gas (GHG) emissions associated with gas supplied to customers for 2008/09 and 2007/08 to exclude the GHG emissions associated with gas combustion at AGL facilities. In previous years these GHG emissions had been included in both the Gas and Electricity Supply Footprints. As these two footprints are combined to provide the overall Energy Supply Footprint, this in effect 'double counts' GHG emissions associated with gas combustion at AGL operated facilities.

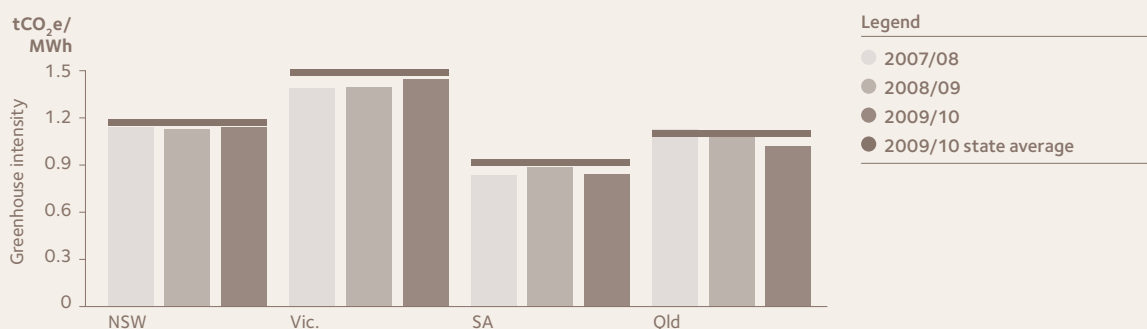
Gas Supply Footprint

Source	Emissions (MtCO ₂ e)		
	2007/08 ¹	2008/09 ¹	2009/10
Production	2.1	2.2	1.3
Transmission and distribution	0.9	0.9	0.8
Consumption	9.6	9.6	9.2
Total	12.7	12.7	11.3

Note

1 AGL has recalculated greenhouse gas (GHG) emissions associated with gas supplied to customers for 2008/09 and 2007/08 to exclude the GHG emissions associated with gas combustion at AGL facilities. In previous years, GHG emissions had been included in both the Gas and Electricity Supply Footprints to provide a complete estimate of the relevant emissions. As these two footprints are combined to provide the overall Energy Supply Footprint, this would in effect 'double count' GHG emissions associated with gas combustion at AGL operated facilities.

Greenhouse intensity of AGL electricity sold vs. state average



Notes

AGL has updated the electricity sales by state for the 2008/09 period due to a previous misallocation of sale volumes. This has affected the NSW, Vic. and Qld intensities in the range of 0% to 3% from previous estimates.

State average intensities are sourced from National Greenhouse Accounts (NGA) Factors, July 2010.

Due to different calculation methodologies between the state, average intensity and the AGL intensity, this comparison should only be used as a guide.

Greenhouse Footprint – supporting information

Supporting information – Operational Footprint

Data preparation and boundaries

Greenhouse gas emissions, energy consumption and energy production data reported as part of the AGL Greenhouse Footprint have been prepared in line with AGL's interpretation of the National Greenhouse and Energy Reporting Act 2007 and supporting regulations.

Reporting period

The data presented in the AGL Greenhouse Footprint has been prepared for the reporting period 1 July 2009 to 30 June 2010.

Greenhouse gas emissions estimation methodology

The estimation of greenhouse gas emissions presented in the Operational Footprint has been carried out in line with the National Greenhouse and Energy Reporting (Measurement) Determination 2008 published by the Commonwealth of Australia dated 25 June 2008 and related guidelines.

Greenhouse gas emissions are all expressed in tonnes of carbon dioxide equivalents (tCO₂e).

Energy consumption and energy production measurement

The measurement of energy consumption and energy production presented in the Operational Footprint has been carried out in line with the National Greenhouse and Energy Reporting (Measurement) Determination 2008 published by the Commonwealth of Australia dated 25 June 2008 and related amendments.

Energy consumption and energy production are all expressed in joules (J).

Organisational boundaries

Greenhouse gas emissions, energy consumption and energy production presented in the Operational Footprint have been reported for the corporate group of AGL Energy Limited (the parent company and its wholly owned Australian subsidiaries), as determined in line with the National Greenhouse and Energy Reporting Act 2007.

Operational boundaries

Greenhouse gas emissions, energy consumption and energy production in the Operational Footprint have been reported for facilities over which AGL has 'operational control', as defined in the National Greenhouse and Energy Reporting Act 2007, within the organisational boundaries.

Scope 3 greenhouse gas emissions

Scope 3 greenhouse gas emissions have been presented separately from the Operational Footprint for 2010. Scope 3 greenhouse gas emissions have been treated separately as the reporting of this data is not required under the National Greenhouse and Energy Reporting Act 2007. Scope 3 emission sources from AGL's activities include purchase of fuel (mainly natural gas) and electricity use for office based activities. Scope 3 emissions from sources such as office waste disposal and travel are negligible and have not been included.

Supporting information – Equity Footprint

The Equity Footprint sets out AGL's share (by percentage investment level) of the emissions from fully or partially owned entities. AGL considers that the Equity Footprint broadly meets the requirements of the WBCSD/WRI Greenhouse Gas Protocol's 'Equity Share Approach' to greenhouse accounting.

AGL sources data from equity partners, where available, otherwise specific assumptions are made which are described below. Equity Footprint data reported only includes scope 1 and scope 2 emissions.

Supporting information – Energy Supply Footprint

The Energy Supply Footprint estimates the greenhouse gas emissions associated with the consumption of electricity and gas by AGL customers. The model used to estimate the emissions has been developed by AGL over a number of years. During that time AGL has worked with George Wilkenfeld and Associates to review the model. Results for the 2009/10 Energy Supply Footprint model were reviewed internally by the Merchant Energy and Economic Policy and Sustainability teams.

It should be noted that AGL has recalculated GHG emissions associated with gas supplied to our customers for 2008/09 and 2007/08 to exclude the GHG emissions associated with gas combustion at AGL facilities. In previous years these GHG emissions had been included in both the Gas and Electricity Supply Footprints. As these two footprints are combined to provide the overall Energy Supply Footprint this in effect 'double counted' GHG emissions associated with gas combustion at AGL operated facilities.

Introduction to energy sources

AGL continues to focus on investing in electricity generation that is renewable or low-intensity. Taking a market-leading position on such investment exemplifies AGL's recognition of climate change as an industry-reforming driver.

Approach

An investment strategy focused on renewable generation will assist in delivering Australia's 20 percent Renewable Energy Target. In addition, investing in renewable energy positions AGL to have a carbon-intensity advantage if and when a price on carbon is introduced in Australia.

Although accounting for over half the installed capacity of AGL's operated generation assets, gas fired facilities are limited to just three stations – the 1,280 MW Torrens Island Power Station, the 150 MW Somerton Power Station and the 12 MW Moranbah Power Station. AGL's hydroelectricity assets are concentrated around the Victoria and New South Wales border, and provide 796 MW of peak generation capacity. Both gas fired generation and hydro generation can be quickly switched on, and AGL typically deploys their generation in shoulder and peak periods, to put additional supply into a higher-priced wholesale electricity market.

In addition to hydroelectricity, AGL owns/operates renewable generators in a range of locations and technologies. Landfill gas generation is scattered around Australia, including the eastern states, Tasmania and Western Australia. AGL's wind generation portfolio is concentrated in South Australia; however, there are numerous projects in the development pipeline which will diversify the geographical location of wind assets. These renewable assets provide generation across the three categories of base, intermediate and peak electricity duties.

AGL has secured a range of prospective renewable and low emission gas generation development options. This pipeline of developments will sustain AGL's position as Australia's leading renewable energy company, together with a suite of complementary gas fired assets. A list of projects is provided on [page 25](#).

Vision for energy sources: AGL's vision is to be Australia's largest renewable energy company.

Drivers: AGL's investment decisions are influenced by the Renewable Energy Target [page 56](#), an expected future price on carbon [page 57](#), and the commercialisation of emerging renewable technologies [page 58](#).

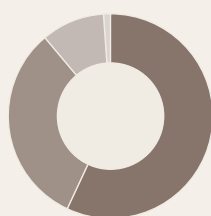
Performance

In 2009/10, a further 223.5 MW of renewable energy generation projects commenced commercial operation. The deployment of Bogong Hydro Power Station, the AGL Hallett 2 Wind Farm, and upgrades to McKay Creek Hydro Power Station and Werribee biogas generation facility increased AGL's operated renewable capacity by almost 26 percent to 1,145 MW.

Renewable energy capacity now makes up 42 percent of AGL's operated capacity, compared to 36.9 percent in 2008/09.

During 2009/10, AGL also upgraded the Werribee biogas generation facility from 7.8 MW to 10 MW at a total cost of \$6.5 million, and upgraded the McKay Creek Hydro Power Station by 10 MW.

Installed capacity of operated generation assets



Legend

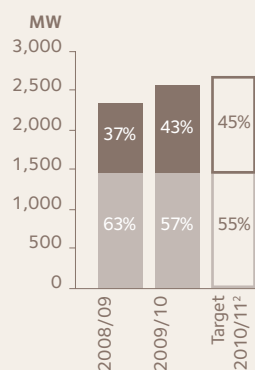
● Gas	1,451 MW
● Hydro	796 MW
● Wind	257 MW
● Landfill gas, biomass and biogas	20 MW
● Solar	0.5 MW
● Coal	0 MW

Total installed capacity (operational control) 2,524 MW

Note

This breakdown includes only those assets where AGL has operational control. When these figures are added to those assets where AGL has other ownership or operational interests, including the control of electricity dispatch or equity stake (apportioned by investment level), AGL's total installed capacity is 3,763 MW.

Installed capacity of operated electricity generation¹



Legend

● Renewable capacity
● Gas fired capacity

Notes

- These figures relate to the capacity of electricity generation assets over which AGL has operational control, regardless of who owns the asset. Assets where AGL has rights to the electricity output only are not included. The output from AGL's operated assets is available in the full report.
- The 2010/11 forecast is based on AGL Hallett 4 Wind Farm (132 MW) commencing commercial operation.

Renewable Energy Target

Investing in renewable energy delivers an immediate benefit in ensuring AGL contributes its share of meeting Australia's Renewable Energy Target, and in the medium term will deliver greater value to the organisation when the cost of carbon is accounted for in the energy supply chain.

Approach

In August 2009, the Commonwealth Government passed legislation introducing a 20 percent Renewable Energy Target (RET) by 2020 for Australia. The new target requires 41,000 GWh of renewable generation by 2020, and continuing until 2030, a four-fold increase on the original Mandatory Renewable Energy Target.

Policy makers and investors alike considered that passing this 20 percent target would stimulate a boom in new investment. However, a host of distortions impacted the market for renewable energy certificates, negating the need for any new large-scale generation. AGL, together with other members of the clean energy industry, worked with the government to identify the distortions, and propose enhancements to the RET Scheme. In June 2010, the government amended the RET Scheme, splitting it into two distinct components:

- > a Large Scale Renewable Energy Target (LRET) – which uses a market mechanism to support new large-scale investment
- > a Small Scale Renewable Energy Scheme (SRES) – which delivers a fixed price incentive for the installation of small-scale technologies such as solar hot water systems and solar PV.

The LRET constitutes the vast majority of the 20 percent RET by 2020. AGL has already commenced planning new large-scale generation projects to satisfy its RET obligations.

Performance

Building new renewable generation

It is estimated that meeting the 20 percent target by 2020 will require around \$30 billion of investment in new renewable energy generation. As an energy retailer with around 15 percent market share of Australia's electricity load, AGL's developments are poised to make a significant contribution to meeting this target.

To support AGL's position in meeting the 20 percent target, two key renewable energy projects were completed and commenced generation during 2009/10, namely:

- > the 140 MW Bogong Hydro Power Station in Victoria
- > the 71 MW Hallett 2 Wind Farm in South Australia.

Also, a suite of additional renewable energy projects are currently under construction:

- > the 132 MW Hallett 4 and 52.5MW Hallett 5 wind farms in South Australia
- > the 63 MW Oaklands Hill Wind Farm in western Victoria.

Following the end of the financial year, in August 2010, AGL announced the construction of the Macarthur Wind Farm in south-western Victoria through a joint venture arrangement with Meridian Energy. With a capacity of 420 MW, this wind farm is expected to generate around 1,250 GWh of electricity annually – enough to power over 220,000 households each year.

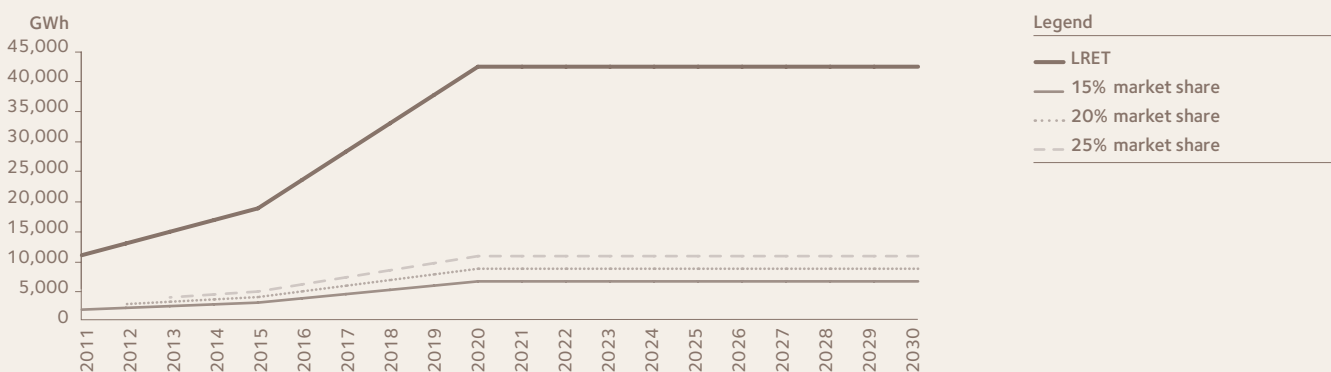
AGL is also acting to further diversify the renewable energy technologies it invests in (refer to [page 58](#) for further information).

Securing demand

AGL's strategy of investing in renewable energy is not only in response to government-mandated targets. Consumer-driven demand is rising. As part of managing issues such as legislative risk, AGL has sought to contract renewable electricity supply directly with large consumers that is in addition to mandated targets. This year, AGL secured significant new loads for renewable energy, which effectively underwrite new renewable energy projects.

Through these contracts, AGL will meet its goal of being Australia's largest retailer of new renewable energy, selling over 1 TWh annually.

Renewable generation required to meet LRET



Note
This chart indicates the relative proportion of Australia's renewable energy target that AGL will be responsible for, based on current market share (approximately 15%), and also its potential market share of 20% or 25% over the coming years.

Carbon price

“A market-based mechanism would be the least-cost way to solve carbon emissions.”

AGL’s CEO and MD, Michael Fraser, 15 April 2010

Approach

During 2009/10 the Commonwealth Government re-introduced legislation into parliament to cap emissions and enable the trading of emission permits. Known as the Carbon Pollution Reduction Scheme (CPRS), this emissions trading scheme (ETS) was intended to be economy-wide, covering around 70 percent of Australia’s greenhouse gas emissions. At the time of printing, the government had failed to pass the CPRS legislation through parliament, and the current bipartisan situation remains uncertain.

Despite uncertainty regarding political commitment, the vast majority of industry commentators and representatives, including the Energy Supply Association of Australia, support the introduction of a well-designed national ETS. AGL supports the introduction of a carbon price, optimally through an ETS, to allow Australia to achieve its 2020 greenhouse gas reduction target range of 5 percent to 25 percent below 2000 levels by 2020.

AGL continues to strategically prepare and measure performance on a greenhouse emission-based metric, and in the absence of a national mechanism, remains a participant in other domestic and international carbon markets.

Domestic emissions trading

AGL’s integrated strategy reflects the acceptance of Intergovernmental Panel on Climate Change (IPCC) advice that significant greenhouse gas (GHG) emission reductions are required by the middle of this century to stabilise the concentration of CO₂e in the atmosphere and the adoption of a price on carbon to achieve such reductions.

A key metric to measuring performance of the implementation of this strategy is the anticipated uplift in AGL asset value due to the introduction of a carbon price. The uplift in value is based upon modelling the impact on wholesale electricity prices due to carbon costs and comparing it with the costs that AGL’s electricity generation assets would incur. Advancing this metric will require investment in low-emission generation and the deployment of new renewable energy generation.

Preparation for a national carbon price

In terms of electricity generation and upstream gas assets directly owned or controlled by AGL, an ETS would require AGL to acquire and surrender one emissions permit (such as an Australian Emission Unit) for each tonne of greenhouse gas emissions. It would also require AGL to surrender AEU’s for the emissions associated with small gas customers, including households.

In addition to the costs incurred in acquiring AEU’s, AGL would also experience increased costs in electricity and gas purchased from wholesale markets, as those producers seek to recover their costs for acquiring AEU’s. Subsequently, energy consumers will face uplifts in energy prices as the cost of emissions is introduced to the energy supply chain. In considering the impacts of this uplift, the Carbon Implementation Program not only mapped AGL’s liability, but also quantified implications for working capital and customer impacts.

Mandatory markets

AGL has continued to participate in the existing climate-related markets such as the New South Wales Greenhouse Gas Reduction Scheme, and the Queensland 13 percent Gas Electricity Scheme.

AGL considers the existing state-based mandatory ETS markets have a key transitional role to play for preparing industry for a national mechanism. However, once a national ETS does commence, these schemes should be discontinued in a manner that preserves or compensates the value of investment decisions made under these schemes.

Voluntary markets

This year AGL continued its participation in the Greenhouse Friendly Program, both delivering abatement from landfill gas and offering a certified greenhouse-neutral product, Green Balance, to customers. The Federal Government’s Greenhouse Friendly Program was discontinued on 30 June 2010, and will be substituted by the National Carbon Offset Standard (NCOS). AGL is currently assessing whether it will participate in the new NCOS and continue to offer a carbon neutral product. The current design of the NCOS does not recognise domestic abatement projects such as the landfill gas flaring and generation projects that AGL undertook in the Greenhouse Friendly Program.

International emissions trading

This year AGL remained on track to achieve a 6 percent reduction in greenhouse gas emissions compared to 2000 levels from the Loy Yang A Power Station and Torrens Island Power Station under the Chicago Climate Exchange (CCX) by the end of 2010. The CCX is the world’s first voluntary and legally binding greenhouse gas emissions reduction, registry and trading program. AGL is considering committing to Phase 3 of the CCX (2011 and 2012), and will evaluate the appropriateness of continuing participation in the context of domestic ETS-related policy developments.

Research, development and deployment

Technology in the energy supply sector is developing quickly. Changes to fuel sources, location of generation, consumption patterns, and the availability of data are all changing.

Approach

To position AGL to prosper in this dynamic market, AGL created a senior role responsible for monitoring new technologies. Also the Board endorsed the assembly of an Emerging Technology Working Group.

With a focus on deployment of technologies that are approaching commercialisation, this year AGL has been successful in partnering directly with technology proponents and other members of industry to participate in important renewable energy and smart grid trials supported by the Federal Government. AGL typically does not directly participate in research and development; however, initiatives by investment partners (such as Loy Yang and Project Better Place) are outlined in the report.

Renewable energy

In May, AGL was shortlisted as a finalist in the Commonwealth Solar Flagships Program, part of the Australian Government's \$5.1 billion Clean Energy Initiative. After committing \$1.5 billion to support the construction of up to four large-scale, grid-connected solar power stations using solar thermal and PV technologies, the government received 52 applications from across the energy sector to work on the projects. The independent Solar Flagships Council chose eight of these, including AGL's, to progress to the second stage of the process. AGL's proposal consists of up to five solar PV projects with a nominal capacity of between 30 MW and 50 MW each in up to five different states/territories. Specific locations for the projects will be based on factors including land availability, transmission capacity, solar resource, and state/local support. The successful applicants are expected to be announced later in 2010.

Smarter energy supply and use

The concept of a smart grid encapsulates load management through increased interaction between consumers, energy retailers, network operators, and ultimately electricity generators. This year the Smart Grid Smart City demonstration project was kicked off, a \$100 million Federal Government initiative aimed at leading advances in energy management. AGL is a member of the winning consortium for the project, together with Energy Australia, IBM Australia, GE Energy, TransGrid, Newcastle City Council and the New South Wales Government. It is expected the trial will commence in early 2011.

Horizontal Enclosed Flaring System

The Horizontal Enclosed Flaring System (HEFS) was developed by AGL engineers in response to an identified need within the gas industry for a means of oxidising larger volumes of surplus methane than with readily available equipment. The patent pending burner design allows flexibility with respect to volume and composition of combustion gas. With the continuing expansion of the CSG industry in Australia, HEFS presents a safe, visually unobtrusive, flexible and efficient means of combusting CSG – reducing the impact on the local environment and greenhouse gas emissions associated with CSG extraction. Once at the commercial deployment stage, this technology has potential to benefit both AGL's upstream gas business as well as many of AGL's customers.

Investment partner initiatives

Loy Yang Power

Loy Yang Power owns and operates the Loy Yang A power station in Victoria's LaTrobe Valley. AGL is an investor in this brown coal fired power station, with 32.5 percent equity stake in the Greater Energy Alliance Corporation (GEAC) which owns Loy Yang Power.

Although the most efficient of Australia's brown coal fired generators, Loy Yang A is one of the largest point source emitters of greenhouse gas emissions in Australia. Despite operational control being vested in Loy Yang Power, AGL takes a keen interest in its performance, committing to meet targets for Loy Yang A Power Station under the CCX, and continuing to be represented on the environmental sub-committee of the GEAC Board.

Developments with respect to greenhouse gas emissions at Loy Yang this year include:

- > Loy Yang Power announced that it will be participating in a Post Combustion Carbon Capture Project. The project has been funded jointly by Loy Yang Power, other industry participants and the Victorian and Australian governments. The study is the first of its kind in Australia and will act as a catalyst for the future development of a commercially viable post combustion carbon capture plant based on Mitsubishi Heavy Industries' latest technologies. A pre-feasibility study will commence in 2010/11 with \$2 million in funding.
- > Loy Yang Power has an ongoing commercial relationship with MBD Energy Limited concerning the biosequestration of carbon dioxide. The MBD CO₂ bio-sequestration process is unique because captured flue gasses, including CO₂, are recycled with waste water to produce valuable commodities and clean water. The MBD technology is ideally suited to coal fired power stations because it utilises adjoining buffer land and consumes flue emissions, waste water and sunlight to produce oil suitable for energy and plastics production (and other derivatives) as well as nutritious stock feed, clean water and oxygen. Owing to extreme weather affecting research partner James Cook University's research facility in early 2010, the project has been delayed by around six months, but nevertheless is still an active project for Loy Yang Power.

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

AGL’s corporate health, safety and environmental management system, Life Guard, establishes a framework of requirements, policies, environmental standards and compliance guides and is based on the ISO 14001 Environmental Management System standard. Life Guard provides a framework to enable continuous improvement in health, safety and environmental performance and facilitates the pro-active management of environmental risks and compliance responsibilities.

AGL’s approach to environmental management is also guided by the **AGL Environmental Principles** which are available on the AGL website at agl.com.au/EnvironmentalPrinciples.

Key elements of the principles include commitments to:

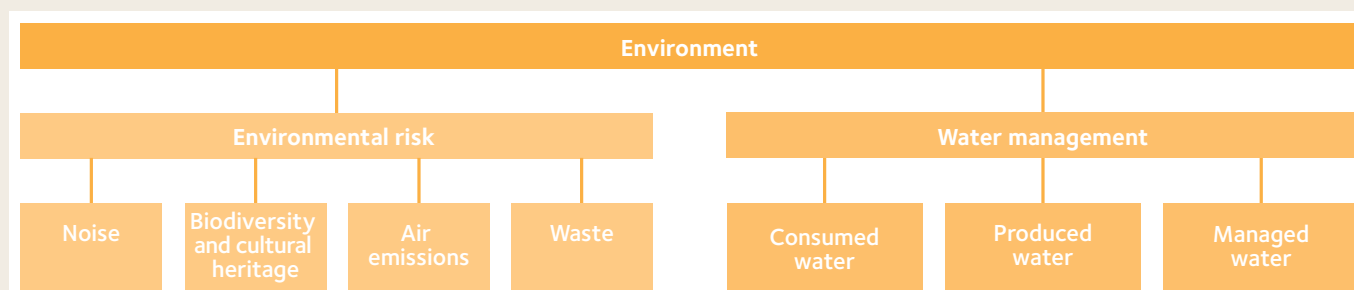
- > meet or exceed statutory obligations
- > report environmental performance consistent with recognised standards
- > provide leadership and actively participate in the policy debate on energy and environmental matters
- > reduce risk and minimise environmental impact
- > consult with stakeholders on how best to achieve environmental objectives.

Some of AGL’s operations have a material environmental footprint and have the potential to interact with, and impact on, various segments of the environment. AGL’s businesses are subject to a range of environmental laws, regulations and policies as well as project- and site-specific environmental permits and approvals issued at federal, state and local government level. AGL monitors compliance with these regulatory requirements and engages with regulators. AGL also monitors and publicly reports environmental footprint data via its annual Sustainability Report, and provides relevant information to regulatory agencies and bodies.

The two key focus areas for the Environment chapter of this report are environmental risk and water management. An overarching sustainability indicator and target for 2010/11 accompanies each of these focus areas. However success in these areas is dependent on a number of factors which are outlined in further detail in the following pages.

Environmental risk: AGL’s environmental program is driven by the environmental risk profile of the business and by regulatory requirements. AGL’s long-term vision is to have an environmental risk profile that is As Low As Reasonably Practicable (ALARP). This aspiration marries both the need to operate in an environmentally responsible manner and the need to target resources and efforts on a risk basis by focusing on the most material issues.

Water management: Management of water resources is a critical environmental issue facing Australia and one that is relevant to AGL’s business. AGL’s long-term vision is to be recognised as a prudent and responsible user of water that seeks to minimise the impact of its operations on local water resources. Considerable attention and focus is being given to water management within AGL over the coming year, particularly within the Upstream Gas business.



Introduction to environmental risk

The understanding and management of risk is crucial to the ongoing success of any business. The management of environmental risk is particularly important to AGL's businesses which regularly construct new plant and operations on greenfield sites, hold long-term leases on land used by third parties for other purposes, and operate in sensitive environments such as National Parks.

Approach

AGL's approach to the identification of environmental risks is consistent with the approach taken in the ISO 14001 Environmental Management Systems standard. More broadly, AGL's approach to risk management, as outlined in the AGL Risk Management and Assessment Framework, is modelled on the ISO 31000 Risk Management standard. Risks identified via the ISO 14001 'aspects and impacts' approach are assessed from the perspectives of the inherent risks, and the treated risks (which takes into consideration existing control measures). This approach enables AGL to identify critical controls. It also helps identify where the highest residual risks remain so resources can be targeted appropriately, or informed decisions can be made about accepting certain risks.

AGL's health, safety and environmental management system, Life Guard, contains standards relating to Environmental Aspects and Impacts and Risk Management. These standards provide high-level guidance on the process for identification of environmental risks.

Vision for environmental risk: AGL's long-term vision is to maintain an environmental risk profile that is As Low As Reasonably Practicable (ALARP). This requires continual improvement that is driven by an understanding of risks and a commitment and targeted work program to reduce the highest risk items where practicable.

Drivers: Specific consideration of issues associated with the use and management of water resources is given on [pages 66 to 69](#), and climate change is addressed within [pages 47 to 58](#). The key environmental risks of noise, biodiversity and cultural heritage, emissions to air and waste are discussed on [pages 62 to 65](#).

Performance

AGL's key environmental risks have been identified systematically via workshops run in the Upstream Gas and Merchant Energy business units.

AGL operates within some areas of high environmental value which are protected by legislation. For example: Torrens Island Power Station is surrounded by a protected dolphin sanctuary and the Kiewa Hydro scheme is located within the Alpine National Park. In some cases, even when the likelihood of a given risk has been reduced to the extent practicable, the high consequence that results by virtue of the high sensitivity of the receiving environment can result in the risk being significant.

AGL's significant environmental risks, after taking into consideration existing controls, relate to:

- > Surface water – particularly associated with AGL's Torrens Island Power Station which is surrounded by sensitive and protected water bodies, and AGL's hydro assets which interact with and rely upon water bodies, some of which are located within protected areas.
- > Groundwater – specifically the potential for impacts associated with drilling undertaken as part of Upstream Gas exploration and development projects, as well as potential for historic soil and groundwater contamination on older assets now owned by AGL.
- > Biodiversity – reflective of the fact that some of AGL's assets and project locations are in close proximity to, and in some cases located within, protected areas.

Activities completed in 2009/10 to reduce environmental risk towards ALARP include corporate level mapping of AGL's environmental risk profile. This provides the basis for comparison of AGL's risk profile in future years and gives focus to priority areas, such as water management, over the coming year.

Processes for the identification and assessment of environmental risk will be reviewed during 2010/11, and will inform AGL's environmental work program into the future.

For the energy sector, air quality issues are a significant issue. AGL's operations have minimal impact on local air quality. AGL's objective is to continue to build low emission generation assets that, in addition to addressing climate change, also contribute to creating a cleaner environment.

Environmental incidents and licence compliance

AGL is subject to a range of environmental laws, regulations and policies as well as project and site-specific environmental permits and approvals issued at both federal and state government levels.

During 2009/10 there were a number of instances where AGL did not comply with these requirements, as summarised below.

A total of 15 environmental incidents were recorded in AGL's corporate incident reporting systems during 2009/10, compared with 12 incidents recorded in 2008/09. One of the incidents was rated as high risk (identified contamination at Torrens Island Power Station). Other incidents included minor spills and leaks, and complaints regarding noise and the visual impact of operations.

There were no fines or infringement notices applied to AGL's operations during the reporting period.

Environmental incidents and non-compliance summary

Site	Non-compliance details
Torrens Island Power Station	An administrative non-compliance occurred during the year when abrasive blasting works occurred on site without the EPA being formally notified before the works as required by AGL's EPA licence. The EPA was subsequently notified.
Suncoast Gold Macadamias co-generation facility	Minor non-compliance of CO ₂ emissions determined during stack sampling in August 2009. Corrective maintenance was undertaken and emissions returned to compliant levels.
Moranbah Power Station	Minor non-compliance of NO _x emissions determined during stack sampling in November 2009. Generation plant was re-tuned and NO _x levels returned to compliant levels.
Hydrocarbon Extractions	In June 2010 AGL determined that the total amount of Biological Oxygen Demand (BOD) in wastewater that is spray irrigated to land at the site was non-compliant with NSW EPA annual load-based-licence limits. AGL will examine whether modification to existing drainage and treatment of the water is required to ensure compliance with these limits.
Camden Gas Project	Two EPA licence non-compliances were reported for exceeding waste storage quantities and exceeding emission concentration limits for Sulphur Oxides at the Rosalind Park Gas Plant. AGL has submitted an application to the Department of Environment, Climate Change and Water and Department of Planning to have AGL's EPA licence amended to better reflect current operations.
Gloucester Basin Gas Project	A reportable incident occurred on 29 June 2009 after an accidental overflow of drilling water from a tank. Approximately 5,000 litres of drilling liquid overflowed and some left the AGL site and flowed onto adjacent paddocks. Due to the offsite impact AGL was required to notify the Department of Primary Industries of the incident. No enforcement action was taken.
Geothermal exploration activities in Victoria	In early 2010 improvement notices were issued to AGL by the Department of Primary Industries (DPI) for geothermal wells drilled in Victoria that had not been completed in accordance with the approved Operations Plan. A revised Operations Plan was submitted and approved by the DPI. Works on the seven wells were completed to the satisfaction of the DPI.
Site	Significant Environmental Incidents
Torrens Island Power Station	In May 2010 voluntary site investigations have detected trichloroethylene in groundwater at a specific location beneath the Torrens Island Power Station site. The SA EPA has been notified under Section 83A of the Environment Protection Act. AGL's investigations are ongoing to determine the extent and nature of the impact, and the development of a management plan.

Noise

The generation of noise is an unavoidable characteristic of some of AGL's business activities, notably thermal generation of electricity, and drilling of the earth undertaken as part of CSG and geothermal projects.

Additionally, many of AGL's development projects involve development of rural land, that is already occupied and used for other purposes by other parties. The management of noise impacts is vitally important in such settings, where background noise levels are low and amenity expectations are high.

Approach

AGL's upstream gas exploration and production projects involve drilling wells to extract methane from coal formations deep below the ground. The geology of a particular location influences the type of drilling technique involved. Sometimes drilling needs to be undertaken 24 hours per day, seven days per week. This makes drilling one of noisiest phases of upstream gas operations.

A number of activities are undertaken to minimise the likelihood of offsite noise impacts associated with drilling operations. Well locations are selected to avoid the likelihood of causing impacts to sensitive receivers where possible. When drill rigs are selected, consideration is given to minimising the noise footprint from the drill rig and ancillary equipment. The drill rig and equipment is orientated in a manner to minimise the noise impact. Acoustic noise barriers are installed on the drill rig where loud equipment is identified, and an acoustic noise wall can be erected on the perimeter of the site if necessary. Internal and external noise monitoring is also undertaken to ensure drilling operations remain below regulatory compliance limits.

AGL's wind farm projects are also typically constructed on land that is used for agricultural purposes. A standard condition of the necessary development consent(s) is that both pre- and post-construction noise monitoring is undertaken to ensure that, once operational, the wind farm meets relevant EPA guidelines.

Performance

Despite the best efforts being taken, AGL's operations sometimes cause offsite noise impacts. During 2009/10, these impacts comprised the following:

- > In November 2009, a noise complaint was received in relation to the operation of the Somerton Power Station. As a result AGL is arranging noise attenuation works at the power station to reduce noise levels.
- > To ensure compliance with Development Approval conditions for the Hunter Gas Project, regular noise monitoring is undertaken. Despite compliance with relevant noise limits, community complaints about noise have been received from local residents. In response, standard work practices were adjusted in July 2010 such that generators will no longer be operated between approximately 6:00 pm and 7:00 am as standard practice. From time to time there may be a requirement to run through the night but this will be the exception. Additional noise walls have also been installed.
- > Noise Management Plans are prepared and implemented for each phase of the Camden Gas Project to ensure that the project noise criteria are not exceeded. Despite active management of potential noise impacts, a noise complaint was received from a nearby resident during 2009/10. AGL advised the resident of all the steps being taken onsite to minimise the noise, and committed to cease drilling operations within two weeks. A courtesy call was made at the end of the drilling program to advise that drilling had ceased. The resident was satisfied with this response and appreciated AGL taking their complaint seriously.
- > During the commissioning phase of the AGL Hallett 2 Wind Farm in 2009/10 AGL received a noise complaint from a neighbour to the wind farm. AGL has engaged a specialist noise consultant to conduct post-construction measurement of noise levels in accordance with the guidelines published by the South Australian EPA and pursuant to the Development Approval condition.

Biodiversity and cultural heritage

Development of renewable and low-carbon energy generation assets and upstream gas expansion activities often involves construction of industrial plant and facilities on land that has value for reasons of biodiversity and cultural heritage, in addition to its commercial value.

AGL is committed to undertaking development in an environmentally and socially responsible manner.

Approach

Project teams follow a rigorous process to identify and manage any risks associated with cultural heritage and biodiversity values. A fatal flaw analysis is employed at the early stages of every development project which identifies any environmental aspect, including biodiversity and cultural heritage, which may pose a significant risk to the development itself or to AGL. These projects are executed in accordance with AGL's Project Management Framework, which involves a structured 'gated' approvals process.

Most of AGL's development projects are considered under planning legislation as State-significant major projects, and therefore require comprehensive environmental impact assessments including flora and fauna studies and cultural heritage assessments.

Following development approval, projects are undertaken strictly in accordance with approved environmental management plans using established environmental management systems.

Performance – Bogong Hydro Power Station

The Bogong Hydro Power Station development project was completed during 2009/10, and provides an excellent example of AGL's commitment to undertaking development in an environmentally and culturally sensitive manner. The power station and associated infrastructure is located within the Alpine National Park and the design of the power station is responsive to the sensitivity of this protected environment in that it avoided the need for surface construction in the National Park.

The project generates additional renewable electricity by diverting water discharged from the upstream McKay Creek Hydro Power Station via an underground, 7 km long, 5 metre diameter tunnel directly to the Bogong Hydro Power Station. This water would otherwise have been discharged at high velocity into the Pretty Valley Creek. Diversion of the water through the Bogong Hydro Power Station minimises the environmental impact and returns the Pretty Valley Creek to near natural conditions, protecting river beds, aquatic wildlife and restoring previously degraded land. The water storage used to power the upstream McKay Creek Power Station is renewed several times a year from permanent alpine rivers and lakes.

AGL adopted best practice environmental management procedures throughout the project, due to its significance to the local area and its location within a national park. During its operational life the power station will be operated and maintained in accordance with a comprehensive Environmental Management Plan, which provides a strategy for offsetting vegetation impacts associated with the project and providing a positive net gain.

AGL Biomass Policy

In recognition of the effect that electricity generation can have on biodiversity, AGL has published a Biomass Policy which states that AGL will not source fuel for power generation from native forest or from crops located in areas cleared of native forest after 1990. The policy is available at agl.com.au/BiomassPolicy.

Air

AGL has a portfolio of power generation plants which are fuelled by the combustion of a range of traditional and non-traditional fuels which result in the emission of combustion products to the atmosphere.

Approach

AGL has traditional gas fired plants at Torrens Island in South Australia and Somerton in Victoria, and an increasing range of smaller plants powered by alternative fuels at the sites of some of AGL's major customers. For example, power is produced from burning biogas at the Melbourne Water Werribee Sewage Treatment Plant in Victoria, and burning macadamia nut shells at the Suncoast Macadamia plant in Queensland. All of AGL's thermal generation plants produce emissions to air and many are regulated by State-based agencies via site-specific licences.

Emissions from these plants contribute to regional emissions and airshed environmental issues such as photochemical smog so it is important that plants run efficiently and within the parameters set by regulatory licences. Undertaking regular maintenance helps keep equipment running as efficiently as possible, and AGL regularly monitors emissions to verify compliance with regulatory requirements. Emissions are reported to regulators as required and also to the Federal Government's National Pollutant Inventory (NPI) each year.

The emissions generated by the power generation units at AGL's Major Customer sites are a consequence of harnessing the energy contained within what would otherwise be considered 'waste' streams. Combustion of these non-conventional bio-sources puts these 'wastes' to good use as fuel, rather than disposing of them with no reclamation of their calorific value.

Performance

Reported emissions of volatile organic compounds (VOC) for 2009/10 are significantly lower compared to previous years. This is due to the introduction of a 'Leak Detection and Repair' (LDAR) program at the Hydrocarbon Extractions plant. The LDAR program comprises the regular measurement of fugitive emissions of VOCs, and the use of a different EPA-approved estimation methodology than was used previously. This new, more accurate, estimation methodology results in fugitive emissions being calculated as approximately 90 percent lower than when estimated using the former EPA-approved estimation methodology which was purely theoretical and did not incorporate any measured data.

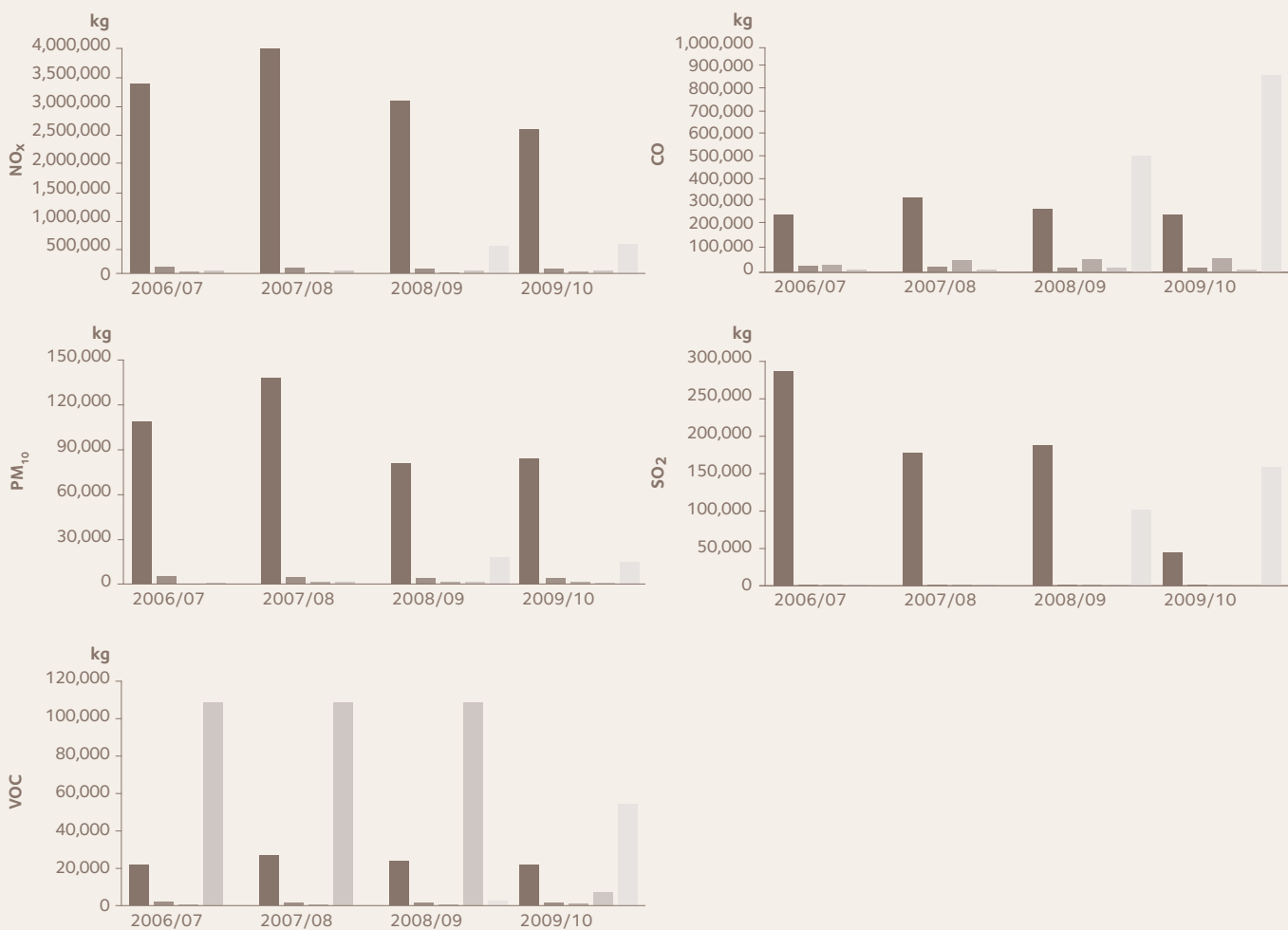
Sulphur dioxide (SO₂) emissions have also dropped significantly in 2009/10 compared to previous years, due to the fact that the Torrens Island Power Station has not run on fuel oil to the extent required in previous years. The power station has the capacity to run on either natural gas or fuel oil. Natural gas is a cleaner fuel and is the primary fuel used. Fuel oil, which has relatively high sulphur content, provides a back-up option to run if natural gas becomes unavailable.

During 2009/10 there was little need to run the plant on fuel oil and this has resulted in greatly reduced SO₂ emissions. Power generation output was also generally lower at Torrens Island Power Station during 2009/10 resulting in lower oxides of nitrogen (NO_x), carbon monoxide (CO) and particulate (PM₁₀) emissions.

Whilst AGL has previously captured air emission data from AGL operated power generation plants at Major Customer sites, 2009/10 is the first year that this information has been included in the Sustainability Report. The sites include: Suncoast Macadamias,

Melbourne Water Werribee biogas unit, Moranbah Power Station, Coopers co-generation plant, Symex co-generation plant and seven landfill gas generation facilities in New South Wales, Western Australia and Tasmania. Emissions of SO₂ from the Werribee plant are relatively high due to the high sulphur content in the biogas captured off the anaerobic sewage treatment ponds.

Air emissions^{1,2}



Legend

- Torrens Island Power Station
- Somerton Power Station
- Camden Gas Project
- Hydrocarbon Extractions
- Major Customers^{3,4}

Notes

- 1 All figures rounded to two significant figures.
- 2 Air emission data for AGL sites is publicly reported NPI data (see <http://www.npi.gov.au/>) with the exception of Hydrocarbon Extractions (HCE). HCE emissions for NO_x, PM₁₀, SO₂ and VOC comprise EPA reported data incorporating site-specific emission factors, which are more representative than NPI estimates. CO is not captured in EPA reporting; therefore NPI reported CO emissions are used for HCE.
- 3 Major Customer sites for which air emission data is reported for 2008/09 are: Suncoast Macadamias, Melbourne Water Werribee biogas unit, Moranbah Power Station, Coopers co-generation plant, Symex co-generation plant, Jackson St Landfill co-generation, and McRobies Gully Landfill.
- 4 In 2009/10 the Major Customer sites for which air emission data is reported are those sites listed in the note above together with the following additional sites: Gosnells Landfill co-generation, Kincumber Landfill, Rockingham Landfill co-generation, Shoalhaven Landfill and Woy Woy Landfill.

Waste

AGL's projects and operations produce a variety of different waste streams. Wastes represent resources that have not been used for their highest beneficial purpose.

Approach

AGL's approach to waste is consistent with the waste management hierarchy, where the approach taken, in order of decreasing preference, is to avoid, reduce, re-use, recycle and dispose of wastes.

Waste collection processes at AGL's offices involve segregation of paper, cardboard, and common domestic recyclables such as glass, plastics, aluminium and metal tins.

At AGL's industrial sites, opportunities to re-use or recycle wastes are sought, and hazardous wastes are disposed using regulated waste tracking systems and using licensed waste management contractors.

Water-based waste streams are discharged either to sewer or to the stormwater system under licence from the relevant Water Authority or Environment Protection Authority. Discharge quality is regularly monitored to confirm compliance with regulatory requirements.

Produced water that is a by-product of upstream gas production and exploration projects is discussed separately on [page 68](#) of this report.

Performance

Hazardous waste

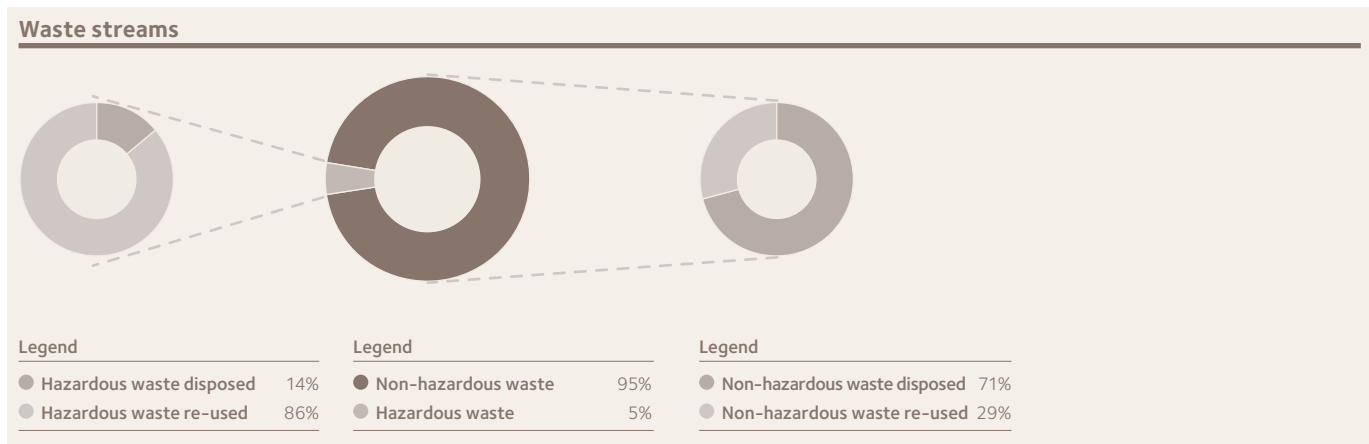
Approximately 86 percent of the hazardous waste generated by AGL during 2009/10 was recycled or re-used. Most of this was oily waste that can be cleaned up and reclaimed for use as an alternative fuel. A significant proportion (43 percent) of the hazardous waste disposed in 2009/10 comprised asbestos material removed from Torrens Island Power Station and Camden Gas Project facilities. Removal of asbestos occurs on an as-needs basis during construction or modification works. Alternative uses of this material are not possible due to the health risks associated with it.

Non-hazardous waste

The majority (73 percent) of non-hazardous waste generated by AGL during 2009/10 was drill cuttings from the Camden and Hunter Gas projects, and 23 percent comprised 'general waste' disposed to landfill. At the Hunter Gas Project, which is in exploration phase, drill cuttings are disposed to landfill using a waste disposal contractor. During the year the Camden Gas Project adopted a new approach to the disposal of drill cuttings. They are now diverted to a Sydney-based company which cleans and re-uses the drill cutting waste in brick making. Previously, drill cuttings were disposed to landfill.

Wastewater

The majority of the waste water discharged from AGL's operations is the large volume of cooling water that is drawn from the Port Adelaide River, passed through the Torrens Island Power Station to cool it, and then discharged to Angas Inlet under licence from the South Australian EPA. The water is discharged at a higher temperature than it is taken in and an EPA licence sets limits on the temperature rise allowable. Cooling water thermal discharge is monitored, and this monitoring is verified by an external auditor every two years. It is next due for verification in 2010/11.



Introduction to water management

Australia is the driest inhabited continent. Approximately half of AGL's power generation assets and CSG projects are located within water stressed areas in South Australia, Queensland and New South Wales.¹

Approach

As a company that owns hydro power stations and CSG projects AGL takes very seriously the responsible management of water resources – an issue of direct relevance to the business.

AGL uses water resources in various ways:

- > to raise steam in thermal power stations
- > to reduce emissions to air at some thermal power stations
- > to generate power at hydro power stations under approval from relevant water authorities
- > to cool and lubricate drill bits in CSG drilling operations
- > for hygiene purposes in offices, where the bulk of AGL's 2,126 employees are located.

This water is withdrawn from a variety of sources, including from water retailers, aquifers, collected rainwater and fresh and marine surface waterbodies.

AGL also discharges run-off and process waste streams to sewer and stormwater, and produces water as an unavoidable by-product during CSG exploration and production activities.

Continued growth of the Upstream Gas business is a core part of AGL's integrated business strategy. Presently, the Camden Gas Project is the only AGL-operated CSG project that has progressed through the exploration phase into full scale production. AGL's projects at Gloucester, Hunter Valley and the Galilee Basin are currently in exploration phase and can be expected to progress to full-scale production over coming years with a resultant anticipated increase in the volume of groundwater brought to the surface compared to the amount reported this year.

Vision for water management: AGL's vision is to be a prudent and responsible user of water that seeks to minimise the adverse impact of its operations on local water resources.

Drivers: Information about produced water, consumed water and managed water across AGL's sites is presented in the following pages.

Performance

In recognition of the priority given to the need to understand and manage the water issues associated with CSG projects, during 2009/10 AGL recruited a hydrogeologist into the Upstream Gas business to provide technical advice on groundwater-related matters.

During 2010/11, AGL will be developing a water management strategy for each Upstream Gas project. This will identify appropriate treatment and beneficial re-use options for produced water from CSG activities, aiming to maximise the proportion of produced water that is beneficially re-used.

Over 2010/11, AGL will undertake a full water balance across all its operations to enable full characterisation of AGL's water use, water-based waste streams and volumes of by-product water produced. This will enable informed decisions to be made about where opportunities exist to reduce consumption, increase re-use and recycling rates and find alternate uses for water that is otherwise being disposed of as a waste.

At the Camden Gas Project investigations are well advanced into finding a suitable re-use option for groundwater that is pumped to the surface in the process of extracting gas from the coal seam below. Final EPA approvals are being sought to allow beneficial industrial re-use within the Sydney metropolitan region of produced water which is currently being disposed of to a waste contractor treatment plant.

Note

- ¹ As defined in the World Business Council for Sustainable Development Global Water Tool 2009.

Consumed water

Water is an essential resource for AGL's operations. AGL operates in regions where water restrictions are common, and seeks to minimise water consumption where possible.

Approach

AGL consumes water for a variety of purposes. AGL's largest consumptive uses of water are outlined below:

- > AGL's largest consumer of water is the Torrens Island Power Station, where water is consumed in the production of steam. Around 90 percent of the water used at this power station is sourced from a deep aquifer located approximately 130 metres below the site. This saline water is passed through a reverse osmosis unit and a demineralisation process to remove salts prior to use in the power generation process.
- > Cooling water is required at the Hydrocarbon Extractions Plant to cool the process that takes Caltex Refinery waste fuel gas to extract LPG and Naphtha.
- > At Somerton Power Station, water is injected into the combustion chamber to reduce NOx emissions from the plant.
- > At Upstream Gas exploration and production projects, water is used to lubricate and cool the drill bit during drilling operations.
- > Water is essential at all of AGL's offices for provision of basic amenities.

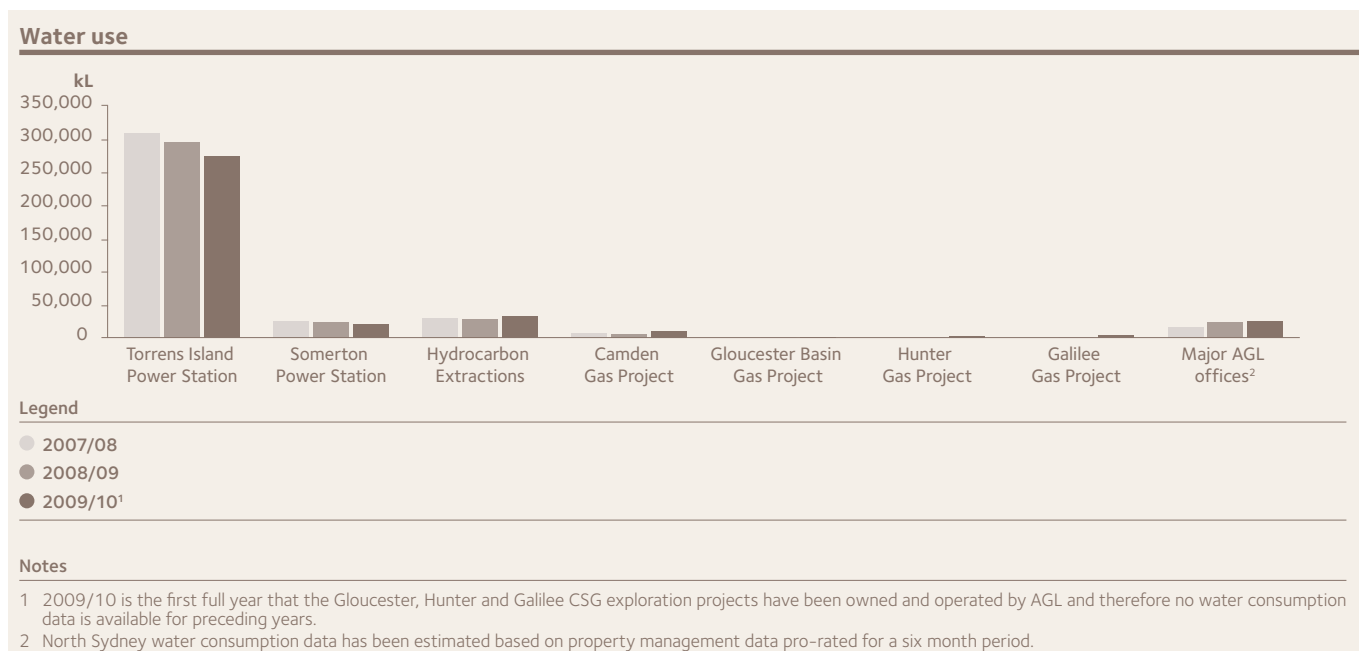
Performance

In 2009/10, approximately 33 percent of volume of the water consumed at AGL's sites comprised potable water purchased from retail water suppliers. The remaining 67 percent of water consumed comprised groundwater drawn from beneath the Torrens Island Power Station.

In addition, AGL makes important non-consumptive use of water resources which is discussed separately under 'Managed Water' on [page 69](#).

For power generation assets, the amount of water consumed is proportional to the amount of power generated over a particular time period. As Torrens Island Power Station consumes the largest amount of water of all AGL's operated assets, total water use is strongly influenced by the power generated by this asset in a given year.

Power output was down at both Torrens Island Power Station and Somerton Power Station in 2009/10 compared to the two preceding years and this is reflected in water consumption data.



Produced water

Groundwater is brought to the surface (or ‘produced’) as an unavoidable by-product of CSG exploration and production activities.

Approach

The extraction of CSG from coal formations involves the drilling of wells into the earth (typically several hundred metres deep), stimulating the coal formation, and allowing CSG to flow to the surface. Before the CSG can be brought to the surface, water that exists within the coal formation must first be removed so that the gas can ‘flow’ and be extracted. The removal of water from within the coal is necessary, and is known as *de-watering*.

The quantity of CSG water produced varies depending on the location of the project and also the stage of the production cycle of any given well. Some locations, due to the inherent characteristics of the geology, produce greater volumes of CSG water per well than similar scale projects located elsewhere. The quality of the CSG water also varies depending on the location. Produced water varies from low salinity (for example at the Galilee Basin) to moderate salinity in some locations such as in the Hunter and at Camden. Water salinity is generally less than one-third that of seawater.

As a project moves from exploration stage to production stage, the number of wells increases substantially and the total volume of water removed from the coal formations increases. Currently, only AGL’s Camden Gas Project in New South Wales is in commercial production stage. Into the future, as some of AGL’s exploration projects move into production stage (such as the Hunter, Gloucester and Galilee Basin gas projects), the volume of CSG produced water from AGL’s operations will increase. AGL has employed a groundwater specialist to advise on these matters and to devise produced water management strategies for each CSG project. Water management plans and surface water and groundwater monitoring networks will then be developed to protect water resources.

All of AGL’s CSG activities are designed to have a minimal impact on the environment and to protect water resources. Industry best practice well construction techniques are used to prevent shallow aquifers from being connected to the deep CSG water bearing zones. Groundwater monitoring networks are installed to monitor the water level and water quality characteristics of shallow aquifers used for water supply, and any changes during CSG exploration and production programs. Surface water monitoring is in place where there are sensitive creek/river receptors nearby.

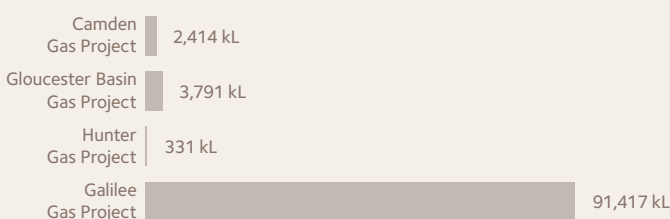
Performance

The volume of water produced at each of AGL’s CSG projects is monitored. The 2009/10 volumes are reported here for the first time. The greatest volume is being produced at the Galilee Project which, despite only being in exploration stage, is located within a geological basin that is characterised by high groundwater yields. The number of wells tested at the Galilee Project area in 2009/10 was five, compared to the Camden Gas Project which has 130 wells installed of which 80 are operational and producing gas.

The total volume of water produced during 2009/10 was around 98 ML. Produced water is either stored onsite in lined, above-ground holding ponds, transported offsite for disposal, or re-used. During 2009/10, approximately 12 ML of water produced from CSG activities (either during 2009/10 or in previous years following a period of onsite storage) was used as irrigation water on an AGL property associated with the Gloucester Basin Gas Project and for well drilling at the Camden Gas Project. Around 4 ML of water was transported offsite for disposal.

A program of work to identify and execute treatment and beneficial re-use options for produced water will be implemented during 2010/11. The objective is to substantially increase the proportion of produced water that is re-used for industrial, mining or primary production purposes.

Produced water



Legend

● Volume produced water 2009/10

Managed water

In addition to the consumption of water resources, AGL also makes important non-consumptive use of water, namely the use of water drawn from the Port Adelaide River to cool the Torrens Island Power Station, and the passing of water through hydro power stations. AGL takes its responsibilities as short-term steward of water resources seriously and manages this carefully.

Approach

AGL's use of water for cooling purposes at Torrens Island Power Station is regulated by its EPA licence. The average temperature increase from cooling water inlet to cooling water outlet is required to be less than 10°C. An external consultant audits and validates compliance with this requirement on a two-yearly basis. The last audit was undertaken in 2008/09, and found AGL to be compliant with requirements.

AGL's hydro power generation assets are located across Victoria and New South Wales. The different assets/schemes operate under different water release arrangements as described below:

- > **Mountain Streams Scheme** (Royston, Rubicon, Lower Rubicon and Rubicon Falls power stations) and the **Kiewa Scheme** (Bogong, McKay Creek, Clover and West Kiewa power stations), Victoria – AGL holds non-consumptive bulk water entitlements with the Victorian Department of Sustainability and Environment (DSE) to use all inflows to the catchment for power generation at its power station assets. The entitlement sets minimum and maximum water flows and rates of change of releases, although AGL has discretion within these boundaries as to how and when water is released within the catchments.
- > Dartmouth and Eildon, Victoria – AGL holds water agreements with Goulburn Murray Water (GMW) to generate electricity from all irrigation releases from these storage dams which are owned and operated by GMW. AGL owns regulating pondage downstream of these power stations. Under the water agreements, GMW specifies what flows it wants in the river system downstream of AGL's pondage and so using its pondages, AGL has some flexibility in how this is achieved. Under the water agreements AGL has an entitlement to use a specified volume of water outside of the irrigation season. GMW must be notified of any such releases so they can allocate the water appropriately to users downstream.
- > Cairn Curran and Yarrawonga, Victoria – AGL holds water agreements with GMW to generate electricity from all irrigation releases from these storage dams which are operated by GMW.

- > Pindari, Copeton, Burrendong and Glenbawn power stations, New South Wales – AGL operates these power stations under a water agreement with New South Wales State Water that entitles AGL to generate electricity from all irrigation releases of water from the storages. The release of water is dictated by the needs of irrigators, not AGL, although AGL has the right to produce power from any irrigation releases.

Where AGL has discretion for releases of water (i.e. where water release is not dictated by irrigation needs), potential environmental impacts are managed by controlling river discharges to within the agreed rates of rise and fall and minimum and maximum flow rates as specified by the relevant authority or agency.

An important annual activity undertaken in the Mountain Streams and Kiewa schemes is de-silting of some of the storages and dams to maintain capacity and, in turn, the operating flexibility within the schemes. An environmental working group, comprising AGL, the Victorian EPA, Victorian DSE, Parks Victoria, Victorian Department of Primary Industries, local catchment authorities and the Freshwater Ecology Arthur Rylah Institute for Environmental Research, meets annually to review processes, monitoring data and the annual works program. To minimise the environmental impact of the de-silting operations, the activity is conducted during higher flow winter months. Silt is removed by both direct flushing into the river system and removal by excavation. Environmental parameters agreed by the de-silting working group are monitored at a variety of downstream locations at a frequency of 15 minutes to one hour depending on location. This process has been undertaken for more than 10 years and annual studies indicate that there have been no significant impacts on the ecology of the river system, as indicated by long-term studies of macro-invertebrate levels undertaken by the Freshwater Ecology Arthur Rylah Institute for Environmental Research at DSE for AGL.

Performance

During 2009/10, AGL made non-consumptive use of approximately 562 GL of water drawn from the Port Adelaide River to cool the Torrens Island Power Station, and passed 466 GL of water through hydro power stations.

AGL’s goal is to become a world-class customer-focused energy company.

AGL’s customer base is both large and diverse. This requires AGL to provide a range of services that provide the customer with an ‘easy to do business with’ experience and an ‘exceeded expectations’ result.

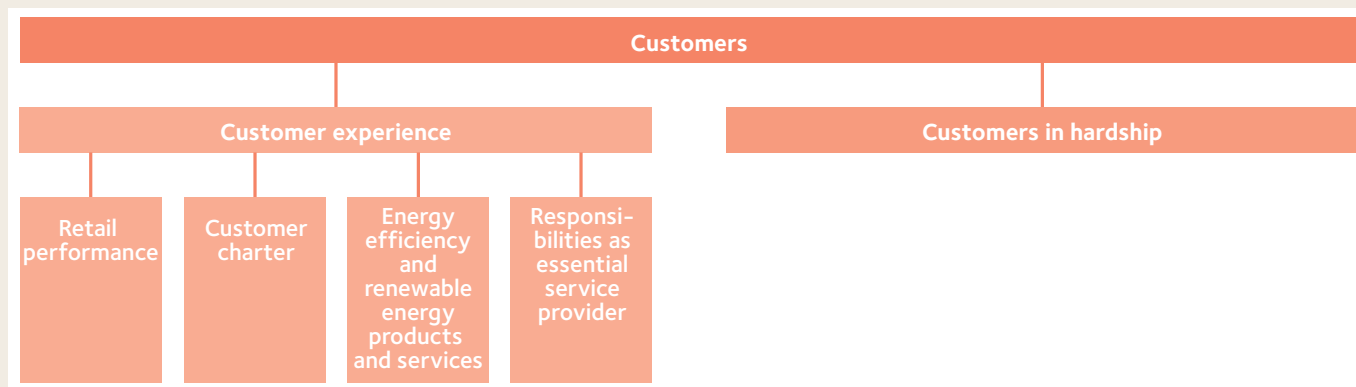
Throughout 2009/2010, AGL implemented a number of programs and initiatives designed to enhance customers’ experience and achieve results, including:

- > delivering a renewed and simplified Customer Charter to provide customers with a clear message of what they can expect from AGL
- > launching the Customer Connections Program, which involves meeting with and listening to customers to understand where AGL can improve
- > redesigning the customer bill so that it is easier to read and understand
- > improving the AGL website to provide customers with better and easier to find information
- > refining processes to ensure any potential customer impacts arising from business changes are highlighted and addressed.

The two key focus areas for the Customer chapter of this report are customer experience and customer hardship. Each of these focus areas has a primary indicator used by AGL to understand and measure success for continuous improvement.

Customer experience: There are a range of contributing factors that affect customer experience. This section of the report outlines how AGL will measure the experience of customers going forward, and provides performance data on some critical aspects of service delivery over the past 12 months. It is important to also look at the way AGL has set the expectations for service with the new AGL Customer Charter and the steps being taken to address AGL’s responsibilities as an essential service provider. This chapter also addresses energy efficiency services and renewable energy products that AGL offers.

Customers in hardship: AGL recognises the importance of assisting vulnerable customers reach a sustainable energy position. AGL addresses this issue from a number of perspectives including information provision, community support and direct assistance through the Staying Connected program. The average level of debt for customers on the Staying Connected program is the primary measure to indicate the level of success in earlier intervention and assisting customers return to a sustainable energy position.



Measuring the customer experience

AGL measures customer satisfaction to monitor whether customer initiatives are successful in improving the customer's experience.

Approach

In August 2008, Net Promoter Score (NPS) was introduced as AGL's primary measure of customer satisfaction. Since that time, AGL's NPS has been tracked and reported against major competitors every quarter. NPS is a widely used measure of customer loyalty and determines how likely a customer would be to recommend AGL as an energy provider.

NPS has provided AGL with a point of focus and a measurement for customer satisfaction. A demonstrable improvement in NPS has been achieved since AGL started using this measure.

In line with AGL's continued focus on improving customer satisfaction, the measures and indicators of success have been refined and improved. In 2010/11, AGL will use a suite of measurements to understand customers' experience with AGL. A 'Customer Satisfaction Score' has been implemented which will supersede NPS as the primary measure of customer satisfaction. Measurement of the Customer Satisfaction Score commenced in 2009/10. AGL will monitor the results to establish a baseline before setting a target for this measure.

Vision for customer experience: AGL's vision is to be the top ranking energy company for customer satisfaction, by delivering on a range of initiatives and continuous improvement programs throughout the Retail Energy business.

This section of the report includes information on AGL's Customer Charter [page 71](#), key Retail Performance indicators [page 72](#), the types of energy efficiency and renewable energy products and services offered to customers [page 74](#), and the ways in which AGL addresses its responsibilities as an essential service provider [page 75](#).

Performance

In 2008/09, AGL set a target to achieve a Net Promoter Score in the top quartile of all Australian energy retailers by 2012. Performance during 2009/10 has been consistently higher than the August 2008 benchmark score of -54.9 percent. The Net Promoter Score for the final quarter of 2009/10 was -47.3, slightly lower than the peak score in March 2010 of -41.9 percent, which placed AGL in the second quartile of Australian energy retailers for the first time since AGL's measurement of Net Promoter Score commenced.

NPS will continue to be monitored but AGL will also use a broader set of measurements to understand the customer experience, with the primary focus being on an overall customer satisfaction score. In light of this, the original NPS target for 2012 no longer applies.

Customer Charter

The AGL Customer Charter clearly outlines for both customers and employees what customers can expect from AGL. The Charter contains a set of customer promises, and defines the standards to which AGL can be held to account.

In March 2010, in line with continuing focus on the customer, a renewed Customer Charter was launched. The previous Customer Charter was lengthy, difficult to read and spoke only to the regulations and codes. The updated Customer Charter is customer-friendly, written in easy to understand language and sets out responsibilities and obligations for both AGL and its customers.

During the development of the Customer Charter, AGL commissioned research to understand customers' key expectations, as well as to determine performance standards that AGL could actually deliver, given regulatory obligations on both AGL and industry partners.

The charter has a dual purpose; speaking to employees about the service standards to which AGL will be held to account, and proactively setting customers' expectations regarding the standard of service that will be delivered.

The Customer Charter is provided in welcome packs for new customers, and is available on the AGL website for current customers. The Charter contains four key promises:

- > *We will deliver quality service.*
- > *We will provide value for money.*
- > *We will understand our customers' needs and deliver to them.*
- > *We will be there with the answers for our customers.*

AGL has defined two suites of metrics to measure whether the promises outlined in the Charter are being delivered:

- > Customer Charter Metrics, which will be published externally and to which customers can hold AGL to account. The metrics will be published quarterly on AGL's website commencing in October 2010, and will also be included in future Sustainability Reports.
- > 'Process and Quality Metrics', to measure how effectively internal processes that support the delivery of the Charter promises are working.

As part of the Customer Charter launch, AGL employees were provided with copies to be retained for reference to use in future interactions with customers and for consideration when looking at the effectiveness of processes, systems and behaviour.

The charter is available on the AGL website at agl.com.au/charter.

Retail performance

AGL measures success in customer experience using a range of performance indicators and by participating in external benchmarking programs.

Approach

AGL monitors customer interaction through 'grade of service targets' and by undertaking external benchmarking of contact centres. AGL continues to focus on addressing customer needs the first time they call and ensuring that through the Dispute Resolution Policy customers have a clear process of complaint escalation if they are not satisfied with the outcome.

All customers have the right to contact their state Ombudsman as a last resort. AGL monitors these complaints closely as they provide a clear indicator of the level of AGL's success in addressing customers' concerns.

Last year, AGL reported that a driver of the high complaint levels experienced was the unacceptable delay in the billing of a number of customers. This year's report outlines the continuing resolution of this issue and the positive impacts on complaint levels.

Customer service centre grade of service

AGL has grade of service targets for customer service centres. The targets represent the percentage of calls answered by customer service representatives within 30 seconds.

In 2009/10, AGL's grade of service was generally high until December 2009. During January to March 2010, service levels declined below the targeted levels as a result of the customer service centres receiving higher than expected call volumes. AGL responded with a prolonged period of recruitment and training which saw service levels improve. This improvement in service levels was hampered in June 2010 after systems issues resulted in slower processing speeds, causing a subsequent increase in call waiting times. During these periods, AGL prioritised calls taken in line with customer impact (for example, calls regarding reconnections were given priority, and where possible new customers were referred to process their enquiry online).

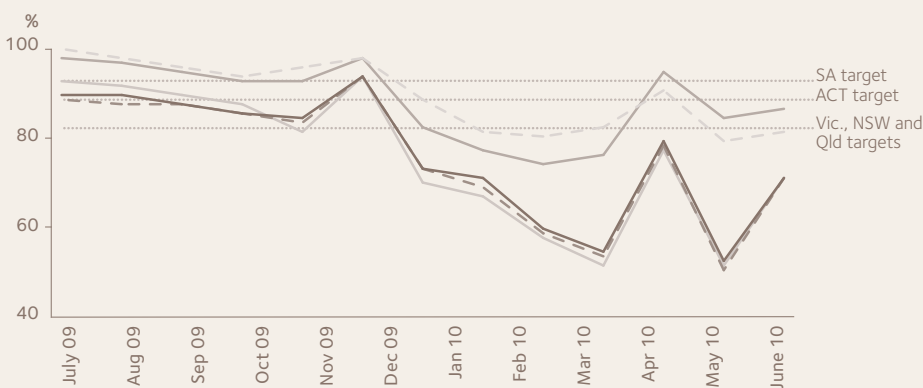
Grade of service continues to be a high focus measure to ensure that customers can access AGL in a timely manner.

Customer Service Benchmarking Australia (CSBA)

AGL benchmarks the customer service provided in all three customer service centres via an external program. CSBA conducts mystery shopping calls to customer service centres, and provides quarterly reports ranking AGL's performance against other energy and utility companies. The latest report for April to June 2010 ranked AGL 7th out of the 20 energy sector companies surveyed.

AGL's CSBA result is one of several areas of focus over the coming year. AGL will use this as one of a number of key indicators for customer satisfaction in future reports.

Grade of service



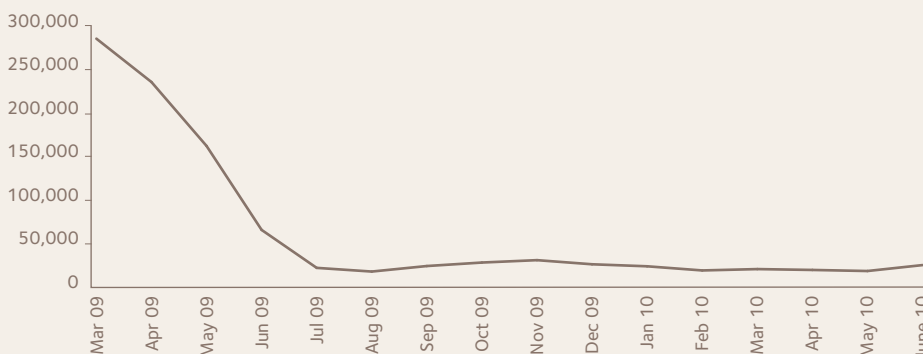
Legend

- NSW
- - Vic.
- SA
- Qld
- - ACT

Note

Grade of service = the percentage of calls answered by a customer service representative within 30 seconds.

Unbilled accounts



Legend

- Average number of unbilled accounts for the month

Unbilled accounts

In 2008/09, AGL experienced system problems that resulted in long delays in sending bills to customers. This caused many issues for customers and resulted in a large number of Ombudsman complaints. By August 2009, AGL had achieved a reduction of unbilled accounts and the resolution of the system problems that caused the billing delays. AGL continues to monitor the level of unbilled accounts on a daily basis so that any issues are identified and addressed quickly.

This has resulted in sustained low levels of unbilled accounts in 2009/10 and in a lower volume of Ombudsman complaints about delayed bills.

Resolving the unbilled issue did result in flow-on customer impacts, such as customers receiving multiple bills at one time, higher 'catch-up' bills, and other issues associated with the back-billing of accounts. AGL has now resolved these systemic issues and is focused on improving other aspects of customer service.

Ombudsman complaints

AGL received a total of 17,470 Ombudsman complaints during 2009/10. This represents a reduction in total Ombudsman complaints of 22 percent compared to 2008/09, with largest decreases experienced in Victoria and South Australia. In the quarter ending 30 June 2010, AGL received 48 complaints per 10,000 customers, a 37 percent reduction compared to the corresponding quarter of 2008/09.

AGL set an ambitious target for 2009/10 of achieving an Ombudsman complaint rate of 45 complaints per 10,000 customers. The target was included as one of the three performance hurdles included in the AGL Share Reward Plan for employees ([refer to page 83](#)). The targeted rate was achieved during the months of January and February 2010, but performance over the entire

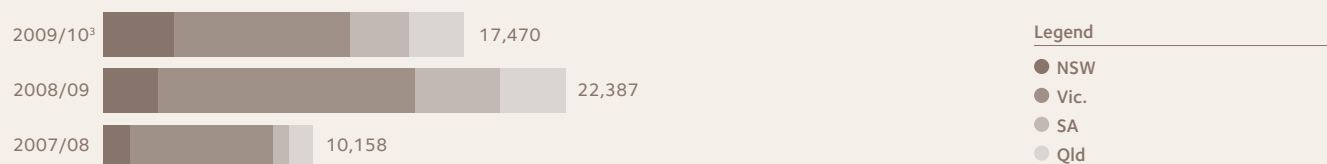
12 months disappointingly fell just short of the target. AGL's focus on 'first call resolution' is likely to be a key contributing factor in reducing the number of concerns that customers escalate to the Ombudsman, and will continue to be a key focus in the coming year.

Ombudsman complaints provide AGL with a reference to areas of the business that need improving. In 2009/10, the majority of Ombudsman complaints related to high bills, billing delays and back billing, the AGL sales process, and incorrect or estimated meter reads. Information on Ombudsman complaints is fed back into the business to rectify issues where possible. Information is also clearly communicated to the customer on where the issue may reside when an Ombudsman complaint relates to an area not directly under AGL's control, such as complaints related to network infrastructure, e.g. metering.

Wrongful disconnections

In 2009/10, AGL wrongfully disconnected (as that term is defined in the Victorian Energy Retail Code) 144 customers in Victoria. Following the monitoring of wrongful disconnections in Victoria and identification of where the issues were arising, AGL increased the rigour of the review process within operational teams. This was completed in parallel with the implementation of a consistent debt recovery process across all jurisdictions. While the overall figure increased, the process improvements have contributed to a decrease in wrongful disconnections as a percentage of cases investigated in Victoria in the second half of this reporting year. In the six months between January to June 2010, 33 percent of investigations were identified as wrongful compared to 50 percent in the preceding six month period. During the reporting period AGL did not monitor wrongful disconnections in other jurisdictions (according to the same definition).

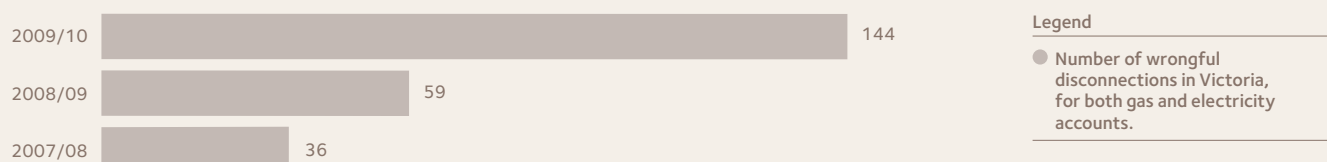
Ombudsman complaints^{1,2}



Notes

- Reported figures represent complaints to the various state Ombudsman Offices that are provided to AGL for resolution. Enquiries, complaints referred to other agencies or instances where the customer has been advised by the Ombudsman to contact AGL directly are not included.
- All ActewAGL complaints are excluded.
- Data for 2009/10 includes Ombudsman complaints related to PowerDirect.

Wrongful disconnections (Victoria only)



Energy efficiency and renewable energy products and services

AGL offers a range of services and products to customers to improve the energy efficiency and greenhouse performance of their home and business. These services are targeted to address the common barriers to energy efficiency uptake and provide customers with choices on the greenhouse intensity of the energy they consume.

Energy efficiency

Energy efficiency is widely accepted as a key complementary measure to the introduction of a price on carbon and the setting of renewable energy targets. Helping customers understand energy efficiency, and assisting them to implement energy efficiency measures in their home or business, improves customer experience. Furthermore, increased energy efficiency in residential properties can ameliorate the impact of increasing energy prices for customers, which is particularly important for customers experiencing financial hardship.

For many years AGL has provided a range of information services on energy efficiency, both online and in print. During 2009/10, an iPhone application was launched, to enable greater geographical-specific assistance to customers.

AGL's energy efficiency business has grown considerably during 2009/10, delivering new efficiencies for customers and strengthening AGL's position of being more than just an energy supplier. At the beginning of 2009/10, New South Wales joined South Australia and Victoria in launching its own state-based energy efficiency target and scheme, stimulating further growth in this area for AGL. AGL met all its regulated targets under the state schemes for energy efficiency. 448,000 tCO₂e of abatement has been implemented since 2009 through energy efficiency activities for residential households. This abatement was credited from installations such as energy saving light bulbs, low-flow showerheads and energy efficient hot water systems. During 2009/10 AGL installed:

- > over 1 million compact fluorescent lights
- > 1,800 Energy efficiency hot water systems – including heat pump, solar hot water and gas systems.

Installation of the energy efficiency items and completion of energy audits is predominantly undertaken through AGL Assist, AGL's franchise electricity and gas home maintenance service business. In rural Victoria, AGL is partnering with community organisations to deliver these services.

Household audits provide the opportunity for customers to learn more about energy efficiency practices, and to take up new devices and installations to assist in energy performance. Through servicing obligations under the South Australian energy efficiency scheme, and campaigns undertaken in other jurisdictions, this year AGL performed 6,300 household audits and assessments.

AGL has also taken a leadership role in improving the energy efficiency performance of major customers. AGL has a team of over 80 people across four states who identify, evaluate and implement energy efficiency projects and embedded generation projects for major customers.

Green Products

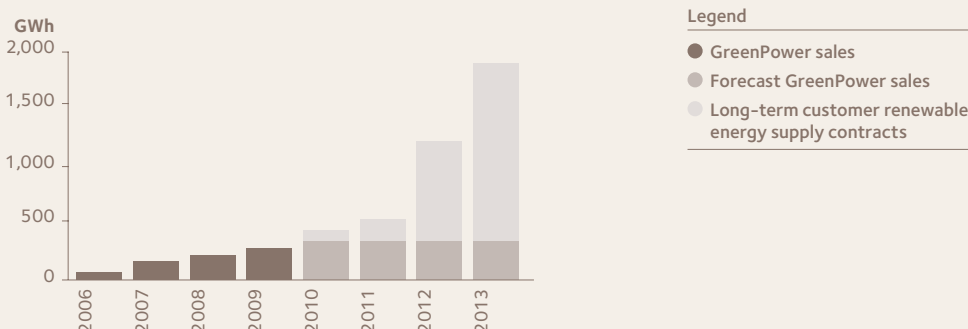
The Government-administered GreenPower™ program enables retailers to provide customers with electricity that is sourced from new renewable energy that is in addition to mandatory purchases required under the 20 percent Renewable Energy Target Scheme. Accredited GreenPower can only be produced from approved renewable generation facilities built since January 1997. AGL has been a participant in GreenPower since official accreditation commenced in 2001.

AGL offers a suite of GreenPower products for residential customers that allow them to choose a product that meets their needs.

During 2009/10 AGL continued to offer both AGL Green Energy and an additional product, AGL Green Balance, to major industrial and commercial customers. AGL Green Balance was the first electricity product certified by the Department of Climate Change under the Greenhouse Friendly initiative. Customers who purchased AGL Green Balance had their emissions from electricity consumption 'offset' through landfill gas flaring activities financed by AGL. The Greenhouse Friendly initiative ceased on 30 June 2010.

During the 12 months to 31 December 2009, AGL's sale of GreenPower accredited electricity was 244,641 MWh, an increase of 18 percent compared to the prior corresponding period.

AGL GreenPower and renewable energy supply contracts



Rooftop solar photovoltaic (PV)

Zero emission forms of distributed generation have become increasingly attractive for consumers, owing to a range of government incentives and the offer from many retailers to buyback excess generation at attractive rates. To service this market, AGL's energy efficiency business is expanding to provide greater services in the installation of rooftop solar photovoltaic.

During 2009/10, AGL installed almost 300 rooftop systems. Following the establishment a strategic partnership with a technology provider, AGL has set a target to install an additional 5,000 systems during 2010/11.

AGL's responsibilities as an essential service provider

The essential nature of the services and products provided by AGL requires a responsible approach to sales and marketing; accessibility of information; and the provision of pertinent information to customers during critical events.

Responsible sales and marketing

Door to door sales campaigns, and associated complaints about such activities, are an unfortunate feature of Australia's retail energy markets. AGL has in place processes for the responsible sale and marketing of its products so that current customers and potential customers understand the available choices with respect to both energy retailers and energy products.

In 2009/10 AGL has delivered changes to door-to-door sales processes to further align AGL activities with the principles of responsible marketing:

- > An improved information pack has been developed, incorporating further visual content, to improve customer understanding of products offered by sales representatives, including the cooling off period. This measure has also alleviated difficulties faced by customers who are culturally and linguistically diverse.
- > Process checkpoints have been put in place so that door to door sales representatives adhere to regulatory requirements during the contracting process, including timeframes, pricing information and transparent cooling off periods.

While the number of complaints from AGL's door to door sales operations has remained low (0.74 percent complaints per sale) AGL recognises that this is a sensitive issue for customers. In 2009/10 AGL introduced a new complaint management process, so that complaint escalations involving third parties (that is, door to door salespersons not employed by AGL) are managed correctly.

Customer communications have been reviewed, and alterations made to standard documentation, such as letter and email templates and the customer Welcome Pack. These changes were introduced in June 2010, and it is anticipated that a reduction in customer calls and customer complaints will be realised as a result of these improvements to AGL customer communications.

Critical events

AGL does not own or operate transmission or distribution networks (pipes, poles and wires), and therefore is not responsible for restoring energy supply during critical events where the energy supply to mass numbers of customers is interrupted. Notwithstanding this, AGL recognises the importance of responding to customers during these events.

AGL has developed critical event guidelines for the provision of information to customers, together with steps AGL will take as a business during these events.

AGL has also sought to improve customer understanding of the appropriate contact point in the event of a fault or emergency in their home. AGL now provides the contact details of the relevant distribution provider on electricity and gas bills.

Accessibility

AGL continues to provide a translator service so that customers are able to access important information on AGL's services and products, regardless of whether English is their primary language. In 2009/10 AGL reviewed the number of languages provided so that the translation service continued to meet the needs of customers.

In addition, AGL developed a brochure regarding high energy bill management in ten different languages for vulnerable customers who do not speak English. These have been provided to community agencies and financial counsellors across different jurisdictions to assist customers to manage their energy consumption.

Customers in hardship

As an essential service provider, AGL recognises the importance of providing assistance to vulnerable customers to help them reach a sustainable energy position.

Approach

Energy prices have been on the rise, predominantly due to upgrades to transmission and distribution infrastructure. Price increases affect all of AGL's customers, but low-income consumers are likely to be disproportionately affected, and for some consumers the affordability of energy will be materially impacted. The discussion and debate around energy use, prices and ways to assist those in need will likely intensify in the year ahead. As a major retailer it is both an imperative and a responsibility to be actively involved in these discussions.

As energy is an essential service, AGL supports a 'Shared Responsibility Model', whereby AGL, governments, communities and the wider energy industry collectively share responsibility for assisting customers in financial hardship.

AGL has a multi-faceted approach to the management of vulnerable customers, encompassing:

- > providing an environment and service that enables customers to have their concerns recognised and appropriate support and assistance offered
- > consulting those who work with financially vulnerable consumers
- > utilising AGL's knowledge, expertise and position to inform and contribute to the public policy debate on issues that affect customers
- > improve community awareness and facilitate customer access to government and community support.

AGL's hardship assistance program, Staying Connected, has been supporting access to energy for vulnerable customers since 2003.

Staying Connected customers are protected from disconnection, and a range of other assistance mechanisms are implemented to assist these customers. The mechanisms range from tailored payment plans to help accessing available government assistance schemes.

While the success of the program depends on a range of complementary indicators, the average level of debt per customer is a critical measurement for Staying Connected. This assists in assessing AGL's degree of success in early identification of customers who are currently experiencing hardship or vulnerable to hardship. It also allows AGL to assess the success in helping customers return to a sustainable position while on the Staying Connected program.

In early 2009, AGL undertook a comprehensive review of the Staying Connected program. The review resulted in a series of recommendations that have been progressively implemented.

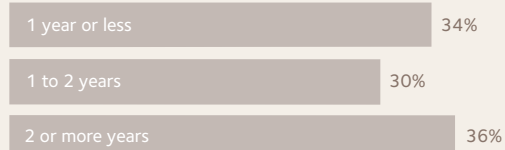
The core initiative arising from the review of Staying Connected involved the introduction of personalised case managers for existing hardship customers. This approach has enabled AGL case managers to build rapport and greater understanding of clients, encouraged accountability and ownership, as well as enabling timely identification of a need for assistance. Ultimately this initiative is likely to result in enhanced customer experience, and will ensure that customers are regularly reviewed and offered relevant assistance options.

This initiative was supported by gradually improving the processes for identifying and referring customers in hardship to the Staying Connected program. Initial changes to the referral process resulted in some less than satisfactory outcomes. AGL recognises that limited resources relative to call volumes resulted in unacceptable delays for customers and financial counsellors alike. The further progression of the referral process and associated resources continues, increasing the number of people providing referrals to the Staying Connected program by a factor of five. At the time of reporting, these improvements are in transition, however improvements are expected in this area over the next six to 12 months.

AGL has refined the system for analysis and reporting to provide more useful information more efficiently, and has developed internal financial and non-financial metrics to measure process effectiveness. The provision of timely information allows the Staying Connected team to spend more time focusing on the important aspect of their role – their customers.

Vision for customers in hardship: AGL's vision is to be a recognised industry leader in customer hardship policy.

Number of years on Staying Connected program



Note

Data is based on Staying Connected population, as at 30 June 2010.

Performance

As at 30 June 2010, 10,343 customers were on the Staying Connected program, corresponding to 17,758 contracts for either gas or electricity. This represents a decrease compared to the 12,120 customers (or 20,293 contracts) on Staying Connected as at 30 June 2009.

As of 28 June 2010, the average level of debt of participants on Staying Connected was \$1,382.16. The average level of energy debt per customer is expected to decline as AGL continues to focus on the early identification of customers experiencing or likely to experience financial difficulty.

AGL uses two other indicators to measure the success of Staying Connected, namely the time it takes to return customers to a sustainable energy position, and the number of times each participant has joined the Staying Connected program.

Of the Staying Connected participants as at 30 June 2010, 36 percent have been on the program for two or more years. Approximately 10 percent of Staying Connected participants were customers returning to the program. Analysis of a sample of the Staying Connected customer base in 2008/09 indicated that approximately 28 percent of Staying Connected participants were customers returning to the program.

AGL continues to provide specialist energy audits to Staying Connected participants in Victoria and South Australia through partnerships with UnitingCare Kildonan and Mission Australia. AGL funded five energy auditors and provided them with energy efficiency materials to assist vulnerable customers. During 2009/10, 602 audits were completed by the two charity partners on behalf of AGL. The partnership agreements with UnitingCare Kildonan and Mission Australia have recently been extended for up to three years. During 2010/11, AGL plans to investigate the potential to expand the energy efficiency audits into other jurisdictions.

AGL advocacy work

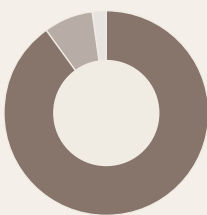
Key achievements:

- > AGL commenced a pilot program for a refreshed alternative payment arrangement which includes incentive programs.
- > Contributed \$10,000 to Hotham Mission/UnitingCare Kildonan for a pilot program focusing on improving communication about the energy industry to new Australians.

Commitments:

- > AGL will be focusing on improving relationships with financial counsellors so that they are aware of AGL's programs and that AGL is responsive to counsellors' (and their clients') needs.
- > In 2010/11 AGL will be providing training, in conjunction with UnitingCare Kildonan, with a focus on creating an environment where customers who need assistance are comfortable asking for it.

Staying Connected return customers



Legend

- First time Staying Connected customer 90%
- Return Staying Connected customer (second time) 8%
- Multiple Staying Connected customer 2%

Total number of customers on Staying Connected 10,343

Note

Data is based on Staying Connected population, as at 30 June 2010.

AGL’s goal is to engage our employees in ways that continue to support our business, grow their skills and deliver outstanding business results in a safe and sustainable way.

Employees are critical to the delivery of AGL’s business strategies, and to achieving the organisation’s vision of being a world-class, customer-focused energy company. It is important to create a safe and engaged work environment where employees can contribute to delivering a positive customer experience.

The AGL Values underpin business at AGL:

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

The way in which employees live these values shapes the perception of the AGL brand, as well as influencing stakeholders’ day-to-day experiences and interactions with AGL.

A safe and secure work environment is a key element of AGL’s strategy. AGL has adopted a broad view of workplace health and safety, encompassing not only the physical safety of employees, but also the overall health of employees in terms of financial, emotional, creative and social wellbeing.

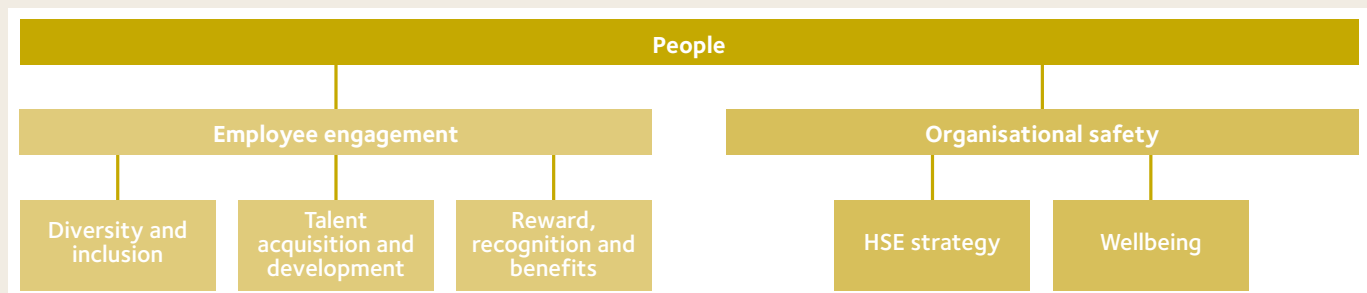
The two key focus areas for the People chapter of this report are employee engagement and organisational safety. An overarching sustainability indicator and target for 2010/11 accompanies each of these focus areas – however success in these areas is dependent on a number of factors which are outlined in further detail in the following pages.

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

Organisational safety: Safety performance is indicative of the values that underpin an organisation, the business ‘culture’, and the effectiveness of health and safety policies and procedures. Safety performance is also a significant influencing factor for employee engagement.

Key risks, opportunities and challenges for AGL during 2009/10 included:

- > continuing improvement and upgrade of AGL’s IT systems environment and the resultant impact on customers and employees has created challenges with maintaining engagement during a time of significant operational change
- > keeping people connected given AGL’s geographically dispersed workforce, across metropolitan and regional Australia
- > retaining key talent, including those with skills in specialist areas, which are scarce in the external market. The challenge is to attract and retain the best talent in the industry.



Introduction to employee engagement

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

Approach

AGL undertakes the annual AGL Engagement Survey to understand how engaged employees are by measuring key drivers that are important to them such as employment experience, career opportunities, company reputation, change management, customer focus, safety and diversity.

The AGL Engagement Survey is administered by Hewitt, an external and independent provider. Organisations that achieve engagement scores >65 percent are defined by Hewitt as being in the 'best employer' zone.

Being a best employer will assist AGL in becoming more effective in attracting and retaining the best talent. Research also shows that organisations scoring in the 'best employer' zone generally enjoy superior business results.

Vision for employee engagement: AGL's vision is to have an engagement score at 'best employer' level.

Drivers: Improving performance in key areas such as diversity and inclusion [page 80](#), talent acquisition and development [page 81](#), and reward and recognition [page 83](#), will influence the engagement of employees over the long term. Safety [pages 86 to 89](#) also has a strong influence on engagement.

Performance

AGL set a target to increase engagement by 7 percent compared to 2008/09, and exceeded this target with a 10.7 percent increase. Hewitt states that less than 30 percent of organisations achieve an increase of greater than 6 percent. In this context, AGL's improvement has been significant, with Hewitt commenting that AGL's year on year improvement since 2007 has been 'impressive'.

The higher engagement becomes in an organisation, the more challenging it is to achieve incremental increases year on year. For 2010/11, AGL is targeting a minimum increase in engagement of 4.8 percent, which will place AGL in the 'best employer' zone.

To build on the 2010 result, Hewitt has recommended improvement strategies in the areas of managing change, clarifying career paths, delivering on promises made to new employees and targeting groups such as team leaders and specific locations where engagement has remained low.

Employee engagement scores are used as a key performance indicator in each senior leader's Performance and Development Review (PDR). Operational leaders and employees are measured on their contribution to specific engagement action plans that have been agreed in their Business Units.

Key initiatives

A range of company-wide and business unit initiatives have been developed to improve employee engagement.

- > A Customer Connections Program was launched in November 2009 to bring employees, leaders and customers together in forums to discuss the service experience of customers. The outputs of these forums are used in conjunction with customer feedback and market intelligence to identify and prioritise service improvement initiatives for the benefit of both customers and employees.
- > During 2009/10 689 leaders and employees participated in 'Values in Action' workshops, designed to help employees develop the skills and confidence to live the AGL values on a daily basis.
- > In the 12 months to August 2010, 44 individuals and 15 teams were recognised through AGL's Living the Values awards. These awards give formal recognition and reward to those employees who achieve exceptional results and whose efforts make a significant contribution to AGL. In 2009/10, 323 employees were awarded 'Nice Ones' in recognition of efforts and behaviours that positively contribute to AGL.
- > During 2009/10, the AGL executive team committed to introduce a common language and approach to implementing change across AGL that would provide a comprehensive and systematic approach to planning, executing and monitoring the people aspects of major change. People Centred-Implementation (PCI) was chosen as the preferred methodology and, as at 30 June 2010, 68 project leaders, change managers and initiative sponsors had been trained.



Diversity and inclusion

AGL values the diversity in its workforce, and recognises that diversity is supported and enhanced by an inclusive workplace culture.

Approach

An inclusive workplace, where all employees feel safe and confident to contribute their ideas and perspectives, facilitates more creative, innovative and effective solutions for achieving AGL's business objectives.

A diverse workforce and an inclusive workplace culture are attractive to potential employees and provide AGL with an edge when competing for talent and in retaining talented people. A diverse workforce, with its broad range of experience and perspectives, also has a better opportunity to understand and engage AGL's customer base and the communities in which it operates.

AGL's Diversity Strategy comprises the following components:

- > AGL Diversity and Inclusion Council (chaired by the Managing Director)
- > AGL Ethics Panel
- > AGL Code of Conduct and AGL Values
- > diversity policies – Diversity and Inclusion Policy; Working in AGL's Inclusive Workplace
- > issues resolution – AGL Ethics Line; Workplace Issues Resolution Procedure, Employee Assistance Program
- > education and training (induction and refresher training)
- > metrics and performance tracking.

In 2009/10, AGL focused on establishing a foundation for future initiatives and actions that will assist AGL achieve in the areas of diversity and inclusion. In 2010/11, AGL will focus on women in the workplace, flexible work arrangements and carers' needs, and an inclusive workplace culture.

Women in the workplace

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

Of the leaders at AGL, 32 percent (FTE basis) are female (31.5 percent in 2008/09), which is lower than the overall proportion of women in AGL's workforce (46 percent).

In 2010, AGL developed a new recruitment selection process to identify and consider eligible female candidates for all senior leadership roles. This recruitment process was launched across the business in August 2010, although some business units informally adopted the process earlier. During 2009/10 AGL hired three women for senior positions that have not traditionally been filled by females.

In April 2010, AGL undertook a pay equity analysis. The analysis showed that the gap between male and female remuneration at each level in the organisation was on par with the Australian average pay equity gap of 18 percent.

Although AGL's representation of women in leadership is close to the 33.5 percent benchmark for organisations that report to the Equal Opportunity for Women in the Workplace Agency (EOWA), the lower proportion of female leaders to male leaders is a significant factor in AGL's pay gap. Occupational segregation in AGL's workforce is also a key factor. AGL has many roles in specialities that are traditionally dominated by men (e.g. mechanics, engineers, sales, traders) that also attract a higher rate of pay. The majority of AGL's female employees tend to be found in customer service and administrative roles. AGL will continue to analyse its pay equity gap and implement solutions to close the gap wherever possible. 'Women in the Workplace' is one of the three areas of focus for AGL's Diversity and Inclusion Council for 2010/11.

During 2009/10 AGL submitted its annual report to EOWA and was commended on the level of analysis and progress made in understanding diversity issues at AGL. AGL remains compliant with the Equal Opportunity for Women in the Workplace Act.

AGL provides women with 12 weeks' paid maternity leave, which meets EOWA's benchmark for Employer of Choice for Women criteria. During 2009/10, 76 employees accessed maternity leave, and 28 of 36 employees returned to work at the end of their leave (78 percent, down from 92 percent in 2009/10). New parents at AGL can apply to work flexibly when they return to work. 68 percent of the women who returned took up flexible working arrangements in the form of part-time work (up from 57 percent last year).

Inclusive workplace

AGL recognises that all people working in, or visiting, AGL workplaces have the right to be treated with respect and fairness and to enjoy an environment free of discrimination, harassment, bullying and other unlawful behaviour. This is a key characteristic of an inclusive workplace.

AGL provides education about discrimination, harassment and other unlawful behaviour through compulsory induction training. During 2009/10, a new eLearning platform was established to improve deployment and reporting on induction training. Since February 2010, 105 new employees have completed induction training.

AGL encourages employees to speak up about unacceptable and unlawful behaviour, and moves to resolve issues effectively and as quickly as possible. During 2009/10, AGL addressed ten issues relating to unacceptable behaviour in the workplace (compared to ten issues in 2008/09). Five of these issues were substantiated following investigation in accordance with AGL's Grievance Procedure. Of these, outcomes included implementing action plans agreed between the parties, and disciplinary action ranging from formal warnings to termination of employment in accordance with the seriousness of the matter.

AGL has also reviewed the approach to capturing, managing and resolving workplace issues and grievances. The AGL Ethics Panel supports the Diversity Policy Framework as a forum for addressing systemic issues related to employee behaviour in the context of the AGL Code of Conduct. The independent Ethics Panel member provides an 'Ethics Line' service, acting as a last resort contact point for potential breaches of the Code and to investigate matters in an impartial and independent manner.

Flexible working arrangements

During 2009/10 801 employees responded to an online survey designed to gain an understanding of how flexible work practices were being used across AGL.

Forty-eight percent of respondents have a responsibility for the care and support of others (including children, the elderly, and those with disabilities or health problems). The utilisation of flexible working arrangements by respondents is summarised below:

Flexible work arrangements	Total usage	Usage - male	Usage - female
Flexible start and finish times	38%	40%	37%
Work from home (ad hoc)	19%	17%	20%
Access carer's (personal) leave	18%	15%	21%
Work part-time	7%	2%	13%
Reduced working week	5%	4%	7%
Job share	2%	1%	2%
Work from home (permanent)	2%	0%	4%

Of respondents 65 percent indicated that flexible work arrangements were working either effectively or very effectively. However, the level of awareness of flexibility options was low, with only 40 percent of men and 47 percent of women indicating that they had a good understanding of what is available. In January 2010 AGL's Flexible Work Arrangements Toolkit was launched to assist leaders and employees to successfully implement and manage flexible work arrangements.

Other key achievements

- > AGL established the Diversity and Inclusion Council, comprising senior leaders from all business units and chaired by the Managing Director. The council meets quarterly and sponsors the development and implementation of AGL's diversity strategy. Individual members act as ambassadors to drive and promote the benefits of diversity and the role of the Council throughout AGL.
- > A revised Code of Conduct was launched in September 2009, setting clear expectations about the ethical conduct and behaviour expected of all AGL employees.
- > AGL undertook research to get a better understanding of diversity issues at AGL. Discussion groups, involving the participation of 131 employees, were held to gather in-depth, qualitative data about diversity issues at AGL.

Talent, acquisition and development

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

The 'war for talent' in the energy sector presents a strategic opportunity and threat for AGL. The energy industry is radically changing due to government deregulation, climate change policies, privatisation of electricity assets in New South Wales and the development of renewable energy technology. Having the right people with the right skills in place will be a key enabler for AGL in responding to these challenges.

Talent acquisition

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

During the reporting period, a program of internal and external research was conducted to define AGL's Employer Brand. The AGL Employer Brand describes the unique and compelling rewards and benefits offered by AGL, in return for the skills, capabilities and experiences that employees bring to AGL.

The benefits of working at AGL include a work environment which is stimulating, collaborative and productive. AGL also supports the aspirations of employees who seek to develop their careers at AGL – whether moving up through leadership roles in the organisation or by expanding their skills and experience as specialists in their chosen field. The AGL Employer Brand will be launched in late 2010 and embedded in talent acquisition processes.

In late 2009, a dedicated in-house recruitment delivery model was established, under the banner of 'AGL Careers'. This approach represents a significant change in recruitment strategy, bringing the function in-house to ensure a robust recruitment process, consistent articulation of AGL's employer brand and creating an enhanced candidate experience which positively impacts company reputation. The new process includes customised assessment tools and methodologies to recruit candidates with the right skills and behaviours.

This new model has been launched in the Customer Services part of the business, with the plan to roll the model out to the wider AGL business in 2010/11.

This new approach to recruitment has resulted in an 11.7 percent improvement in the retention of new hires since its inception.

The selection process for senior leadership positions has been enhanced to include more internal candidates, and to increase the number of female candidates. To ensure 'AGL fit' in terms of aspiration, leadership capabilities and cognitive capacity, a series of structured behavioural interviews and psychometric assessments are used to select a short list for executive team members to review. There is a requirement that at least one qualified female candidate must be considered for all senior leadership positions.

To address aging workforce issues at some of AGL's operational assets, AGL launched a new apprenticeship program designed to build skills for the future. Twelve new apprentices were hired during 2009/10, the intention being to provide the apprentices with exposure across a range of AGL's operational sites as they move through the four-year program.

Talent management

The AGL Talent Management Program was refreshed and relaunched during 2009/10. This program allows senior leaders to forecast their talent needs based on emerging business requirements, and also profile their talented employees' capabilities and career aspirations. Development opportunities are discussed with the aim of building breadth of experience and knowledge for business leaders of the future.

Induction

AGL runs a structured induction program for new employees, which includes an information pack as well as eight compulsory compliance training modules which must be completed within the first month of joining AGL.

During 2009/10, over 500 new employees attended an AGL Corporate Welcome Day, a one-day, interactive, face-to-face experience where they learn about AGL's business, strategic direction, vision, goals and values. The day aims to make new employees feel valued and provide them with a better understanding of AGL and where their position fits within the organisation.

Providing adequate learning and development opportunities is critical for ensuring that customer service employees deliver a quality customer experience. All new hires in customer service roles receive a thorough three-week induction in relevant processes, systems and service skills prior to any customer contact. Training to develop the competence and confidence of customer services employees is also provided when new process and system enhancements are introduced, to minimise the risk of service levels being impacted during change.

Learning and development

AGL's online learning platform, Empower, was launched in February 2010. This provides a central portal for the delivery of compliance training and offers employees improved access to

learning and development opportunities. As of 30 June 2010, there were more than 1,500 active users of Empower, demonstrating a high level of awareness amongst employees of the new platform. Over time Empower will become a comprehensive learning portal for gaining business knowledge about AGL's diverse operations.

During 2009/10, AGL also completed pilot testing and evaluation of its leadership development programs, which are summarised below.

Turnover

Total voluntary and involuntary turnover for 2009/10 was 26.4 percent, a slight increase from 24.9 percent in 2008/09. However, voluntary turnover (or attrition) decreased slightly at 18.9 percent in 2009/10, compared to 19.5 percent in 2008/09.

Similar to 2008/09, higher than average voluntary turnover was experienced during 2009/10 in certain employee groups, particularly: females, under 30 years of age, employed in either Canberra or Adelaide (44 percent and 37 percent respectively). This demographic is consistent with two of AGL's customer service centres. Nevertheless, significant reductions in voluntary turnover have been achieved over the past 12 months with:

- > a 29 percent improvement (or reduction) in voluntary turnover for females, under 30, employed in Canberra
- > a 26 percent reduction in voluntary turnover achieved for females, under 30, employed in Adelaide.

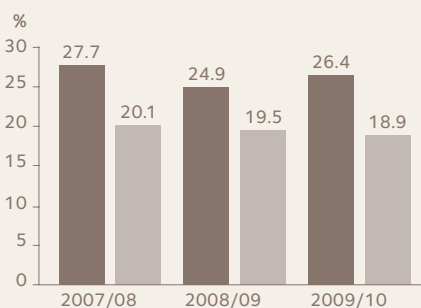
Leadership training and development programs

Program	Purpose	2009/10 participation rate
Leadership Foundations ¹	One-day introduction to leadership for leaders new to AGL or those newly promoted into leadership roles	39 leaders
Mt Eliza Business School Academy	Customised AGL residential program to develop experienced leaders' skills and prepare them for greater responsibility	31 leaders
AGL Frontline Leadership Diploma ¹	Provides frontline leaders with the knowledge and skills to achieve better performance and increased productivity at the operational level	16 leaders graduated 21 additional leaders commenced
360 degree feedback program	Provides direct feedback on how leaders are perceived by their key stakeholders in relation to the AGL Values and the AGL Leadership Capabilities Framework. On receiving their feedback, leaders work with an external coach who helps them to identify what actions they need to include in their Career Development Plan. Leaders have the option to take up a structured coaching program to address their development needs if appropriate.	208 leaders

Note

1 Pilot testing and evaluation completed during 2009/10.

Voluntary and involuntary turnover



Legend

- Total turnover
- Voluntary turnover (attrition)

Notes

Total number of departures per FTE (full-time equivalent).
Due to a time lag in capturing AGL employee departures and arrivals, the turnover data presented above (as at 30 June 2010) differs slightly to figures previously released by AGL.

Reward, recognition and benefits

Providing clear expectations and recognising and rewarding performance and contribution to the business is motivating for employees and critical to achieving AGL's goals and targets.

Performance and Development Review process

AGL's Performance and Development Review (PDR) process is used to measure and manage employee performance. The PDR process incorporates measurable objectives, regular (at least monthly) one-to-one conversations between leaders and employees, mid-year and full year performance reviews, career development planning and stakeholder feedback.

The PDR delivers on AGL's commitment to provide all employees with clarity about what is expected of them, and links reward and recognition of employees' performance and contribution to the business in a transparent and equitable manner.

All of AGL's employees are required to receive annual and mid-year performance and career development reviews under the PDR process.

To increase the transparency of the PDR process, a company-wide calibration process was introduced in July 2009, and re-run in July/August 2010 to ensure that performance ratings are applied consistently and equitably.

To ensure employees' efforts are aligned to strategic goals, mandatory objectives were developed and cascaded through the executive team to other layers of leadership (where relevant). The mandatory objectives included specified financial targets, health, safety and environment targets (including lead and lag indicators), and employee engagement targets.

Career development

AGL supports career development by requiring that each employee documents a Career Development Plan (CDP), which is discussed and agreed with their leader. Employees may also choose to include one career development objective in their PDR plan.

The CDP supports leaders and employees in identifying and planning for short- and long-term career goals. Short-term career development objectives focus on building on the skills, knowledge and experiences required for employees to achieve their goals for that financial year. Longer-term objectives focus on improving performance in an employee's current position or preparing for the next career step.

In 2009/10, the Career Management @ AGL program continued to be implemented across the business. The Career Management @ AGL program is conducted by an external and independent company, Right Management, and enables employees to develop a sense of career ownership and understand how to leverage their strengths in their current roles and future assignments with AGL.

The outcomes of the program include a realistic Career Management Action Plan and preparation for a structured career discussion with their direct leader. During 2009/10, 228 employees and 162 leaders participated in the program.

Assisted Education program

AGL supports employees completing formal qualifications at secondary and tertiary level, through the Assisted Education program. This program supports employees financially and by

allowing time off work to study. In 2009/10, AGL provided \$203,000 in financial support to employees on the program, compared to \$228,793 in 2008/09.

Reward and recognition

Remuneration is a core driver for employees. AGL regularly benchmarks key roles against external market data to check that remuneration policies are effective in attracting and retaining the right people. Generally total remuneration is targeted within the 50th to 75th percentile market range.

AGL's remuneration system includes a short- and long-term incentive program for senior leaders and a short-term incentive for middle and emerging leaders, with payment of the incentive based on achieving a combination of company and individual targets. Currently, 42 percent of AGL's employees (895 people) are eligible to participate in short-term incentive programs, and one percent of employees (22 people) are eligible to participate in long-term incentive programs.

All employees (with the exception of defined senior executives, and employees with less than 12 months of service) are eligible to participate in the Share Reward Plan, under which employees are invited to take up ownership of \$1,000 of AGL shares at no personal cost, subject to AGL achieving specific business outcomes. These business outcomes include: financial growth, achievement of HSE Action Plan requirements and reduction in Ombudsman complaints. Seventy-five percent of employees (1,603 people) were invited to participate in the Share Reward Plan in 2009/10.

A new incentive program was introduced in the Customer Service area for 2009/10. This program has both short- and long-term components. Employees' performance is assessed against a monthly scorecard and a short-term incentive is paid to the top 30 percent of performers each month. The top 30 percent of performers nationally who achieve a PDR rating of three or higher at the end of the PDR cycle are also eligible for an annual incentive.

In addition, the incentive plan for employees at the Torrens Island Power Station who are employed under an Enterprise Bargaining Agreement has been changed to include the payment of a discretionary bonus for performance against PDR objectives in addition to the previous payment for overall power station performance.

Employee benefits

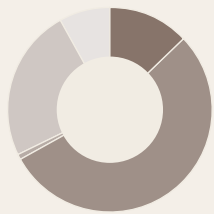
AGL offers:

- > 12 weeks paid maternity leave (with flexibility to take this leave at half pay over 24 weeks) and five days paid paternity leave
- > 25 percent employee discount on AGL energy usage and service charges
- > up to two years salary continuance income protection in the event of an illness or injury
- > financial and study leave support for employees pursuing further study through the Assisted Education program
- > access to a counselling service for employees and their families
- > volunteering leave
- > AGL matched charity giving program (Employee Giving)
- > Wellbeing program
- > flexible work options
- > discounted health insurance.

Additional people data: workforce snapshot

At 30 June 2010, AGL had a total of 2,126 employees corresponding to 2,078 full-time equivalent (FTE) employees. This compares to 2,138 employees (2,095 FTE) at the end of 2008/09.

AGL workforce

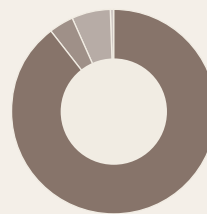


Legend	
State	%
● NSW	13%
● Vic.	54%
● Qld	1%
● SA	24%
● ACT	8%
Total employees (FTE) 2,078	

Note

Includes fixed term, permanent full-time, and permanent part-time employees on a FTE (full-time equivalent) basis as at 30 June 2010. Excludes casual, labour hire and contract workers.

Employees by employment status

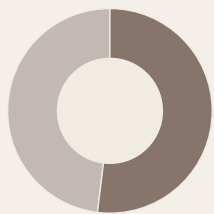


Legend	
● Permanent full-time	89.7%
● Permanent part-time	3.7%
● Fixed term full-time	6.3%
● Fixed term part-time	0.3%
Total employees (FTE) 2,078	

Note

Includes fixed term, permanent full-time, and permanent part-time employees on a FTE (full-time equivalent) basis as at 30 June 2010. Excludes casual, labour hire and contract workers.

Employees by contract type



Legend	
● Awarded	52%
● Salaried	48%
Total employees (FTE) 2,078	

Note

Includes fixed term, permanent full-time, and permanent part-time employees on a FTE (full-time equivalent) basis as at 30 June 2010. Excludes casual, labour hire and contract workers.

Employees by gender

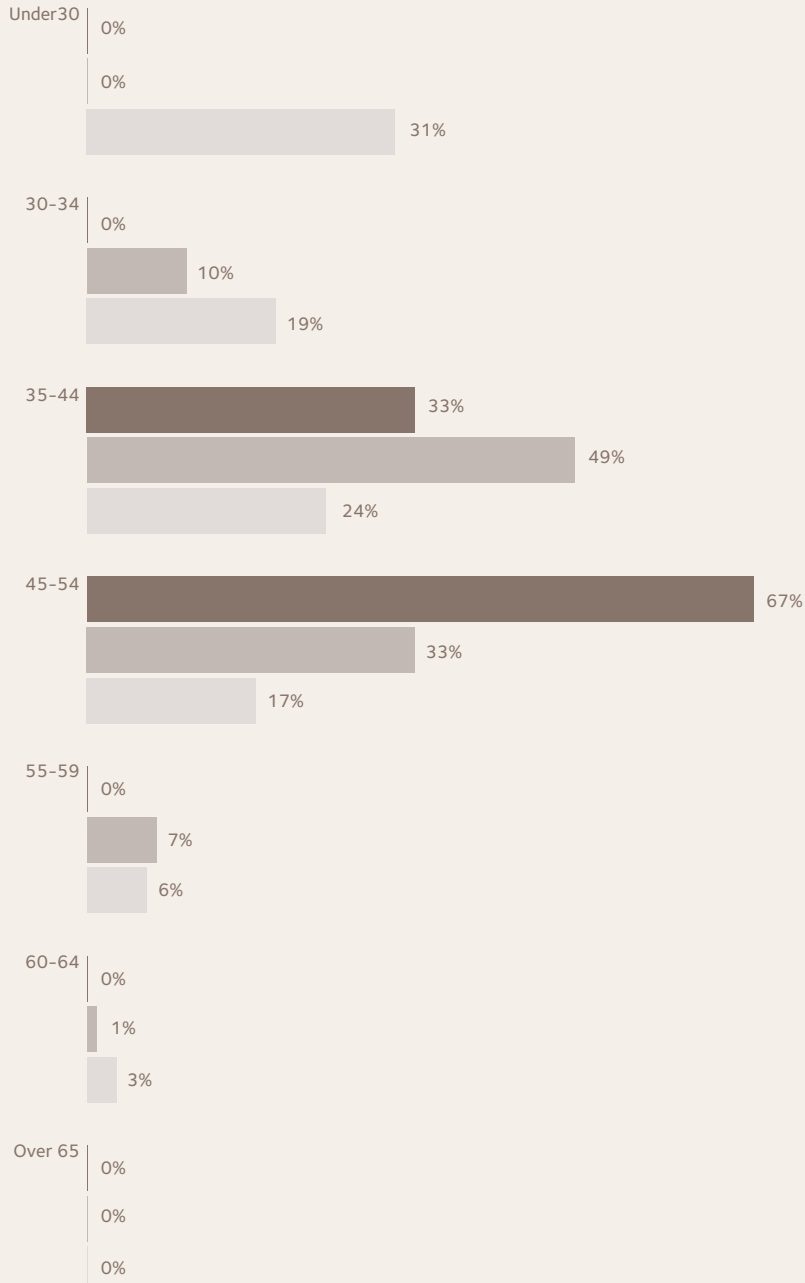
Employee Group	Males (%)	Females (%)	Percentage change (females) since 2008/09
Executive team	89%	11%	No change
Senior Leadership Group	76%	24%	Decrease by 9 PP
Business leaders	66%	34%	Increase by 5 PP
Frontline leaders	65%	35%	Decrease by 2 PP
All AGL employees	54%	46%	No change

Legend	
● Males	
● Females	

Note

Includes fixed term, permanent full-time, and permanent part-time employees on a FTE (full-time equivalent) basis as at 30 June 2010. Excludes casual, labour hire and contract workers. PP = Percentage points

Employees by age



Legend

- Executive team
- Senior Leadership Group
- Total employees

Notes

Includes fixed term, permanent full-time, and permanent part-time employees on a FTE (full time equivalent) basis as at 30 June 2010. Excludes casual, labour hire and contract workers.

Safety performance

Safety is one of the core values underpinning AGL's business. Health and safety considerations are integrated into all business decisions and processes.

Approach

Safety has continued to be a priority for AGL in 2009/10 across all levels of the organisation. Safety performance is regularly monitored at the AGL Board level through the quarterly meetings of the Safety, Sustainability and Corporate Responsibility Committee, and by the executive team. Safety is also reviewed in leadership and team meetings across the business.

A health, safety and environmental (HSE) management system (known as 'Life Guard'), documents AGL's framework of policies, standards, guidelines and management practices for consistent and continuous improvement in health, safety and environment performance, and is a key element of ensuring compliance with HSE legislation.

AGL's HSE Strategy and annual HSE Action Plans are built on four cornerstones which are: leadership, systematic approach, continually building an active HSE culture, and safe workplaces and equipment. Further details on the implementation of the AGL HSE Strategy can be found on [page 88](#).

AGL's HSE risks include contact with fixed or moving plant equipment, slips/trips, psychological injury, collisions with moving objects, flammable gas, electricity and customer contact hazards in the retail business. AGL manages these risks by operational process, management supervision and hazard control.

Vision for organisational safety: AGL's vision is to have zero injuries.

Drivers: Safety performance is driven by a systematic approach to safety strategy, and a workplace culture that actively embraces safety as a core business value [page 88](#). Employee wellbeing ([page 89](#)), and employee engagement [pages 79 to 83](#) are also key drivers of safety performance.

Performance

AGL measures and tracks safety performance, using a number of trailing performance indicators, based on reported safety incidents.

Historically, AGL used lost time injury frequency rate (LTIFR) as the key safety indicator. To provide a broader focus on injury prevention, AGL has now adopted total injury frequency rate (TIFR) as the primary measure of safety performance.

Total injury frequency rate (TIFR)

In 2009/10, AGL performed better than the TIFR target of 3.9, achieving a result of 2.7. Over the 2010/11 reporting period, AGL has set a target to achieve a TIFR result of 2.5.

The continued focus by AGL and its leaders on promoting safe behaviour is a key influence in the 55 percent improvement in TIFR, together with the improvements in LTIFR and MTIFR of 52 percent and 57 percent respectively.

Other performance indicators

Lost time injury frequency rate (LTIFR)

Safety performance, shown in the chart below, has steadily improved since 2007/08. In 2009/10, AGL set a LTIFR target of 2.0 and exceeded this target achieving a result of 1.2.

Medical treatment injury frequency rate (MTIFR)

MTIFR decreased in 2009/10 to 1.5, compared to 3.5 in 2008/09.

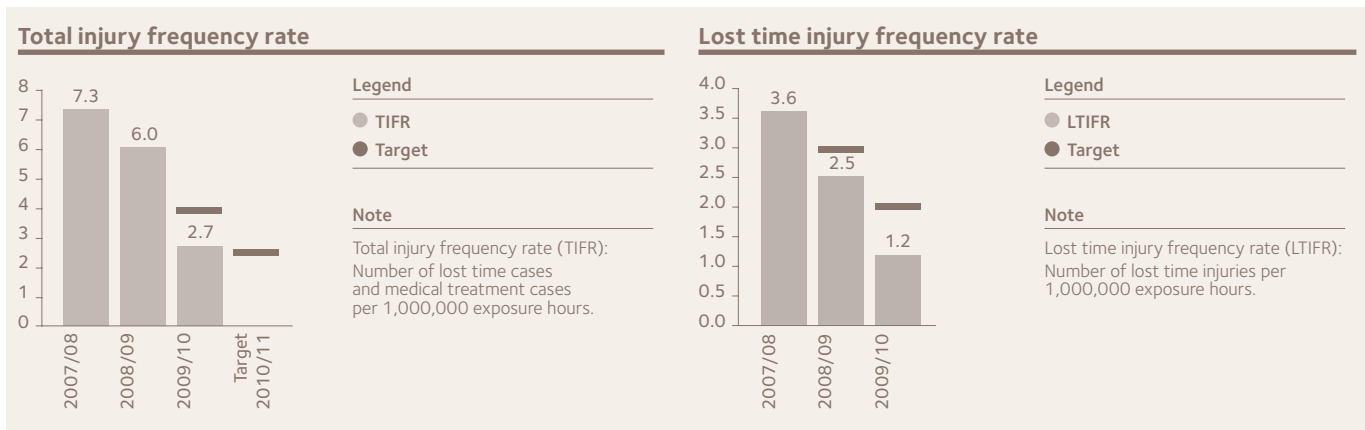
Fatalities

In 2009/10 there were no fatalities.

Duration rate

In addition to safety indicators that track the frequency of incidents the tracking and reporting of lost time injury duration rate provides a holistic view of the impact of lost time injuries, by looking at the amount of time lost, rather than only the frequency at which incidents occur.

The duration rate has decreased in 2009/10 to 39.4, from 52.7 in 2008/09. The decrease is attributable to the close of a long duration injury.



Incidents

At AGL an incident is defined as anything that did or could result in an injury or illness to any person, damage to plant, adversely affect AGL's reputation or damage the environment. As such, incidents include potential incidents or 'near misses'.

The improvements in TIFR, LTIFR and MTIFR during 2009/10 contrast with an increase in significant incidents within the same period. This increase is partially attributed to improvements during 2009/10 to the systems and processes for hazard and incident reporting. AGL has focused on the prevention of high and very high-risk potential incidents, and an assurance program has been established to audit the completion of actions arising from incidents considered to be significant in terms of their potential for harm to people or property.

In the medium term, AGL will commence tracking leading indicators and focus on reduction of high-risk potential incidents. This will include risk-based monitoring of hazards, near misses and incidents, rather than focusing on the severity of injuries.

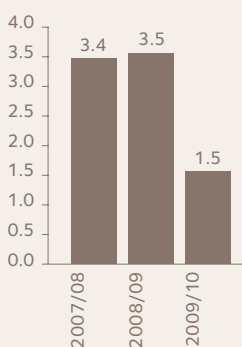
AGL aims to achieve a safety culture, in which employees will be aware of and actively taking steps to manage the safety of their colleagues, rather than relying on a top-down safety enforcement.

Contractor safety performance

AGL monitors and reports the LTIFR of contracted workers, to provide a more comprehensive representation of AGL's safety performance. In 2009/10 the LTIFR for contracted workers was 0.7, which compares favourably to the LTIFR of 1.2 for AGL employees.

Contractors employed in the Power Development (asset creation) business of AGL achieved a LTIFR of zero for the 0.35 million contractor work hours in 2009/10.

Medical treatment injury frequency rate



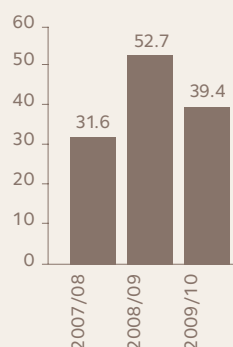
Legend

● MTIFR

Note

Medical treatment injury frequency rate (MTIFR): Number of medical treatments per 1,000,000 exposure hours.

Duration rate



Legend

● Duration rate

Note

Duration rate: Average number of days lost per injury.

Fatalities

	Number
2007/08	0
2008/09	0
2009/10	0

HSE Strategy

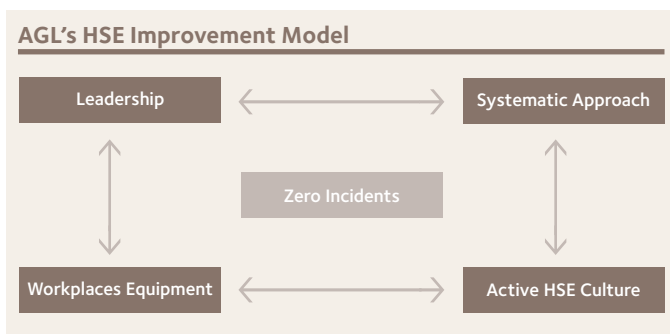
AGL's strategy for managing safety is based upon the premise that all injuries are preventable.

Keeping AGL employees, contractors and the public safe is essential to the way AGL does business. The AGL Health, Safety and Environmental (HSE) Strategy provides the framework to drive change in HSE culture and performance, assisting AGL in achieving its goal of being a safe and sustainable business.

The HSE Strategy is built on four cornerstones which are:

- > leadership
- > a systematic approach
- > an active HSE culture
- > safe workplaces and equipment.

The HSE Strategy is enabled through the delivery of the annual HSE Action Plans, and measured through HSE monthly performance reports.



Systematic approach

AGL's HSE management system, Life Guard, is based on the requirements of:

- > AS/NZS 4801 (2001): Occupational Health and Safety Management Systems
- > AS/NZS ISO 14001 (2004): Environmental Management Systems.

Internal and external audits of the Life Guard system facilitate a culture of continuous improvement. Audit findings are reflected in both local action plans and improvements to the management system, strategic direction and safety programs. AGL is currently in the process of finalising a three-year audit program which includes an annual component focused on key elements of Life Guard.

AGL has annual HSE Action Plans in each business unit, tailored to deliver improvements for specific risk areas. During 2009/10 AGL has completed 100 percent of the actions in each HSE Action Plan, delivering improvements in:

- > creating or reviewing systems and procedures in key risk areas
- > delivering HSE training
- > conducting safety culture surveys
- > conducting safety observations
- > assessing leading indicator performance
- > implementing green office program.

Leadership

Strong and dedicated safety leadership is a cornerstone requirement for achieving a no harm work environment at AGL. An effective safety culture requires commitment, accountability and continuous reinforcement from all levels of management, including the AGL Board.

The AGL Board and executive team review safety performance via the monthly Group Performance Report. Furthermore the Board Safety, Sustainability and Corporate Responsibility Committee reviews safety performance on a quarterly basis, audit findings and recommendations, strategic priorities and incident performance.

In addition, there is a dedicated senior management committee in the Merchant Energy business unit which monitors HSE performance and delivery of HSE Action Plans. This committee consists of nine members of senior management, together with representatives of the HSE team.

Safety culture

Improving the safety culture at AGL continued to be a focus during 2009/10.

The undertaking of safety observations is an initiative to raise employees' awareness of their own behaviour, with a view to preventing unsafe behaviour. Safety observations are a simple process of observing people as they work, and subsequently engaging them in discussion to reinforce safe behaviour and to understand the reasons for, and change, unsafe behaviour.

During 2009/10 AGL's safety culture advanced with 1,595 safety observations recorded across the entire business, compared to 2008/09 when safety observations were limited to one operational site.

The results of the 2010 Employee Engagement survey indicate the importance of safety and safety culture at AGL. Eighty-nine percent of respondents agreed that workplace safety and security was viewed as important at AGL, while 92 percent stated that they would speak up if they noticed someone taking shortcuts that compromised safety.

New employees and contractors are introduced to the safety culture at AGL through the delivery of induction and HSE management system (Life Guard) training. In February 2010, AGL introduced a new online HSE induction, and 254 (over 80 percent) of new employees, transferees and contractors completed the online HSE induction as at 30 June 2010.

Workplaces and equipment

In addition to managing HSE systems, safety culture and leadership, the physical risks present in AGL work environments need to be assessed and managed. Workplace risk assessments are carried out at operational sites.

HSE consultation committees and representatives are an important link in engaging with employees on matters relating to safety, health and the environment; and in delivering the HSE Strategy.

During 2009/10 AGL continued to consult with employees on HSE issues with 50 employee representatives on the seven HSE Committees, covering AGL's 2,078 employees (headcount basis). The HSE committees discuss, among other topics, the potential risks present in workplaces and the use of equipment.

Key achievements

Key achievements during 2009/10 included:

- > development of organisation-wide HSE Incident Management procedure
- > upgraded incident recording system with more than 40 percent improvement in customer satisfaction in 'ease of use'
- > roll-out of online training in HSE Incident Management procedure to 88 leaders
- > review of permit-to-work and HSE risk management compliance guides
- > development of and trial of contractor (safety) management procedure
- > conduct of a HSE strategy and performance benchmarking study against leading industry performers.

Wellbeing

AGL supports the wellbeing and good health of its people through a range of initiatives, and recognises the influence that employee wellbeing can have on employee engagement and on achieving a high performance culture.

Approach

AGL has taken an organisational approach that recognises and actively promotes the value of good health and wellbeing, and deploys initiatives aimed at maintaining and enhancing the wellbeing of AGL people.

AGL's wellbeing framework incorporates five key wellbeing areas:

- > physical
- > emotional
- > social
- > financial
- > creative.

Wellbeing initiatives are delivered under each of the five key wellbeing areas, and range from financial learning programs, fitness programs and influenza vaccinations; to social and book clubs; and the provision of fruit in the workplace.

The Employee Assistance Program is another component of the wellbeing program, and offers a confidential and independent counselling and advice service for AGL employees, and their immediate family members.

A leader hotline is also available through the Employee Assistance Program, providing AGL leaders with access to support and coaching on people management issues. This telephone-based service is designed to assist leaders to proactively address issues within the early stages.

Performance

During 2009/10 there were 4,683 participants in the various Wellbeing initiatives. This equates to an overall participation rate of 225 percent per person (FTE), in Wellbeing activities. This means that on average, each AGL employee participated in two or more Wellbeing activities throughout the year.

788 AGL people participated in the 2009/10 influenza vaccination program, which is comparable to the 750 participants in 2008/09.

Wellbeing programs and participation rates

Wellbeing activity	Participation rate (of FTE) ¹	Notes
Employee Assistance Program	7%	1 Participation rates for 1 July 2009 to 30 June 2010, based on FTE as at 30 June 2010 (rolling 12 month average). 2 Based on the number of books purchased. 3 Fruit baskets ordered for teams equivalent to 45% of FTE. 4 Calculated from the number of logons to Money 101.
Book Club ²	32%	
Fruit at Work ³	45%	
Money 101 ⁴	69%	
Influenza vaccination (seasonal program)	38%	
Summer Step Challenge	36%	

AGL’s goal is to connect our business and employees with the community in ways which make a genuine positive contribution, engage our people and strengthen our business.

The success of AGL is measured not only by its financial performance, but also by the social and environmental impacts company decisions and actions have on the wider community.

AGL has a responsibility to work with the community to develop mutually beneficial development projects; and to sensitively manage the associated environmental, social and financial outcomes. Only by engaging communities during the project development process (i.e. the entire project life-cycle) is AGL able to deliver and operate projects while satisfying community concerns.

The variable nature of AGL’s development projects necessitates a tailored approach to community engagement based upon the needs of individual communities and projects. AGL establishes constructive working relationships and multi-directional communication channels with community stakeholders including: government groups, asset owners, local community groups, indigenous groups, businesses, residents and local media. AGL also supports local communities through local sponsorships, providing financial and in-kind support for issues important to those communities.

To build upon engagement with the local communities in which AGL owns and/or operates assets, AGL’s Energy for Life program seeks to make a genuine contribution to the wider community. AGL is cognisant of the fact that some members of the community experiencing short- or long-term hardship may find it difficult to access essential services such as energy, or may be without a home. Homelessness is one of the main focus areas of the Energy for Life program, which is reflected across the program’s four initiatives:

- > Employee Giving
- > Employee Volunteering
- > Warmth in Winter
- > other partnerships, including Energy Matters.

The two key focus areas for the Community chapter of this report are community engagement and community contribution. An overarching sustainability indicator and target for 2010/11 accompanies each of these focus areas – however success in these areas is dependent on a number of factors which are outlined in further detail in the following pages.

Community engagement: Community liaison and consultation, as measured by the proportion of successfully implemented community engagement plans, are vital to the success of new developments, the expansion of existing infrastructure and ongoing operations.

Community contribution: AGL has an opportunity to positively contribute to local communities, vulnerable Australians, and community causes that reflect the interests of AGL employees. The success of AGL’s community contribution program is measured by the level of community investment with a particular focus on investments which employees contribute to, namely Employee Giving and Volunteering initiatives.



Power Development

AGL will be a long-term owner/operator of electricity generation assets, including wind farms, hydro and other power stations, and is committed to being a valued member of the local community.

Approach

The community is a key stakeholder in AGL's power development projects. AGL manages power development projects in accordance with a project management framework that addresses community consultation as an important part of the project communications plan.

AGL's approach to community engagement is based on the needs of the community and the nature of individual projects. AGL's Power Development group has established a Community Charter that publicly sets the minimum standards for community engagement for construction projects.

Power Development Community Charter

- > **Principle 1:** We will deliver on our promises to the community – with actions, not words.
- > **Principle 2:** We will endeavour to respond to all queries within five working days.
- > **Principle 3:** We may not be able to solve all perceived problems put to us, but we will investigate, aim to find a solution and communicate the outcomes.
- > **Principle 4:** We are committed to being a valuable member of the community by using our resources to build a stronger local community.
- > **Principle 5:** We will leave a positive legacy in the community that extends beyond the life of the project.
- > **Principle 6:** We will positively discriminate in favour of local suppliers providing they have the necessary skills and competencies and are competitive with alternate providers.

Performance

AGL's Power Development group implemented a new Project Management Framework requiring community engagement plans to be developed as part of the communication plan for each new construction project. All Power Development construction projects that commenced during 2009/10 have community engagement plans.

Power Development also undertakes the necessary community consultation on projects during development.

Hallett wind farms

With five wind farm projects situated in the Hallett region of South Australia, AGL has a significant presence in the local community. During 2009/10, the AGL Hallett 1 Wind Farm and the AGL Hallett 2 Wind Farm were operational, with the remaining three wind farm projects being in various stages of the development and construction life-cycle.

The AGL Hallett 2 Wind Farm was officially opened on 29 May 2010 by the Premier of South Australia, the Hon Mike Rann MP, as part of an open community event which included site tours to thank the local community for supporting the project.

The AGL Information Centre in Burra is recognised within the local community as the place to obtain information and provide feedback on the Hallett wind farm projects. Visitor numbers and feedback from the community received through this centre as well as other channels is measured. During 2009/10:

- > over 3,600 people visited the Centre
- > an average of 11 concerns were raised by the community per quarter.

Key topics raised by the community in the last 12 months included concerns around television reception and noise.

Whilst the television reception within the Hallett township and surrounds is considered marginal, AGL investigated the option of constructing a television translator on Gumbowie Hill in response to community concerns and to provide a benefit to the wider community. Following the Federal Government announcement on 5 January 2010 'Digital television Australian-wide', AGL completed a study on the proposed digital satellite service. AGL subsequently commenced a roll-out of satellite dishes and receivers to residents within the Hallett community who neighbour wind farms that are either in development, under construction or operational, in lieu of building a television translator.

AGL has commenced post-construction noise testing of the AGL Hallett 2 Wind Farm to demonstrate compliance with the South Australian Environmental Protection Authority's 'Wind farms environmental noise guidelines' (July 2009).

In response to community concerns raised during 2008/09 regarding the Civil Aviation Safety Authority's (CASA) lighting on wind turbines, AGL conducted a risk assessment that determined that navigation lights were not required for the Hallett wind farms. Air Services Australia was notified of the location of the constructed wind turbines, and this information was included on their aviation hazard charts. The lights were subsequently turned off during December 2009 (Hallett 1) and January 2010 (Hallett 2).

Wind Farm Community Fund

AGL has established the AGL Hallett Wind Farm Community Fund. Through the Community Fund, AGL aims to provide annual grants to local community based projects and groups for the next 25 years. AGL will provide \$15,000 for each wind farm (following development approval) each year for the next 25 years, indexed at CPI.

The AGL Hallett Wind Farm Community Fund for 2009 (calendar year) totalled \$48,900 and was donated to a range of community projects, including restoration of the Mt Bryan Soldier Memorial Hall, contribution towards a new tractor for the Mt Bryan Progress Association, new stoves for the Burra Community School and shading for Booborowie Community Pool.

Economic impact assessment

AGL undertook an economic impact assessment of the Hallett Wind Farms during 2010 to assess the economic impact that the Hallett wind farm projects have had on the economy in the region. Refer to [page 45](#) for further details.

Bogong Hydro Power Station

The Bogong Hydro Power Station was officially opened on 20 November 2009 by the Premier of Victoria, the Hon John Brumby MP. Following the official launch almost 1,000 community members attended a public event which included a tour of the power station.

AGL Hydro Information Centre was opened on 22 January 2010 to showcase the early construction days of the Kiewa Scheme and explain the importance of the Scheme to Australia. The Centre houses engineering models, historical and geological exhibits, a water wall and a life-size educational puzzle for children, a gallery wall displaying the history of the Kiewa Scheme, floor-to-ceiling viewing windows into the power station, computers and a 3D animation of the Bogong Hydro Power Station. Since the opening over 1,700 people have visited the centre.

Other projects

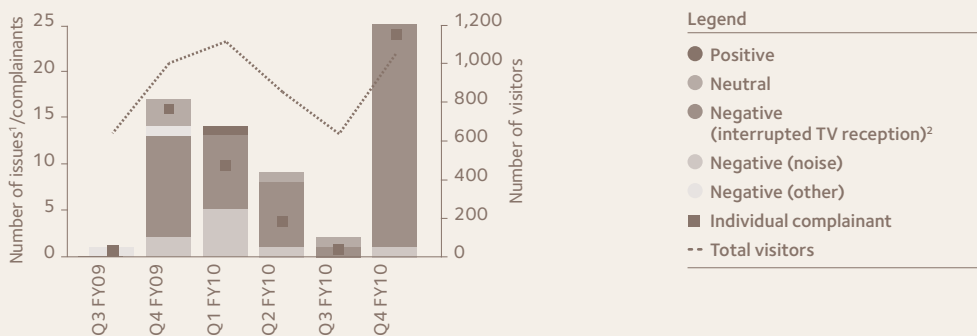
During 2009/10, community consultation has also been undertaken as part of the development approval process for the following Power Development projects:

- > Tarrone Power Station, Victoria (gas fired)
- > Dalton Power Station, New South Wales (gas fired)
- > AGL Hallett 3 Wind Farm, South Australia
- > AGL Hallett 5 Wind Farm, South Australia.

Other initiatives

- > AGL launched the 'Energy Generation' page on the AGL website which includes comprehensive information about projects under development. Project websites include a 'community matters' section which lists contact details for community enquiries and feedback, outlines the expected benefits of the project to the community, and emphasises AGL's Community Charter.
- > AGL is proud to support a selection of community events in areas where power generation assets are being developed or operated. AGL sponsored the AGL Bush to Burra cattle drive during October 2009 to raise money for health services and hospitals in the mid-north region of South Australia, and also supported the Kangaroo Hoppet ski event in August 2009 and the Audax Alpine Classic cycle event in January 2010, both in the Bogong alpine region.

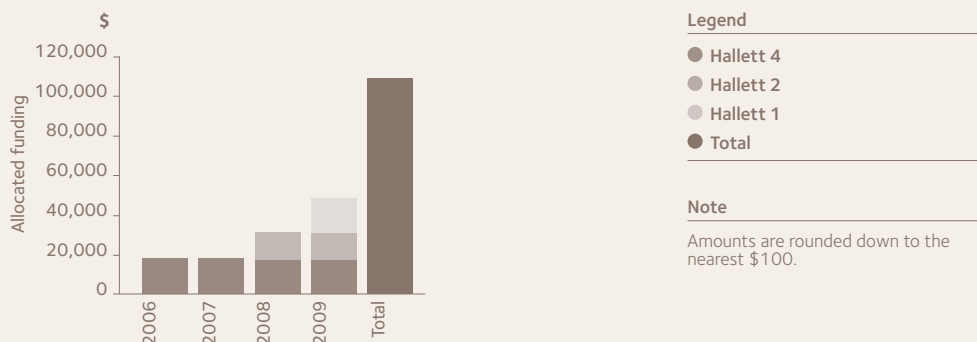
Community feedback at Burra Information Centre



Notes

- 1 Issues raised and noted in the community feedback register at Burra Information Centre are categorised and counted. However if an individual contacts AGL more than once on a specific issue (e.g. TV reception) they are listed as one complainant only and attributed to the quarterly period where the issue was first raised.
- 2 Timeline for the development of the satellite television project within the Hallett/Burra area:
 - > 5 Jan 10: Digital television Australia wide media release.
 - > 20 Jan 10: First satellite television installation complete.
 - > As at 30 June 2010, 33 orders were placed as part of the satellite television project. Of those orders, 15 installations were completed during 2009/10.

AGL Hallett Wind Farm Community Funds



Note

Amounts are rounded down to the nearest \$100.

Upstream Gas

Community engagement is a vital area for AGL's Upstream Gas business. AGL designs its upstream gas infrastructure to fit in with the surrounding community and environment.

Approach

As AGL's upstream gas exploration and production activities are primarily located on other people's land, AGL needs to have a flexible approach to land use to successfully coexist with many different industries and land uses, such as residential areas, grazing, cropping, park land, equestrian activities and horticulture.

AGL consults with landowners, neighbours, residents, local councils and relevant government agencies during all stages of the project life-cycle.

An Environmental Management System initially established for the Camden Gas Project documents the approach taken by Upstream Gas to community consultation. This approach has been adopted as the basis of environmental management plans for other exploration and development projects.

The Camden, Gloucester and Hunter projects have active Community Consultation Committees (CCC), each chaired by an independent chairperson. The three CCCs include local council appointed representatives, local residents, local environment groups and AGL representatives. The CCCs provide a forum for community involvement, where members can ask questions and make suggestions which AGL responds to and adopts where appropriate. The CCCs participate in consultation processes for proposed exploration and development activities and also oversee the environmental performance of those activities once in operation.

Dedicated sections within the AGL website provide project information including newsletters, minutes and other relevant documentation such as Environmental Assessment reports, and are one mechanism for ensuring interested community members have access to relevant information.

AGL also regularly distributes project newsletters and other communications to keep stakeholders informed and to invite feedback. AGL communications, including project signage, clearly display contact details.

Where possible, AGL obtains materials and resources for exploration and development projects from businesses based in the local communities.

Performance

Camden Gas Project

The Camden CCC met on three occasions during 2009/10, one meeting fewer than in 2008/09. Attendance at the recent CCC meetings has been low, which may indicate that AGL's operations are becoming increasingly accepted as business-as-usual within the local community.

Hunter Gas Project

The Hunter Bulga CCC met on eight occasions during 2009/10, compared to seven times in 2008/09.

A groundwater investigation and monitoring program was developed by Parsons Brinckerhoff, AGL and the Bulga CCC in response to community concerns to help the community understand what impacts, if any, there might be on groundwater as a result of exploration for natural gas. The program was independently reviewed by Professor Garry Willgoose from the School of Engineering at the University of Newcastle. The investigation and review confirmed that there would be negligible impact on the local productive alluvial and shallow bedrock aquifers. Gas pilot well testing only commenced once this review was complete.

AGL is demonstrating the ability for CSG exploration to co-exist with vineyards in one of Australia's premier wine making regions through its purchase and ongoing operation of the Spring Mountain vineyard in the Hunter Valley. AGL has worked with local vignerons and is undertaking exploration works in the vineyard, to demonstrate co-existence with agricultural activities.

Gloucester Basin Gas Project

The Gloucester CCC met on three occasions in 2009/10, once fewer than in 2008/09. The environmental approval process for the Gloucester Basin Gas Project was fully discussed with the committee. AGL is encouraged by the committee's request for meetings to be held only if there is something to report, an indication that the CCC process has been effective.

During 2009/10, AGL undertook the largest 3D seismic program in onshore Australia to date. This involved extensive community consultation and support. The survey covered approximately 50 square kilometres on an 80 metre grid spacing. It involved agreement to access 46 landholdings including active dairy and beef properties and an operational coal mine site. Properties were affected by the survey for between 10 to 30 days.

AGL has also announced a new youth development program at Gloucester. The program mentors young people using the community's volunteer groups. The independent steering team comprises the high school deputy principal, Neighbourhood Centre youth coordinator and Gloucester Project (two representatives with significant experience in assisting people with learning disabilities), and two AGL representatives.

Torrens Island Energy Park

Significant stakeholder consultation was undertaken as part of the Torrens Island Energy Park project in South Australia. Workshops were held at the start of the project planning process to develop a consultation strategy and also during the project planning process. Further workshops and meetings involved consultants, government representatives, state and federal ministers, state government agencies and regulatory authorities. Traditional Owners and Aboriginal Representatives were regularly consulted, so that native title and cultural heritage matters were addressed. Only one comment was received about AGL's project application, indicating that the stakeholder engagement strategy was effective.

Introduction to community contribution

Rigorous measurement and reporting of community investment activities can help ensure AGL's resources are allocated efficiently to maximise the benefits to the community.

Approach

Contributing to the communities in which AGL operates and the communities in which AGL employees live and work brings benefits to both AGL and the community. Communities benefit from receipt of in-kind and financial support, and AGL and its people benefit through the improvements to employee engagement that can come from Employee Giving and Volunteering initiatives. The measurement and reporting of AGL's community investments facilitates the efficient allocation of funding, maximising these benefits.

AGL contributes to the community through a variety of localised initiatives in the regions where it operates (such the AGL Hallett Wind Farm Community Fund in South Australia and other local sponsorships), and also contributes to the wider community through the Energy for Life program.

AGL is a founding member of the London Benchmarking Group Australia/New Zealand (LBG) and has been measuring and reporting the value of contributions to the community using the LBG model since 2005/06.

The LBG model is an independent framework for measuring, benchmarking and reporting a company's community contributions and achievements, and provides a consistent approach for organisations to account for their community contributions.

AGL applies the standardised methodology, definitions and valuations of the LBG model for measuring community contributions, thereby allowing comparison of AGL's community contribution against other energy companies and companies of a similar size.

The LBG framework breaks down community contribution by charitable cause (i.e. social welfare, environment, emergency relief, health or other), as well as by the motivation for the contribution (i.e. charitable donation, community investment or commercial initiative).

AGL also breaks down its community contribution according to the four Energy for Life program areas, as well as the support provided to the local community through local initiatives such as the AGL Hallett Wind Farm Community Fund and contributions arising from key brand sponsorships.

LBG is facilitated in Australia by Haystac Positive Outcomes (a division of Mitchell Communications Group). Haystac Positive Outcomes conducts an annual review of how AGL values community contributions using the methodology established by the LBG. A review statement from Haystac Positive Outcomes is included on [page 117](#).

In recognition of the contribution employees make to AGL's level of total community investment, a key measure of success is the value of the community contribution (as measured through the LBG model) arising from employee participation in Employee Giving and Volunteering initiatives. The success of these programs is also measured through employee participation indicators [page 95](#).

Vision for community contribution: AGL's vision is to have social return on investment measured, and at target levels.

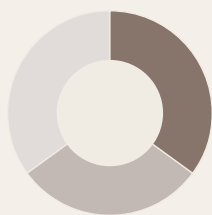
Drivers: The success of AGL's community contribution is influenced by engaging employees in the Employee Giving and Employee Volunteering initiatives [page 95](#), and by developing strategic charitable programs and partnerships that leverage the skills and strengths of AGL and its employees [page 96](#).

Performance

Using the LBG model, AGL's total community investment (including cash, staff volunteering and in kind contributions) in 2009/10 has been valued at \$1,665,598. Compared to the previous year the total community investment by AGL has remained relatively stable, with \$1,711,372 invested in 2008/09.

The value of community contributions made through Employee Giving and Volunteering amounts to \$232,900 for 2009/10, an increase of 26.5 percent compared to 2008/09.

Community contribution by motivation for investment

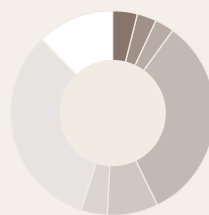


Legend	
● Charitable donation	35%
● Community investment	30%
● Commercial initiative	35%
Total value of investment \$1,665,598	

Notes

- The motivation types recognised by the LBG framework comprise:
- > Charitable donation – If the contribution is made out of a sense of moral responsibility or in response to society's expectations.
 - > Community investment – If the contribution was made out of a belief that companies have a long-term interest in fostering a healthy community in which they operate. This is often considered enlightened self-interest.
 - > Commercial initiative – If the contribution is part of a program that is designed to provide direct benefits to the Company, including stronger brand image, increased profitability, reduced costs and improved customer loyalty.

Community contribution by charitable cause



Legend	
● Arts and culture	4%
● Economic development	3%
● Education and young people	3%
● Emergency relief	33%
● Environment	8%
● Health	4%
● Social welfare	33%
○ Other ¹	12%
Total value of investment \$1,665,598	

Notes

- Represents the value of AGL's community contribution by subject focus (charitable cause) as defined by the LBG model.
- 1 Includes support for animal welfare and local community groups.

Employee Giving and Volunteering

AGL provides the means and opportunity for employees to make a genuine contribution to the community – by volunteering time and/or by providing direct financial support to causes that reflect their interests.

Volunteering

AGL's Volunteering program gives all employees the opportunity to take one day of paid volunteering leave each year to support community causes and charitable organisations. The Volunteering program supports those employees who are already community volunteers and encourages the participation of other AGL employees.

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

AGL provides the flexibility for employees to take volunteering leave in a variety of ways: including team projects, pursuing individual interests, or participating in AGL-led initiatives. Volunteering activities undertaken during 2009/10 ranged from preparing meals at FareShare – a charity that creates meals from donated food; to assisting to restore a family home destroyed during the 2009 Victorian bushfires in partnership with Habitat for Humanity.

In 2009/10, 251 AGL employees, or 11.8 percent of the total AGL workforce (by headcount), recorded a Volunteering leave day, contributing more than 2,000 hours of service to community causes and organisations. Compared to the 1,272 hours of volunteering leave recorded in 2008/09 this represents an increase of 57 percent.

The increase in the number of volunteering hours in 2009/10 has been attributed to increased internal promotion and building consistent communications urging employees to record their volunteering leave in the payroll system.

Using the LBG model the 2,008 hours of volunteering leave (recorded in SAP) taken in 2009/10 is conservatively valued at over \$110,000.

Employee Giving

AGL employees can elect to make regular payroll contributions to selected charity partners through the Employee Giving initiative. AGL enables employees to double the impact of financial contributions to these charitable organisations by matching each employee contribution to a total maximum of \$200,000 per year.

During 2009, an extensive review of the AGL Employee Giving charity list was conducted so that charity partners continue to reflect the interests of employees and the business. The list of charitable organisations which employees can support through payroll giving was consolidated from 18 to ten partners, taking effect from 1 January 2010. AGL's revitalised charity partner list is:

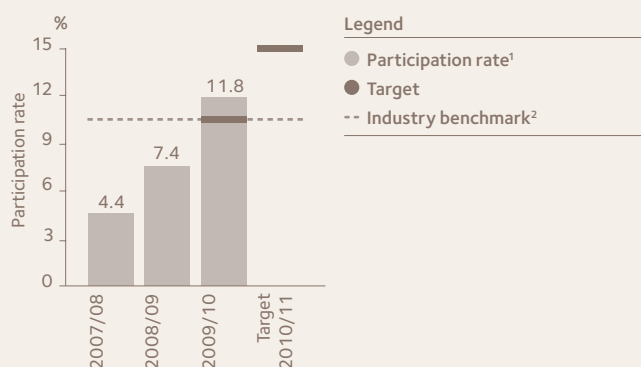
- > Australian Marine Wildlife Research and Rescue Organisation
- > beyondblue
- > Cancer Council Australia
- > CanTeen
- > CARE Australia
- > Habitat for Humanity Australia
- > Kids Helpline
- > RSPCA
- > The Salvation Army
- > WWF-Australia

During 2009/10, the average monthly participation rate in Employee Giving was 7.8 percent, which is consistent with the 2008/09 rate of 7.2 percent. Donations to AGL's charity partners through Employee Giving totalled over \$117,000 in 2009/10 (including employee donations and AGL's matched contribution).

The participation rate falls short of AGL's targeted rate of 10 percent. The consolidation of the AGL charity partners resulted in a number of existing Employee Giving donors electing to support their chosen charitable organisation outside of the payroll giving initiative following removal of some causes from the list of charity partners.

In addition to funds raised through payroll giving in 2009/10, an additional \$18,000 (including AGL matching) was raised through fundraising activities organised by employees for AGL Employee Giving charity partners.

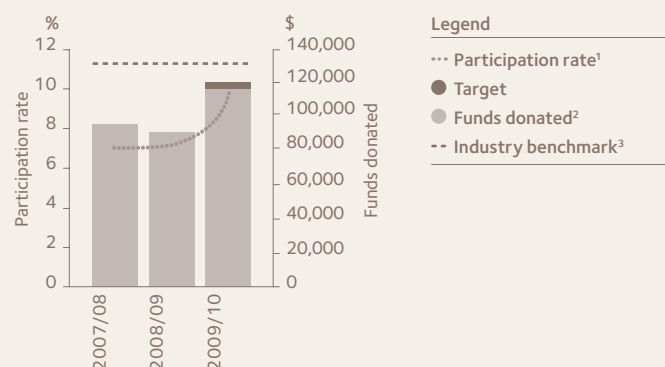
Employee Volunteering



Notes

- Participation rates are determined by comparing the total number of employees that recorded a volunteering leave each financial year with the total number of employees (by headcount) as at 30 June in the corresponding year.
- Average participation rate by companies in the 2009 LBG Australia and NZ Energy and Water Sector.

Employee Giving



Notes

- Average monthly participation rate.
- Includes AGL matching.
- Average participation rate by companies in the 2009 LBG Australia and NZ Energy and Water Sector.

Warmth in Winter and other partnerships

As an energy company committed to encouraging energy efficiency across the community, AGL places a special emphasis on assisting vulnerable Australians by pursuing initiatives that deliver sustainable change.

Warmth in Winter

AGL's Warmth in Winter initiative seeks to make a practical contribution to support homeless Australians by inviting crisis accommodation services to apply for a cash rebate, based on their previous year's winter energy bills.

The energy bill rebates provided by AGL allow these community organisations to redirect funds to other essential services that directly benefit their clients. All crisis accommodation services in the states in which AGL operate are eligible to apply for funding, regardless of whether they are an AGL customer.

As part of the Warmth in Winter initiative, AGL also funds a number of energy audits for crisis accommodation centres to identify cost-effective actions for reducing energy use. AGL also provides funding to the audited community organisations to facilitate the purchase and installation of energy efficient appliances to further improve their energy savings.

In 2009/10, AGL contributed almost \$150,000 to the energy bills of 250 crisis accommodation services across 87 charity organisations in Australia. This funding is equivalent to providing over 112,000 warm winter nights for homeless Australians, an increase of nearly 35 percent compared to the 83,000 warm winter nights funded in 2008/09. The increase in warm winter nights was primarily due to the funding of a higher proportion of shelters based in Queensland, where the energy consumed over winter is typically less.

In 2009/10 AGL applied a more targeted approach for inviting organisations to apply for funding. This resulted in a 57 percent increase in the number of services applying for funding compared to 2008/09. The proportion of the winter energy bills funded for each successful applicant varied from 25 percent to 80 percent, depending on a range of factors including previous funding, energy audits, and location.

During 2009/10, technicians from AGL's Energy Services team completed energy audits for five crisis accommodation services, with the aim of delivering sustainable change through reducing future energy costs. Audits were carried out at crisis accommodation centres located in Sydney, Adelaide, Brisbane and Canberra, and included the installation of energy efficient appliances such as low flow showerheads, washing machines, fridges and freezers.

Analysis completed during 2009/10 as a follow up to the audits and installations carried out in 2007/08, indicated that participating crisis accommodation centres have experienced energy savings in the year following the energy audit and installations. The analysis, carried out on a small sample of audited crisis accommodation centres, shows an average saving of 17 percent off electricity bills, and 31 percent off gas bills in the year following the audit (2009), compared to energy use prior to the audit (2007).

Mission Australia Partnership

AGL has established a partnership with Mission Australia to fund a series of initiatives designed to help address individual and community disadvantage, including the needs of the homeless and those at risk of homelessness within Australia.

In December 2006, the AGL Foundation provided funding of \$759,000 to Mission Australia. The two core initiatives of AGL's partnership with Mission Australia are detailed below.

Energy Matters

In 2007, AGL donated \$459,000 to establish the Energy Matters initiative, in partnership with Mission Australia. This three-year pilot program provides energy efficiency and financial counselling to South Australian households, to assist disadvantaged families and individuals experiencing short- or long-term difficulty paying energy bills.

In the initial stages of the program, households in hardship were identified through AGL's customer hardship program (Staying Connected) (refer to [page 76](#) of this report for further details). To improve integration between Energy Matters and AGL's core retail business the referral generation source was changed in 2008/09 to AGL Assist: AGL's franchisee home trade specialists. AGL Assist is conducting customer energy audits to meet South Australian regulatory requirements, and conducting these audits in conjunction with Mission Australia can provide dual benefits.

Following the referral, a trained Mission Australia case manager and energy auditor visit the home and conduct an energy audit, recommending actions that can be undertaken to reduce the household's energy costs.

Referred households also have access to a fund to assist in purchasing energy efficient appliances, to help reduce energy consumption and stabilise household spending. As financial hardship can be triggered by other social issues, the Mission Australia case worker is also able to link individuals and families to other social services, such as drug and alcohol counselling, parenting support and gambling addiction.

During the first three quarters of 2009/10, over 447 referrals were received with almost 75 percent coming directly from AGL's Staying Connected and AGL Assist sources. Of the referrals, 210 households accepted the invitation to participate in the program, and received energy audits.

Of these, around 140 were for households in Adelaide's metropolitan area, with the remainder completed in regional South Australian areas such as Port Augusta and Mount Gambier.

Cooper, son of AGL Mechanical Engineer Mark Faith, playing near the waters of the Kiewa River, Victoria.

Progress against commitments made in the 2009 Sustainability Report



Progress against commitments made in 2009 Sustainability Report

● Completed ● In progress ● Not achieved ● Discontinued

Actions	Status	Comments
Economic		
Pursue further electricity generation and upstream gas production options.	●	Refer to renewable and gas generation projects table page 25 .
Further develop our portfolio of generation assets to deliver stakeholder and environmental benefits under a carbon-constrained future.	●	AGL Hallett 2 Wind Farm and Bogong Hydro Power Project commissioned in 2009/10.
Reduce net operating expenditure as a percentage of gross margin to less than 50% for Retail Energy.	●	Operating expenditure to gross margin improved to 49.5% in 2009/10, compared to 52.4% in the prior corresponding period.
Continue to focus on innovative new growth markets such as electric vehicles and geothermal energy.	●	Maintained investment with Torrens Energy Limited, and continued to work with Project Better Place.
Continue to apply a disciplined approach to capital investment decisions.	●	During 2009/10 AGL continued to focus on EBIT to Funds Employed Adjusted page 43 .
Greenhouse		
Offset 100% of the emissions associated with AGL's office electricity use through renewable energy and abatement purchases.	●	The emissions associated with the use of electricity in AGL's offices during 2009/10 have been offset through the purchase of 100% accredited GreenPower, the purchase of Green Balance (AGL's carbon neutral electricity product under the Commonwealth Greenhouse Friendly program) and the purchase of Greenhouse Friendly certified abatement.
Offset 100% of the emissions from our vehicle fleet through abatement purchases.	●	The emissions associated with the use of AGL's vehicle fleet have been offset through the purchase of Greenhouse Friendly certified abatement.
Commission the Bogong Hydro power station (140 MW) and the Hallett 2 Wind Farm (71 MW).	●	During 2009/10, both projects were commissioned.
Continue to investigate opportunities to expand our low emission and renewable generation interests. This includes over 2,000 MW of new renewable projects and over 5,000 MW of new gas fired projects in addition to the 353 MW of renewable generation projects under construction as of 30 June 2009.	●	New renewable projects include the 420 MW Macarthur Wind Farm, announced in August 2010 through a joint venture arrangement with Meridian Energy.
Continue to meet our obligations and targets through our participation in the Chicago Climate Exchange – a 6% reduction in emissions from Loy Yang A power station (AGL's 32.5% equity share) and Torrens Island Power Station by 2010.	●	AGL remained on track to achieve a 6% reduction in greenhouse gas emissions compared to 2000 levels from the Loy Yang A power station and Torrens Island Power Station under the Chicago Climate Exchange (CCX) by the end of 2010.
Provide expert advice on energy efficiency and carbon management services for our major commercial and industrial customers.	●	AGL's Carbon Management Service business unit continues to assist major commercial and industrial customers to prepare for operating in a carbon constrained world.
Continue to work with our emerging technology partners Torrens Energy and Better Place Australia with a view to transforming the stationary energy and transportation sectors.	●	AGL remains an equity holder in Torrens Energy and is progressing participation in a range of technology developments, including the federal government Smart Grid, Smart City project, and the prospective Victorian Government electric vehicle trial.
Report on the progress of all technology initiatives underway at the Loy Yang Power Station.	●	Loy Yang advises of two key projects around post-combustion capture of carbon and the bio-sequestration of carbon.
Provide electricity with lower greenhouse intensity than the corresponding State averages to contribute towards a long-term goal of substantially decarbonising our electricity supply by 2050.	●	During 2009/10 the greenhouse intensity of AGL electricity sold tracked below the state averages where AGL has a market presence (NSW, Vic., SA, Qld). Refer to page 53 for further information.
Continue to work with the Commonwealth and State Governments as they implement an emissions trading scheme and expanded Renewable Energy Target.	●	The timing of a national emissions trading scheme remains uncertain, however the expanded Renewable Energy Target was subject to important reforms which AGL strongly supported and welcomed.
Continue to work with our stakeholders to foster greater levels of shared knowledge about the targets, pathways and costs associated with reducing greenhouse gas emissions.	●	The AGL Climate Change Council continues to meet quarterly, and AGL is a proactive member of several industry associations with whom it proactively prosecutes climate change policy, including APPEA, CEC, ESAA and ERAA.
Offer new energy efficiency products to our customers.	●	During 2009/10 AGL offered new models of energy efficiency light bulbs, hot water systems and other devices, in line with technological developments for such products.
Environmental		
During 2009/10, Life Guard audits will include specific focus on the following Standards and Compliance Guides in regards to water and biodiversity: (1) Standard – Environmental Aspects and Impacts, (2) Standard – Waste Management and Resource Conservation, (3) Compliance Guide – Environmental Impacts, (4) Compliance Guide – Ecosystem Protection, (5) Compliance Guide – Spill Prevention and Control, (6) Compliance Guide – Work on or Near Water.	●	LifeGuard audits were completed of a cross-section of AGL sites and projects comprising the Werribee and Suncoast Macadamia sites from our Major Customers business, Gloucester and Galilee Upstream Gas projects, the Kiewa Hydroelectric scheme (comprising Bogong, McKay and Clover power stations). The scope of the audits covered environmental elements of the LifeGuard Corporate HSE Management System. Audit findings and recommendations are being used to drive improvement to environmental management processes.
Review and update corporate environmental management training programs in light of changes to AGL's environmental management structure and to our business in recent years.	●	A review of corporate HSE Training programs for environmental content has been conducted and opportunities to improve environmental content identified. Environmental content will be upgraded as training programs come up for regular review. Development of dedicated environmental training programs will be undertaken in future years but is not a specific action for 2010/11.
Reduce A4 office copy paper use by 10% per person (FTE) compared to 2008/09 levels by 30 June 2010 (TARGET < 4.95kg/FTE).	●	Average paper use per person reduced by 17% in 2009/10 compared to 2008/09. Paper use in 2008/09 was 46 tonnes (as opposed to the 32 tonnes reported in the 2009 Sustainability Report). The corrected figure is based on updated information for 2008/09 from AGL's paper supplier.
Convert to recycled content A4 white office copy paper in our offices supplied by our major stationery suppliers.	●	The weight of paper used with recycled content increased from 4% at the beginning of 2009/10 to 97% at the end of 2009/10. The majority of this paper has either 80% or 100% recycled content. There remain some specialty products used (e.g. non-standard paper colours and sizes) that are not readily available with recycled content which is why the use rate is below 100%.

● Completed ● In progress ● Not achieved ● Discontinued

Actions	Status	Comments
Establish a water use target in 2009/10.	●	The material water issue facing AGL's businesses is the management of produced water that is brought to surface as a by-product of coal seam gas projects. A specific program of work is planned for 2010/11 to develop water management strategies for each Upstream Gas project. Also planned for 2010/11 is a review across whole of AGL of water usage and water-based waste streams to identify opportunities to further reduce water usage and increase re-use/recycling rates.
Review the operation of the Hydrocarbon Extractions water storage pond in relation to license requirements.	●	Modifications have been made to the Hydrocarbon Extractions water drainage system to minimise the risk of contamination of 'clean' water discharged from the cooling tower with potentially contaminated water runoff from the plant. Despite these changes, emissions of biological oxygen demand via the water that is irrigated on-site have breached the annual load permitted via the EPA licence for the site. Discussions are ongoing with the NSW EPA about amending aspects of the licence to make it more relevant to current site operations and further investigation is planned to determine whether further plant modifications are required to ensure licence compliance.
Review simple and cost-effective changes we can make to improve the energy efficiency performance of our office tenancies.	●	An energy efficiency review of AGL's office tenancies indicates that the poorest performing tenancies are those that AGL does not have long-term plans to remain in. Given the short-term future envisaged for these tenancies AGL will not invest in energy efficiency initiatives at these locations.
Develop guidelines for fleet vehicle purchase to reduce environmental impacts and improve the energy efficiency of our fleet.	●	AGL's existing corporate purchasing policy requires that that fleet and pool vehicles are to be dedicated LPG where possible, and diesel for commercial vehicles. Four wheel drives are to be purchased, not all wheel drive. These broad policy approaches are consistent with reducing environmental impacts. Further work is required to ensure that the purchasing policies at some of AGL's larger sites are aligned with this corporate policy.
Customers		
Implement a new customer charter.	●	A new Customer Charter was delivered in March 2010.
Achieve a Net Promoter Score in the top quartile of all Australian energy retailers by 2012.	●	The NPS target for 2012 no longer applies as the customer satisfaction score is replacing the measurement of NPS as the primary measure of customer experience during 2010/11.
Reduce Ombudsman complaints to below pre-Phoenix levels. AGL's target is to reduce Ombudsman complaints to 45 per 10,000 customers for 2009/10, a decrease of 35% from 2008/09.	●	AGL achieved 48 complaints per 10,000 customers in the June quarter 2010, disappointing falling just short of the target.
Improve the quality of communications to our customers, delivering clear messages in all correspondence.	●	A review of all standard letters was completed by the end of June 2010 in line with the AGL style guidelines. A new bill was delivered along with new terms and conditions, all based on an easy to read format. During 2009/10 AGL also delivered a renewed, customer-friendly Customer Charter, and revised customer Welcome Packs.
Focus on early identification of customers who are having difficulties making payments (in summary table).	●	During 2009/10 AGL continued to implement changes to the Staying Connected program as recommended by a program review in early 2009. Changes aimed at improving the early identification of customers in hardship include: bolstering the resources by a factor of five, in the team responsible for referring customers to the Staying Connected program.
Contract at least an additional 1 TWh of GreenPower sales to become Australia's largest retailer of GreenPower by volume.	●	AGL has committed to enter into contracts to sell more than 1 TWh of new renewable energy annually.
Develop a crisis response policy to enable a consistent approach to supply interruption issues.	●	Critical event guide delivered. This has not been required to be instigated during 2009/10.
People		
Reduce LTIFR to 2.0 in 2009/10 (in the summary table).	●	In 2009/10, AGL set a LTIFR target of 2.0 and exceeded this target achieving a result of 1.2.
Commence analysis and reporting of AGL's contractors' Lost-Time Injury Frequency Rates.	●	In 2009/10 AGL commenced tracking the safety performance (LTIFR) of contractors. As at 30 June 2010, the LTIFR for contracted workers was 0.9, which compares favourably to the LTIFR of 1.2 for AGL employees.
Introduce a revised definition of Medical Treatment Injury Frequency Rate (MTIFR), in line with the definition used by other large organisations.	●	Medical treatment injury definition introduced in July 2009 and used throughout 2009/10.
Introduce a new safety performance indicator, Total Injury Frequency Rate (TIFR), to measure all injuries except first aid, and include this measure on all Senior Leader's Performance Development and Review (PDR) plans for 2010/11.	●	TIFR is currently tracked across the business, and reported both internally and externally. TIFR is included as a measure on the PDR plans of all senior leaders.
Track behavioural safety management against lead performance indicators.	●	Base-line leading indicators self-assessment completed in September 2009. Action plans have been developed to improve the scoring of the leading indicators. Also, an external 'safety culture survey' was undertaken to provide greater insight.
Conduct an independent survey to measure our base-line safety culture.	●	In 2009/10 AGL conducted safety culture surveys as part of the annual HSE action plans.
Continue to implement initiatives to address employee engagement, new offerings as part of Leadership in Action training, Emotional Wellbeing, Fair Treatment and Career Management @ AGL training, programs, Employee Assistance Program, CEO Roundtables, and Senior Leadership Forums (two per financial year).	●	During the reporting period AGL implemented a range of initiatives to improve employee engagement, and new employee focused offerings. Refer to page 79 for further information.
Commence the delivery of Values Workshops across the business, to be completed over the next 24 months	●	The Values in Action Workshops were launched in December 2009, with 689 leaders and employees participating in the workshops to end June 2010. The implementation will continue throughout 2010.

● Completed ● In progress ● Not achieved ● Discontinued

Actions	Status	Comments
Develop an AGL Employment Value Proposition.	●	During 2009/10, a program of internal and external research and competitor benchmarking was conducted to define AGL's Employer Brand. A number of concepts were developed by a leading advertising agency, with the chosen branding to be launched to the Senior Leadership Group in October 2010.
Increase employee engagement by 7% compared to 2008/09 performance.	●	The 2010 Employee Engagement Survey has indicated that AGL's engagement has increased by 10.7% since the 2009 survey, exceeding the target increase of 7%.
Introduce specific reward and recognition programs for our customer contact centres and our Merchant Energy field-based employees.	●	High Voltage, an incentive program, has been introduced to the Customer Service Centre employees. Merchant Operations employees are also now part of an incentive plan.
Refresh the AGL Diversity Strategy to align with current industry developments and AGL business needs.	●	During the reporting period AGL made significant progress in the diversity and inclusion area. Please see page 80 for further information.
Develop improved diversity metrics to measure and benchmark AGL's diversity initiatives.	●	New metrics agreed by Diversity and Inclusion Council for tracking through 2010/11 include: % women at each organisational level, maternity leave return rates, gender pay equity, % female leaders in 'executive career path roles', [xx] of regrettable losses, % female promotions into each leader level, % employees using flexible work arrangements, % employees completed compulsory discrimination/harassment training.
Develop streamlined recruitment and selection processes.	●	In late 2009, a new dedicated in-house recruitment delivery model was established, under the banner of 'AGL Careers'. Refer to page 81 for further information.
Implement a company-wide Talent Management process.	●	The AGL Talent Management Program was refreshed and relaunched during 2009. Refer to page 81 for further information.
Conduct research to better understand AGL's demographics and diversity issues, including flexible work arrangements and career management for women.	●	An online survey was conducted in 2009/10, designed to gain an understanding of how flexible work practices were being used across AGL. Discussion groups were conducted across the business; and pay equity analysis was carried out. Refer to pages 80 to 81 for further information.
Community		
Deliver a comprehensive review of Energy for Life so that the program continues to reflect the interests of our employees and the business.	●	During 2009, an extensive review of the AGL Employee Giving charity list was conducted to ensure that charity partners continue to reflect the interests of employees and the business.
Continue to fund energy audits for at least four selected emergency accommodation services, including the provision of energy efficient appliances, to help them make ongoing reductions to their energy spend.	●	Five crisis accommodation services based in Sydney, Canberra, Adelaide and Brisbane received an energy audit and installation of energy efficient measures.
Apply a more targeted approach to inviting applications for funding the 2010 AGL Warmth in Winter initiative.	●	Application process and allocation of funding is now complete, resulting in a 17% increase in applications from the previous year.
Focus on refining the Mission Australia strategic partnership (providing energy auditing services) and work with Mission Australia to better understand the benefits and impacts of the program.	●	Mission Australia continues to conduct energy audits through referrals from AGL Assist as well as through their own referral sources. Mission Australia reported that 210 audits were completed during July 2009 to March 2010. Retail Energy now holds a two-year exclusive supplier relationship to help achieve AGL's REES targets in South Australia.
Maintain the matching of all employee donations through the Employee Giving initiative up to an annual maximum of \$200,000.	●	AGL continues to maintain the matching of employee donations through the Employee Giving initiative up to an annual maximum of \$200,000.
Target an average monthly participation rate of 10% in our Employee Giving initiative for 2009/10.	●	AGL fell short of meeting the 10% participation rate target. Due to the change in the list of supported charities (started in 1 Jan 2010), some employees elected to continue supporting their chosen charity outside Employee Giving, or ceased making contributions due to personal financial priorities. Also, several existing donors left the company. AGL is continuing to roll out a planned promotions campaign at key calendar periods.
Target a participation rate of 10% in our Employee Volunteering initiative in 2009/10.	●	Achieved an 11.9% participation rate by end of June 2010.
Complete an assessment on the aviation night lights at the Hallett wind farms to determine lighting requirements, in consultation with key stakeholders including CASA, Clean Energy Council, and the local community.	●	CASA Aircraft Navigation Warning Lights were turned off at the AGL Hallett wind farms at the end of 2009 following consultation with CASA, local Authorities and completion of a risk assessment by a specialist aviation consultant.
Construct a new television translator to improve television reception in the Hallett community.	●	AGL initially investigated the option of constructing a TV translator in the Burra area in response to community concerns about television reception. Following the Federal Government announcement on 5 January 2010 regarding Australia wide digital television, AGL completed a study on the proposed digital satellite service and has commenced roll-out of the satellite television infrastructure (dish and box) to the Hallett community.
Continue to operate the AGL Information Centre in Burra as the main contact point for continued consultation with the community on the AGL Hallett wind farms.	●	During 2009/10, over 3,600 people visited the Burra Information Centre.
Conduct post-construction noise testing on the Hallett 2 Wind Farm, making results available to the community through the AGL Information Centre.	●	AGL Hallett 2 Wind Farm achieved practical completion towards the end of 2009/10 and AGL has commenced post-construction noise testing.

The waters of the Kiewa River, Victoria.

Global Reporting Initiative (GRI) Index

This report meets the requirements of an 'A+' GRI Application Level.

Ref.	Description	Location of disclosure within report	Additional information
Strategy and analysis			
1.1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy	Page 1	–
1.2	Description of key impacts, risks and opportunities	Page 24	–
Organisational Profile			
2.1	Name of the organisation	Page 2	–
2.2	Primary brands, products and/or services	Page 2, 24	–
2.3	Operational structure of the organisation, including major divisions, operating companies, subsidiaries and joint ventures	Page 24	–
2.4	Location of the organisation's headquarters	Page 21	–
2.5	Number of countries where the organisation operates, and the names of countries with either major operations, or that are specifically relevant to the sustainability issues covered in the report	Page 24	–
2.6	Nature of ownership and legal form	Page 2	–
2.7	Markets served (including geographic breakdown, sectors served and types of customers/ beneficiaries)	Page 41	–
2.8	Scale of reporting organisation, including: Number of employees, net sales (for private sector organisations) or net revenues (for public sector organisations), Total capitalisation broken down in terms of debt and equity (for private sector organisations) and Quantity of products or services provided.	Page 2, 3, 46	–
2.9	Significant changes during the reporting period regarding size, structure or ownership including: The location of or changes in operations including facility openings, closings and expansions, and changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organisations).	Page 24	–
2.10	Awards received in the reporting period	Page 20	–
Report Parameters			
3.1	Reporting period for information provided	Page 2	–
3.2	Date of most recent previous report (if any)	Page 28	–
3.3	Reporting cycle (annual, biennial, etc)	Page 28	–
3.4	Contact point for questions regarding the report or its contents	Page 21	–
3.5	Process for defining report content, including: Determining materiality, prioritising topics within the report and identifying stakeholders the organisation expects to use the report. Include an explanation of how the organisation has applied the 'Guidance on Defining Report Content' and the associated Principles.	Page 28, 33	–
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	Page 28	–
3.7	State any specific limitations on the scope or boundary of the report	Page 28	–
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Page 28	–
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Page 28	Additional information disclosed on a case by case basis.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	–	Disclosed on a case by case basis where restatements are required
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Page 28	–
3.12	Table identifying the location of the Standard Disclosures in the report	Page 101	–
3.13	Policy and current practice with regard to seeking external assurance for the report	Page 30	–

Ref.	Description	Location of disclosure within report	Additional information
Governance, commitments and engagement			
4.1*	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Page 31	–
4.2*	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)	Annual Report Page 26	–
4.3*	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Annual Report Page 26	–
4.4*	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Annual Report Page 31	–
4.5*	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Annual Report Page 24	–
4.6*	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Annual Report Page 26	–
4.7*	Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Annual Report Page 27	–
4.8*	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	Page 31	–
4.9*	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	Annual Report Page 28	–
4.10*	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Annual Report Page 27	–
4.11*	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Page 59	AGL's Environmental Principles are available at agl.com.au/EnvironmentalPrinciples
4.12*	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Page 20	–
4.13	Memberships in associations and/or national/international advocacy organisations in which the organisation: has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues or views membership as strategic.	Page 32, 33	–
4.14*	List of stakeholder groups engaged by the organisation	Page 33	–
4.15*	Basis for identification and selection of stakeholders with whom to engage	Page 33	–
4.16*	Approaches to stakeholder engagement including frequency of engagement by type and by stakeholder group	Page 33	–
4.17*	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	Page 33	–

Ref.	Description	Location of disclosure within report	Additional information
Management Disclosures			
–	Economic	Page 37	Disclosures on management approaches for economic performance and market presence are found within the Economic chapter, under the 'Approach' heading on relevant pages. For indirect economic impacts , refer to the Future policy landscape section of the report.
–	Environmental	Page 47, 59, 70	For disclosures on management approaches for energy and greenhouse gas emissions refer to the Climate change chapter, under 'Approach' headings on relevant pages. Refer to the Environment chapter for disclosures on management approaches for: materials; water; biodiversity; emissions; effluents and waste; compliance; transport and overall. See the pages within the Customer chapter which describe energy efficiency and renewable energy products and services, for disclosures on the environmental impacts of products and services.
–	Labour practices	Page 78	Disclosures on management approaches are contained within the 'approach' section of relevant pages in the People chapter.
–	Human rights	Page 78	Disclosures on management approaches are contained within the 'approach' section of relevant pages in the People chapter.
–	Society	Page 31, 90	Disclosures of management approach for corruption, public policy, anti-competitive behaviour , and compliance are contained within the Governance and management section of the report. Community management disclosures are contained in the Community chapter.
–	Product responsibility	Page 70	For disclosures on management approaches refer to relevant pages of the Customer chapter.
Performance Indicators			
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	Page 55	–
EU2	Net energy output broken down by primary energy source and by regulatory regime.	Page 49	–
EU3	Number of residential, industrial, institutional and commercial customer accounts.	Page 41	–
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	Page 24	Not applicable. AGL does not control, own or operate any electrical transmission or distribution businesses.
EU5	Allocation of CO ₂ e emissions allowances or equivalent, broken down by carbon trading framework.	Page 57	AGL participates in the Chicago Climate Exchange (CCX) – the world's first voluntary and legally binding greenhouse gas emissions reduction, registry and trading program. As well as participating in the CCX, AGL is a benchmark participant in the New South Wales Greenhouse Gas Abatement Scheme (GGAS) where NSW Greenhouse Gas Abatement Certificates (NGACs) are created through projects or purchased on the market for compliance. Data on AGL's CCX allocations and GGAS is also available in AGL's response to the Carbon Disclosure Project, which is available at cdproject.net .
EC1*	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Page 46	–
EC2*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Page 48	–
EC3	Coverage of the organisation's defined benefit plan obligations	Page 83	Australian law requires 9% of salary to be contributed by employers to complying superannuation funds on behalf of their employees. AGL makes superannuation contributions for all employees and complies with the statutory requirement to contribute a minimum of 9% of salary. AGL's obligations to pay pensions under the superannuation plan are met directly through the fund, and maintained separately from the resources of the organisation. 91% of employees are in defined contribution funds, and 9% in a defined benefit fund.
EC4	Significant financial assistance received from government	Page 58	AGL received no significant financial assistance from government during 2009/10. During 2009/10 AGL was successful in qualifying (as part of a consortium) for the Smart Grid Smart City demonstration project. The consortium will receive up to \$100 million in Federal Government funding over a number of years to develop Australia's first commercial scale smart grid. As a member of the winning consortium AGL will qualify for a portion of this funding. The trial is expected to commence in early 2011. In May 2010 AGL was shortlisted as a finalist in the Commonwealth Solar Flagships Program – a project to construct large-scale, grid-connected solar power stations using solar thermal and photovoltaic technologies. If successful, AGL would expect to receive funding from the Federal Government and relevant state governments.

Ref.	Description	Location of disclosure within report	Additional information
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	-	Not disclosed.
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Page 45, 91, 93	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	-	AGL's recruitment practice is to ensure that it hires people who are the best fit for the role. In the majority of cases AGL looks to the local community first when hiring people from outside AGL.
EC8*	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Page 91	AGL operates information centres in Burra (in the Hallett region of South Australia, where AGL operates a number of wind farms), and at AGL's Bogong Hydropower station. During 2009/10 AGL commenced roll-out of satellite dishes and receivers to residents within the Hallett community who neighbour wind farms that are either in development, under construction or in operation.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Page 6, 45, 76	-
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	Page 24, 38, 55	-
EU11*	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	The efficiency curves for Torrens Island (A & B) Power Station (TIPS), both actual and target are depicted below. TIPS represents 50% of AGL's installed capacity (by operational control).
<p>AGL-TIPS A Station average efficiency 2010 & GES best practice target vs. unit output</p> <p>AGL-TIPS B Station 2010 average efficiency & GES best practice target vs. unit output</p> <p>Legend</p> <ul style="list-style-type: none"> — AGL TIPS A Station 2009/10 average efficiency - - GES best practice target for plant age (30+ yrs) <p>Legend</p> <ul style="list-style-type: none"> — AGL TIPS B Station 2009/10 average efficiency - - GES best practice target for plant age (30 yrs) 			
EU12*	Transmission and distribution losses as a percentage of total energy.	-	Not applicable. AGL does not control, own or operate any electrical transmission or distribution businesses.
EU6*	Management approach to ensure short- and long-term electricity availability and reliability.	Page 24	AGL's integrated business strategy including its portfolio of baseload and peaking generation assets and pipeline of renewable and gas fired generation projects under development, ensures both short- and long-term electricity supply. AGL also underwrote the final link in south-east Australian gas markets – the Queensland – South Australia – New South Wales Link (QSN). This pipeline, which became operational in 2008/09, for the first time connects Queensland gas markets with those of New South Wales, Victoria and South Australia, ensuring access to energy in these markets.
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	Page 74	-
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	Page 58	-

Ref.	Description	Location of disclosure within report	Additional information
EU9	Provisions for decommissioning of nuclear power sites.	–	Not applicable. AGL does not control, own or operate any nuclear power facilities.
EN1	Materials used by weight and volume.	–	In 2009/10 approximately 418 tonnes of concrete were used by AGL's upstream gas business and at the Torrens Island Power Station, and 495 tonnes of steel were used in upstream gas projects. Power Development projects are constructed via EPC contracts, therefore AGL does not directly purchase construction materials. However approximately 4,579 tonnes of concrete and 18,225 tonnes of steel were purchased through EPC contracts and used in the construction of the Hallett 4 Wind Farm during 2009/10.
EN2	Percentage of materials used that are recycled input materials.	–	None of the concrete and steel is known to be recycled input material. Almost all of AGL's office paper contains recycled content (AGL typically purchases paper with 80% or 100% recycled content, in Q4 2009/10 97% of purchased paper contained recycled content).
EN3*	Direct energy consumption by primary energy source.	Page 49	The greenhouse emissions from consumed energy is accounted for in AGL's Greenhouse Gas Footprint. Energy data is also available in AGL's response to the Carbon Disclosure Project, which is available at cdproject.net .
EN4	Indirect energy consumption by primary energy source.	Page 49	The greenhouse emissions from consumed energy is accounted for in AGL's Greenhouse Gas Footprint. Energy data is also available in AGL's response to the Carbon Disclosure Project, which is available at cdproject.net .
EN5	Energy saved due to conservation and efficiency improvements.	–	During 2009/10 energy efficiency and conservation projects were completed at Torrens Island Power (TIPS) Station and Somerton Power Station. At TIPS the energy savings are estimated to be 14,900 MWh/annum of gas energy (equivalent to 53.64 TJ). At Somerton Power Station per annum energy savings are estimated to be 24.3 TJ, the equivalent to a 6.7% efficiency improvement.
EN6*	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Page 74	–
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	–	Not disclosed
EN8*	Total water withdrawal by source.	Page 67, 68, 69	–
EN9	Water sources significantly affected by withdrawal of water.	Page 66, 93	Both the water that passes through the Torrens Island Power Station (TIPS) as cooling water and the water that passes through AGL's Hydro Power stations is returned to source or the natural receiving environment under controlled release effectively immediately. There is thus negligible impact on the water sources other than temperature increase at TIPS which is regulated via an EPA licence. See commentary under EN25 for the long-term changes to the natural flow regime in a hydroelectric scheme.
EN10	Percentage and total volume of water recycled and reused.	Page 68, 69	The majority of water withdrawn for use in operations is recycled/re-used, as a large proportion of the water used comprises water withdrawn for cooling water at Torrens Island Power Station and water passed through AGL Hydro Power stations. Volumes of water produced at CSG exploration and production projects that are recycled are disclosed in the report.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	–	AGL assets in or adjacent to protected areas include: AGL's Kiewa Hydro Electric Scheme, in north-east Victoria, operates adjacent to and surrounded by the Victorian Alpine National Park. AGL's Hydrocarbon Extractions (HCE), located at Kurnell in Sydney, is adjacent to the Caltex oil refinery. HCE encompasses a small plant area of approximately 6 ha. Kurnell is primarily an industrial area, located near to both the Towra Point Nature Reserve and Botany Bay National Park. The Torrens Island Power Station is surrounded by water bodies comprising the Port Adelaide River and the Barker Inlet, which are part of a sanctuary of 118 km ² created under the Adelaide Dolphin Sanctuary Act to protect a resident bottlenose dolphin population (See EN25 for further information). For AGL's development projects, relevant information regarding sensitive environments is included within environmental impact assessments. Environmental assessments for a number of projects are disclosed on project websites at agl.com.au/about/EnergySources/indevelopment/Pages/default.aspx .

Ref.	Description	Location of disclosure within report	Additional information
EN12*	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Page 63	AGL's activities during 2009/10 have not had a significant impact on biodiversity in protected areas and areas of high biodiversity value outside protected areas. See EN25 for details of legacy impacts associated with the Kiewa hydroelectric scheme, acquired by The Australian Gaslight Company in 2005.
EN13	Habitats protected or restored.	Page 63	As part of the Bogong Power Station project completed in November 2009 AGL protected habitat by limiting the construction footprint to already disturbed areas where possible. The project also restored flows to Pretty Valley Creek. As part of the project AGL has also committed to an intense weed control program of remnant vegetation around McKay Power Station and Lake Guy. This area is considered to form part of the remaining 50% of habitat for the endangered (EPBCA listed) Spot-tailed Quoll. This will: > reduce weed pressures from high threat weeds on high quality vegetation surrounding the site > improve (potential) habitat for the Spot-tailed Quoll > further protect remnant vegetation including medium and large old trees.
EN14*	Strategies, current actions and future plans for managing impacts on biodiversity.	Page 63	AGL's health, safety and environmental management system, Life Guard, contains standards relating to Environmental Aspects and Impacts and Risk Management. These standards provide high-level guidance on the process for identification of environmental risks. Life Guard contains an Ecosystem Protection Compliance Guide which covers the protection of ecosystems within and adjacent to AGL sites.
EN15	Number of IUCN Red List and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	–	Not disclosed.
EN16*	Total direct and indirect greenhouse gas emissions by weight.	Page 49	–
EN17	Other relevant indirect greenhouse gas emissions by weight.	–	Refer to AGL's CDP submission available at cdproject.net .
EN18*	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Page 24, 49, 55	AGL's integrated business strategy, including investments in zero and low emission generation, ensures that AGL can supply electricity with lower greenhouse gas intensity than the Australian average.
EN19	Emissions of ozone depleting substances by weight.	–	In 2009/10 AGL purchased 26kg of ozone depleting substances (R22, R409B, R407C, R134A) for Torrens Island Power Station; and 2760kg for Hydrocarbon Extractions (R22). The amounts purchased are to offset losses from air-conditioning systems, and therefore it is assumed that approximately the same weight of ozone depleting substances were emitted during 2009/10 from these sites.
EN20*	NO _x , SO _x , and other significant air emissions by type and weight.	Page 64	–
EN21*	Total water discharge by quality and destination.	Page 69	–
EN22*	Total weight of waste by type and disposal method.	Page 65	–
EN23	Total number and volume of significant spills.	Page 61	No significant spills to report in 2009/10 (as assessed using AGL's 'Fully Integrated Risk Management' FIRM methodology). See table: Environmental incidents and non-compliance summary.
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	–	Not material. AGL does not produce wastes listed under the Basel Convention and does not transport any wastes internationally for treatment or disposal.

Ref.	Description	Location of disclosure within report	Additional information
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	–	<p>Key water bodies and related habitats adjacent to AGL's sites include:</p> <p>Hydro:</p> <p>The construction and operation of the Kiewa hydroelectric scheme has altered the flow regime and land uses within this catchment area since it was completed in the 1960s by the State Electricity Commission of Victoria. These changes have resulted from:</p> <ul style="list-style-type: none"> > harvesting, diverting and storing the water within the catchment for electricity generation > draining and de-silting storages > activities within the catchment associated with the operation and maintenance of the assets of the scheme. <p>The harvesting and utilisation of the water from the catchments over the past 40 years has altered the ecological systems of the waterways not only within the catchment but also those below the catchment. The ecological systems have largely adapted to these changes however there are ongoing impacts on the environment from the operation of the schemes as a result of interruption to natural flows.</p> <p>Torrens Island Power Station:</p> <p>The Kiewa Scheme has power stations, dams and pondage located on the East Kiewa, West Kiewa and Kiewa Rivers within the Alpine National Park which has protected status. Monitoring of water quality is done before, during and after the annual de-silting operations which removes silt from water storages to free up capacity. Additionally, AGL undertakes one of the longest running macro invertebrate and two-spined blackfish surveys occur annually in the rivers of this area to monitor the health of the rivers. The findings of this monitoring are reported to the Environmental Working Group comprising State Government Agencies and Water Authorities each year.</p> <p>The Torrens Island Power Station is surrounded by water bodies comprising the Port Adelaide River and the Barker Inlet, which are part of a sanctuary of 118 km² created under the Adelaide Dolphin Sanctuary Act to protect a resident bottlenose dolphin population. Section 32, Adelaide Dolphin Sanctuary Act imposes a general duty of care to take all reasonable measures to prevent or minimise any harm to the Sanctuary. The Act does not limit or impair the operation of the Environment Protection Act under which the Torrens Island Power Station is licensed for certain environmental activities including condenser cooling water discharges to the marine environment.</p> <p>Within the waters of the Dolphin Sanctuary is the Barker Inlet-St Kilda Aquatic Reserve (the boundaries of which are designated under Section 4, Fisheries Management Act), the purpose of which is to protect samphire, mangrove and seagrass communities and their role as fish and crustacean nurseries and breeding areas. The Barker Inlet is listed in the Directory of Important Wetlands of Australia (Environment Australia, 2001) as a nationally important marine and coastal zone wetland.</p>
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Page 49, 55, 74	–
EN27	Percentage of products sold, and their packaging materials that are reclaimed by category.	–	This indicator is not relevant to AGL's core products (gas and electricity).
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	–	There were no fines applied to AGL's operations during the reporting period for non-compliance with environmental laws and regulations.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce.	Page 53	–
EN30	Total environmental protection expenditures and investments by type.	–	<p>Environmental protection expenditure is not reported. AGL's investments in renewable energy generation are detailed on page 56.</p> <p>AGL's planned construction of renewable energy generation is listed on page 25.</p>
EU13	Biodiversity of offset habitats compared to the biodiversity of affected areas.	Page 63	As part of the Bogong Power Station construction project biodiversity offset habitats were created during 2009/10. These offset habitats are substantially greater than the affected areas. The offset habitats include high quality forested habitats which include habitat for Environment Protection and Biodiversity Conservation Act listed Spot-tailed Quoll and Flora and Fauna Guarantee Act listed Sooty Owl.
EU14*	Programs and processes to ensure the availability of a skilled workforce.	Page 81, 82	–
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	–	As at 30 June 2010, 3.2% of AGL employees will be eligible to retire in 5 years time, and 9.1% of employees will be eligible to retire in 10 years time (based upon a retirement age of 65 years).
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Page 86	AGL's health, safety and environment policy is applicable to all employees and contractors. The policy is available at agl.com.au/HSEPolicy .

Ref.	Description	Location of disclosure within report	Additional information
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	–	During 2009/10 over 87,000 full-time equivalent contractor days were worked in AGL's Merchant Energy and Power Development business units. While these business units are respectively responsible for the operation and maintenance, and construction of electric generation assets – the contractor days worked are not necessarily limited to construction, operation and maintenance activities. Contractor LTIFR is disclosed on page 87 .
EU18*	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	Page 88	The proportion of new employees, transferees and contractors who have completed the online HSE induction is reported.
LA1	Total workforce by employment type, employment contract and by region.	Page 84	–
LA2*	Total number and rate of employee turnover by age, group, gender and region.	Page 82	–
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Page 83	AGL's employee benefits are accessible to all AGL employees, regardless of their part-time or full-time employment status (although some have eligibility criteria, such as minimum service terms).
LA4	Percentage of employees covered by collective bargaining agreements.	–	AGL is party to five major Enterprise Bargaining Agreements (EBAs) covering approximately 50% of its workforce.
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	–	AGL is party to five major Enterprise Bargaining Agreements (EBAs) covering approximately 50% of its workforce. While no minimum notice period is specified, these agreements document AGL's obligation to consult with employees and their union representatives prior to the implementation of major organisational change that impacts our employees' status or future employment with AGL. The remaining (non EBA) workforce have similar rights under the Fair Work Act (Cth), requiring all employers to consult on major workplace changes prior to implementation.
LA6*	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	–	During 2009/10 AGL continued to actively consult with employees on HSE issues with 50 employee representatives on the seven HSE Committees, covering AGL's 2,078 employees (headcount basis).
LA7*	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region.	Page 86	–
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Page 88, 89	–
LA9	Health and safety topics covered in formal agreements with trade unions.	–	AGL's Life Guard HSE system is relevant to all employees regardless of whether they are covered by specific union agreements.
LA10*	Average hours of training per year per employee by employee category.	Page 82	In 2009/10 the equivalent of 10,202 days of training was undertaken by AGL employees. This equates to 36 hours of training per employee (headcount). This figure includes customised training programs, managed by AGL's in-house learning and development function. Figure does not include public training programs, seminars, and conferences attended by AGL employees.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Page 81, 82, 83	–
LA12	Percentage of employees receiving regular performance and career development reviews.	Page 83	AGL's Performance Development and Review (PDR) process is implemented right across the business.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Page 84, 85	See AGL Annual Report 2010 (2010annualreport.agk.com.au).
LA14*	Ratio of basic salary of men to women by employee category.	Page 80	–
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	–	Not applicable. For Australian investments, human rights are protected by law.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	–	Not applicable. For Australian operations, human rights are protected by law.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Page 80, 82	The number of employees completing online induction training is disclosed. The compulsory induction training provides education about discrimination, harassment and other unlawful behaviour.
HR4*	Total number of incidents of discrimination and actions taken.	Page 80	–
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	–	AGL complies with Australian legislation regarding human rights in areas including diversity, discrimination, freedom of association, child labour, layoffs and health, safety and environment. AGL supports, in principle, the United Nations Global Compact on human rights for businesses.

Ref.	Description	Location of disclosure within report	Additional information
HR6	Operations identified as having a significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	–	AGL complies with Australian legislation regarding human rights in areas including diversity, discrimination, freedom of association, child labour, layoffs and health, safety and environment. AGL supports, in principle, the United Nations Global Compact on human rights for businesses.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	–	AGL complies with Australian legislation regarding human rights in areas including diversity, discrimination, freedom of association, child labour, layoffs and health, safety and environment. AGL supports, in principle, the United Nations Global Compact on human rights for businesses.
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	–	AGL complies with Australian legislation regarding human rights in areas including diversity, discrimination, freedom of association, child labour, layoffs and health, safety and environment. AGL supports, in principle, the United Nations Global Compact on human rights for businesses.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	–	Not disclosed.
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	Page 33, 91	
EU20	Approach to managing the impacts of displacement.	–	Not applicable.
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	–	AGL employs a holistic, integrated and consistent approach to risk assessment page 31 . AGL also maintains a Business Continuity Management Policy and Framework and multiple levels of response plans. AGL has a number of emergency response plans that address key risks. Any scenario that could materially impact AGL operations or reputation would be considered a continuity event and the AGL Code Red response plan would be activated.
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	Page 45	<p>AGL sites its development projects to avoid the need to physically displace individuals or communities.</p> <p>For wind farms, AGL makes direct payments to farmers whose land is included in the wind farm site. This provides landowners with additional revenue, and landowners retain full use of their land.</p> <p>The economic impact of AGL's wind farm developments in the Hallett region of South Australia has been assessed and found to have had a positive economic impact on the region.</p>
SO1*	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Page 33, 45, 91, 93	–
SO2	Percentage and total number of business units analysed for risks related to corruption.	Page 31	<p>AGL recognises that risk is dynamic and is inherent in all external and internal operating environments and is committed to managing all risks effectively. AGL employs a holistic, integrated and consistent approach to risk assessment, whereby all risks identified are measured in accordance with the following consequence categories – financial; business interruption; customer impact; reputation; regulatory/legal; environmental; and, health and safety. An escalation process is in place which will determine the level and urgency of management and/or Board attention in accordance with the assessed materiality level. A full review and assessment of material risks occurs annually, however a proactive continual review process is also in place with quarterly reporting to the Audit and Risk Management Committee. As part of the review process, all business units across the enterprise are assessed on an ongoing basis for material risks.</p> <p>AGL's Internal Audit program includes provision for auditing for fraudulent activity.</p> <p>AGL's Risk Management Policy is available at agl.com.au/RiskPolicy.</p>
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	–	<p>The AGL Code of Conduct explains: what obligations AGL has to put in place mechanisms to assist employees and contractors to act in accordance with the overarching principles of ethical behaviour; and how AGL's employees and contractors should act consistently with the principles. The AGL Code of Conduct is available at agl.com.au/CodeofConduct.</p> <p>AGL provides education about discrimination, harassment and other unlawful behaviour through compulsory induction training. During 2009/10, a new eLearning platform was established to improve deployment and reporting on induction training. Since February 2010, 105 new employees have completed induction training.</p>
SO4	Actions taken in response to incidents of corruption.	Page 80	Breaches of the AGL Code of Conduct (which would include instances of corruption) are investigated by the AGL Energy Ethics Panel, which reports to the Board and comprises senior AGL representatives. During 2009/10 an independent member was appointed to the Panel.
SO5	Public policy positions and participation in public policy development and lobbying.	Page 32	–

Ref.	Description	Location of disclosure within report	Additional information
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Page 32	AGL does not make ex gratia donations to any political party or to any individual in or seeking to obtain, political office. During 2009/10 AGL paid a total of \$24,750 in reportable subscription fees for membership of both the Labor and the Liberal party business networking forums. The AGL Code of Conduct requires AGL to adopt an even-handed approach to all mainstream political parties when paying to attend political functions, and from time to time AGL does pay to attend such functions. How AGL manages this activity is contained under the 'Managing conflicts of interest' section of the Code. AGL meets its obligations to disclose any reportable political donations as required by Commonwealth and State (NSW) legislation, and these disclosures are made publicly available on both the Australian Electoral Commission (AEC) and its New South Wales equivalent, the Election Funding Authority (NSW EFA) websites.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcome.	–	During 2009/10, there have been no formal legal proceedings (i.e. commenced in court) by regulators (ACCC, AER and State fair trading bodies) against AGL for anti-competitive behaviour, anti-trust, and monopoly practices.
SO8*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Refer to AGL Annual Report	Non-compliance with environmental laws and regulations is addressed in the AGL Annual Report 2010. Refer also to PR9.
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	Page 76	–
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	Page 75	–
EU25*	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	–	There have been no reported injuries or fatalities to the public involving AGL assets.
EU26	Percentage of population unserved in licensed distribution or service areas.	–	Not applicable. AGL does not control, own or operate any electrical transmission or distribution businesses.
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Page 73	The process and procedures for the disconnection of customers for non-payment is regulated by state legislation, and monitored by State Ombudsmans. AGL is required to adhere to the law and comply with the required disconnection procedures in the states where it operates. AGL's Staying Connected program supports access to energy for vulnerable customers. Staying Connected customers are protected from disconnection, while a range of other assistance mechanisms are implemented to assist customers. These range from tailored payment plans to accessing available government assistance schemes. Wrongful disconnection data is provided for Victoria. During 2009/10 AGL did not actively report wrongful disconnection data in other jurisdictions.
EU28	Power outage frequency.	–	Not applicable. AGL does not control, own or operate any electrical transmission or distribution businesses.
EU29	Average power outage duration.	–	Not applicable. AGL does not control, own or operate any electrical transmission or distribution businesses.
EU30	Average plant availability factor by energy source and by regulatory regime.	Page 39	–
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Page 86	The health and safety impacts of the generation of electricity and gas production, in AGL's assets, and the retailing of energy by AGL are addressed. Advice on using energy safely is provided on the AGL website at agl.com.au/Safety .
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life-cycle, by type of outcomes.	Page 86	Health and safety performance of AGL's assets and operations is reported. These incidents relate to the life cycle stages of energy production and retailing. AGL is not responsible for energy transmission and distribution to end users.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	–	As a generator and retailer of energy, AGL's primary products are gas and electricity. To assist customers indicative greenhouse gas emissions associated with their consumption of energy are provided on gas and electricity bills, and energy savings tips can be found on AGL's website at agl.com.au/energytips .
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Page 75	Data on complaints received in relation to sales and marketing activity is provided.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Page 71, 72, 73	Customer complaints to Ombudsmen are reported.

Ref.	Description	Location of disclosure within report	Additional information
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Page 75	AGL remains a participant in the Retailer Round Table Forum which continues to address misleading and deceptive sales practices within the Australian energy market.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	Page 75	–
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	–	Not disclosed.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	–	AGL has not had any fines levied by any regulatory body in the last financial year. In circumstances where an overcharge to customers occurs, AGL ensures that any overcharge is rectified and applied as per regulatory requirements, including any interest or applicable credit.

esaa Sustainable Practice Framework

	esaa Principle	Location of disclosure	GRI Profile Disclosure/Indicator
1	Maintain good corporate governance practices.	<u>Governance and management</u>	4.1–4.12, EC2, SO8
2	Deliver value to shareholders, customers and the community.	<u>Economic, Customer</u> and <u>Community</u> chapters	EC1, EC8
3	Provide a safe secure and reliable energy supply.	<u>Economic</u> chapter	EU6, EU25
4	Engage key internal and external stakeholders on significant sustainability matters.	<u>Stakeholder engagement</u>	4.14–4.17
5	Maintain and enhance workforce health, safety, wellbeing and development.	<u>People</u> chapter	LA2, LA6, LA7, LA10, LA14, HR4, EU14, EU18
6	Develop and implement climate change responses.	<u>Climate Change</u> chapter	EN3, EN6, EN16, EN18
7	Improve environmental performance and resource efficiency.	<u>Environment</u> chapter	EU11, EU12, EN8, EN12, EN14, EN20, EN21, EN22
8	Foster and support community programs.	<u>Community</u> chapter	SO1
9	Promote measurement and reporting of sustainability performance.	<u>About this report</u>	–

Assurance Statement





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INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors, Management and Stakeholders of AGL Energy:

AGL Energy Limited (AGL) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the 'AGL Sustainability Report 2010' (the report). The report presents AGL's sustainability performance over the period 1 July 2009 to 30 June 2010. AGL was responsible for the preparation of the report and this statement presents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board and Management of AGL in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance was undertaken in accordance with the AA1000 2008 Assurance Standard (AA1000AS). The standard provides a comprehensive way of ensuring an organisation is responsible for its management, performance and reporting on sustainability issues. This is achieved by evaluating the organisation's adherence to the AA1000 AccountAbility Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 Accountability Principles (2008) used to assess AGL's processes include:

Inclusivity: How does the organisation include stakeholders in developing and achieving an accountable and strategic response to sustainability?

Materiality: How does the organisation include in its report the material (most important) information required by its stakeholders to make informed judgements, decisions and actions?

Responsiveness: How does the organisation respond to stakeholder concerns, policies and relevant standards and adequately communicate these in its report?

Assurance Type and Scope

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved assessing the organisation's adherence to the AA1000 AccountAbility Principles (2008) and assessing the accuracy and quality of the sustainability information contained within the report.

Assurance Level and Limitations

The level of assurance provided is moderate as defined by the scope and methodology described in this assurance statement. The assurance scope covered the on-line report and the printed summary report and focussed on systems and activities of AGL during the reporting period with the following exceptions:

- > Net Balance did not verify financial data, other than that relating to environmental, social or broader economic performance.
- > Net Balance did not conduct any site visits other than to the head office in North Sydney. The majority of interviews with data owners were conducted face-to-face and where required by video conference or phone.

Assurance Methodology

The assurance engagement was undertaken in July to October 2010, and involved:

- > Preparation of a materiality register (list of key sustainability issues) using the five-part materiality test. This included a comparison of AGL against its peers, a risk review, a review of selected Australian media reports and a policy review.
- > Interviews with the Chair of the Safety, Sustainability and Corporate Responsibility Committee, Managing Director and Chief Executive Officer, Chief Economist and Head of Corporate Affairs, Head of Investor Relations, Head of Health, Safety and Environment, Head of Economic Policy and Sustainability and Manager, Sustainability Strategy to better understand how sustainability is integrated within the organisation.
- > A review of the stakeholder engagement activities undertaken by AGL during the reporting period and how this informs the sustainability strategy and performance of the organisation.
- > A review of AGL's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures.
- > Interviews with key personnel responsible for collating and writing various parts of the report to substantiate the reliability of selected claims.
- > A review of the report for any significant anomalies, particularly in relation to claims as well as trends in data.
- > Verification of over 120 selected data points and statements and the systems and processes that support the data.
- > A Global Reporting Initiative (GRI) G3 application level assessment.

Our Independence

Net Balance was not responsible for preparing any part of the report. Net Balance in conjunction with Deloitte Australia, reviewed the National Greenhouse and Energy Reporting data for AGL. Our team's independence was ensured by selecting members with no other involvement with AGL during the reporting period that could impair the team's independence or objectivity.

Our Competency

The AGL assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken over 80 assurance engagements in Australia in the last three years.

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity:

AGL has diverse stakeholders and multiple processes in place for engaging stakeholders from across the business. This year Net Balance saw a continued focus on stakeholder engagement through the key groups such as the Safety, Sustainability and Corporate Responsibility (SSCR) Board Committee, the AGL Customer Council and the AGL Climate Change Council as well as investor groups. Whilst Net Balance observed improved reporting of stakeholder engagement activities in the Power Generation and Upstream Gas business areas, Net Balance would like to see AGL develop a corporate approach to stakeholder engagement that guides engagement activities at a project level.

Materiality:

Net Balance found AGL addressed their sustainability material issues including, but not limited to, managing the impacts of climate change and policy uncertainty, increased environmental disclosures such as water and waste, stakeholder engagement particularly at the community level and customer service results. The process used by AGL to identify material issues is effective and consolidates information from a variety of sources and stakeholder groups to ensure pertinent material issues are covered. In the next report, Net Balance would like to see the inclusion of procurement and supply chain issues, in particular a discussion on managing the transition to moving some back office functions off-shore.

Responsiveness:

AGL is committed to responding to issues raised by stakeholders and has appropriate processes in place for this. Customer experience and organisational safety are two areas which have benefited from an increased focus on engaging stakeholders and responding to issues raised. This has resulted in improvements in staff engagement, customer billing and lower injury rates.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- > The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information.
- > The level of accuracy of sustainability performance information was found to be within acceptable limits.
- > Data trails selected were generally identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- > The sustainability performance disclosures presented within the report appropriately reflect environmental, social and economic performance achieved during the period.
- > The GRI application level check found that the report was classified as A+.

Overall, it is Net Balance's opinion that the information presented within the report is fair and accurate. The report was found to be a reliable account of AGL's sustainability performance during the reporting period.

The Way Forward

Net Balance found the report appropriately addresses AGL's environmental, social and economic material issues. To ensure AGL continues to improve, Net Balance has identified the following key areas for improvement:

Key performance indicators

- > AGL is currently refining their sustainability strategy with the inclusion of high level performance indicators. As part of the strategy, Net Balance would like to see these key performance indicators incorporated within individual performance plans. This will help to integrate sustainability across all parts of the business, help employees understand how their role contributes to corporate sustainability strategy, and drive further change.

Environmental reporting

- > This year Net Balance found the process for collecting and reporting environmental data was not efficient, which limited its effectiveness and resulted in errors. This was in part due to staff attrition and resourcing at both the corporate and site level. Environmental data such as water, waste and National Pollution Inventory data is currently captured by individual sites and collated at a corporate level in Microsoft Excel. To support this system, AGL has documented data procedures. Net Balance would like to see a greater focus on improving environmental data collection, management and reporting systems with consideration for an on-line data collection system. This will help to streamline reporting and ensure consistent and accurate reporting of data year on year.

Stakeholder engagement in upstream gas

- > Currently, the Environmental Impact Plans for each upstream gas project outlines the proposed stakeholder engagement activities for each project. Whilst this approach is in line with regulations and industry practice, the documented policies and procedures for stakeholder engagement in upstream gas could be improved. Net Balance recommends AGL develops a corporate approach to stakeholder engagement which includes principles for engagement that guides activities at a project level and a process for auditing completion of commitments. This will help to demonstrate AGL's commitment to robust stakeholder engagement whilst providing the flexibility to meet the needs of individual projects.

Community investment data

- > Net Balance found substantial improvement in AGL's community investment data from last year. However, Net Balance would like to see more detailed criteria established to improve the classification of community investment data within the London Benchmarking Group framework. This will help personnel to more easily classify different types of investments and provide increased rigour in analysing data and ensuring consistency year on year.

On behalf of the assurance team

27 October 2010
Melbourne, Australia



Terence Jeyaretnam, FIEAust
Director, Net Balance & Lead CSAP (IRCA UK)





Verification Statement from LBG Australia/New Zealand

The LBG model helps businesses improve the measurement, management and reporting of their corporate community investment programs. It covers the full range of contributions (cash, time and in-kind donations) made to community causes, and assesses the actual results achieved for the community and for the business.

As managers of LBG Australia/New Zealand, we have worked with AGL to review its understanding and application of the LBG model in respect of the wide range of community programs supported. Our aim has been to ensure that the evaluation principles have been correctly and consistently applied. Having conducted an assessment, we are satisfied that this has been achieved. Our work has not extended to an independent audit of the data.

Jessica Pattison
LBG Manager

July 2010

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