

Energy for Life – An evidence based approach to corporate citizenship

Lauren Solomon and Tim Nelson*
AGL Energy Ltd
Level 22, 101 Miller Street
North Sydney
May 2012

1. Introduction

There has been a significant increase in the number of companies developing and implementing corporate citizenship or corporate social responsibility (CSR) programs around the world in the past five years. Public reporting on sustainability and CSR targets is now generally accepted as standard practice for the world's largest and most profitable companies and indeed much debate has taken place as to the financial benefits of CSR programs to businesses and the potential risk of being seen to be left behind or less competitive without them (KPMG, 2011).

AGL Energy Ltd has operated a corporate citizenship program for many years. The program is known as Energy for Life and incorporates: Employee Giving; Employee Volunteering; and a flagship program known as Warmth in Winter. Employee Giving allows AGL employees to make financial contributions to up to ten charities with AGL matching those contributions dollar for dollar. Employee Volunteering allows each employee to take one day of leave each year to volunteer to a charity of their choice. Finally, the Warmth in Winter program involves AGL paying energy bills for homeless shelters once a year.

AGL was first incorporated in 1837 and in 2012 will be 175 years old. Within the context of reconsidering AGL's role in the community and celebrating our 175th year of operation, AGL has reviewed and redesigned Energy for Life to reflect a new evidence-based corporate citizenship approach. Using guidelines designed by New Philanthropy Capital (2010) and adapted for application by AGL we have developed a structured framework for the review of EFL, with the aim of delivering an integrated and focussed program. The revitalised Energy for Life (EFL) program has been designed with the following objectives: leveraging AGL's core business functions (retailing electricity and gas to over 3.4 million Australian households and businesses); developing a program that is engaging and relevant for employees; making a genuine positive impact to communities receiving assistance through the program; responding to identified sustainability risks for AGL as an energy retailer; and building a body of knowledge and data collection to better assess the impacts and effectiveness of the EFL program in addressing the core sustainability issues facing AGL and our communities.

It is the last of these objectives that we have focused on in differentiating the revitalised EFL program from other corporate citizenship programs. Debate is ongoing when it comes to the effectiveness and accuracy (or lack thereof) of undertaking Social Return on Investment (SROI) analysis of CSR programs. As with any discipline, analysis is heavily dependent on the quality of the information as an input, prompting common criticism of some SROI studies as 'garbage in, garbage out' (NPC, 2010). By focusing on developing a significant body of knowledge and data, we believe the revitalised Energy for Life program will be better able to be properly assessed as a prudent use of shareholder funds to benefit all AGL stakeholders: shareholders, customers, employees and the communities in which AGL operates.

* Lauren Solomon is Manager of Corporate Responsibility and Policy and Tim Nelson is Head of Economics, Policy & Sustainability at AGL Energy Ltd. Tim Nelson is also an Adjunct Research Fellow at the University of New England. We are grateful to Cameron Reid for sharing his expertise with us in revitalising Energy for Life. All errors and omissions remain entirely the responsibility of the authors.

The concept of SROI is a relatively new area of economics. It is essentially an extension of cost-benefit analysis and is constantly evolving presenting challenges for ‘standardisation’ due the wide variety of different impacts to consider when in depth case studies are undertaken across a variety of policy areas. This does not mean that more co-ordinated or general standard assessment models cannot be developed; it just means that considerable applied analysis will need to be undertaken before we can use them with more confidence.

What is clear is, just as with any other new theories and economic frameworks and analysis; there will be evolution - evolution of data collection, indicators, charity and assurance analysis and the programs themselves. However it is AGL’s view that an evidence based approach to CSR is critical both to developing effective programs and partnerships, assisting to build the strength of community organisations and hopefully, starting to address some of the complex problems these partnerships aim to address. In this context, this paper provides an analysis of AGL’s approach to revitalising its corporate citizenship program and steps take to improve the potential to measure outcomes and impacts of the program.

The paper is structured as follows: Section 2 outlines the inputs into the review including employee and charity surveys, AGL’s sustainability indicators and energy market research; a broad overview of the most material issue identified, energy related household financial hardship is presented in Section 3; the new revitalised Energy for Life program is presented in Section 4; and concluding remarks, including areas for future reporting, are provided in Section 5.

2. Inputs and defining objectives

NPC(2011) has developed a framework within which to guide the development and assessment of corporate giving or corporate citizenship programs. They identify the five steps to effective giving as: defining objectives; identifying focus areas and needs; selecting effective charities; developing a package of support and measuring impact (NPC, 2011). In undertaking the revitalisation of the Energy for Life program, AGL has followed a similar process which we outline in each section of this paper. By guiding the program development through these steps, we aim to deliver a more focussed, integrated, evidence-based and robust outcome.

In defining AGL’s objectives and direction of focus for the program, we undertook an extensive input analysis, ensuring effective consideration of material issues relating to: employees; core community stakeholders; business objectives; and the Australian community and its interaction with the energy industry. This section provides a summary of the analysis of the inputs considered and internal process undertaken to determine the core objectives and direction for the revised Energy for Life program.

2.1 Sustainability – AGL’s 12 core indicators of sustainable business success

In 2010, AGL established 12 sustainability indicators which would be tracked over time through annual and sustainability reporting processes. The business stated that the indicators would allow all stakeholders (shareholders, customers, employees and the community) to transparently assess whether AGL’s performance is improving across the most material sustainable metrics for an integrated energy business. For each indicator, a long-term vision and a short-term target were established. These are presented in Table 1.

Table 1: AGL's indicators of sustainable business success

SECTION	LONG TERM GOAL	FY2012 TARGETED PERFORMANCE	VISION
ECONOMIC	Deliver superior growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earning streams.	Underlying profit: \$470-500 million	Industry leading earnings profile based on sustainable business practices
		Credit rating: BBB	Solid credit rating reflecting underlying cash-flow potential
PEOPLE	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.	Employee engagement score: 8% point increase	Engagement score at 'best employer' level
		TIFR: 4.0	To have zero injuries
CLIMATE CHANGE	Invest in cleaner energy forms to reduce the greenhouse gas intensity of energy across the supply chain.	Intensity compared to Australian electricity average: >50% below Renewable proportion of operated generation capacity: 48%	Emissions intensity significantly lower than the market average. Australia's largest renewable energy company
ENVIRONMENT	Excellence in environmental management and performance.	Develop biodiversity register for AGL assets and projects which identifies any impacts on biodiversity values.	To have an environmental risk profile that is As Low As Reasonably Practicable (ALARP)
		Implement the Produced Water Management Strategy, and develop plans for drill water and coal seam fracturing/flowback water.	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
CUSTOMERS	Become a world-class customer-focused energy company.	Customer satisfactions score: >major customers	Top ranking energy company for customer satisfaction
		Average energy debt of Staying Connected customers: 5% decrease	Recognised industry leader in customer hardship policy
COMMUNITY	Connect our business and employees with the community in ways which make a genuine contribution, engage our people and strengthen our business.	Improve community engagement by implementing community engagement plan actions: 100%	Best practice local community engagement
		Employee Volunteering participation rate: 25%	Social Return on Investment measured and at target levels

Source: AGL, 2011

These 12 sustainability indicators provide an important point of reference for assessing the most material issues facing AGL and Australian society through the prism of energy production and consumption. Following an assessment of the indicators, climate change, environment and consumer hardship were considered to represent the material challenges facing AGL, the Australian energy industry and the community in general. An assessment of each of these challenges is presented below:

- Climate Change: Following passage of the *Clean Energy Future* package of legislation by the Australian Commonwealth Government in 2011, some certainty has been provided to AGL and the energy industry more broadly in relation to transitioning the energy sector towards a low-emission future. Accordingly, while the issue of climate change represents a material challenge for AGL, the energy sector and the Australian community, AGL contends that it is best placed to respond to this challenge through the commitment to being Australia's largest privately owned renewable energy company, work undertaken by the AGL Climate Council and the support of effective policies and products to improve energy efficiency.

- Environment: The most significant environmental issue facing AGL beyond climate change relates to the impacts of coal-seam gas exploration and production on water. Ongoing licence conditions and existing commitments to community action plans articulate the steps taken towards achieving success in relation to this indicator.
- Hardship experienced by customers and the community: The provision of electricity and gas to households is relatively unique in the sense that electricity is an “essential service”. Households simply cannot function in the modern world without electricity for cooking, hot water, lighting and hygiene. This can be contrasted with other goods and services which are *wants*, not *needs*. The critical difference between grid-supplied electricity and gas and other *needs* (such as food) is that charities and community organisations can deliver small discrete quantities of these other items (e.g. a food hamper) unlike electricity and gas. While the essential service nature of electricity and gas has always been forefront in the minds of AGL employees, the recent rapid run-up in electricity prices has made the issue even more acute for households in hardship. The issue of hardship is also closely linked with the existing strategic focus of the Energy for Life program; homelessness.

Focusing efforts on hardship is a core way for AGL to link our strategic goals relating to ‘Customers’ and ‘Community’ and ‘People’. While the EFL program is delivered to improve external impacts on the community, it is also a crucial way for AGL internally to engage employees and work towards our employee engagement targets.

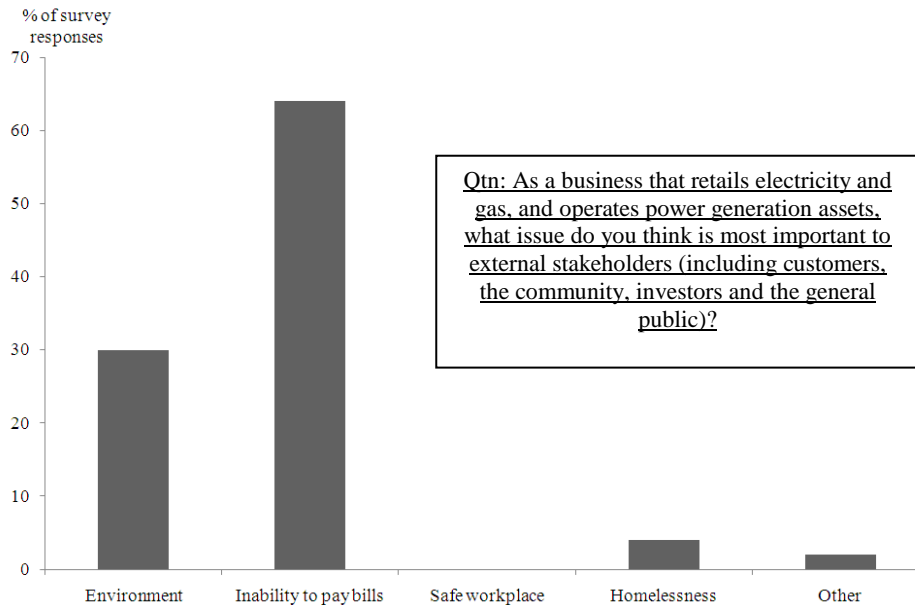
2.2 Employee survey results

For any corporate citizenship program to be successful, it is necessary for all employees to have input in relation to the overarching strategic sustainability issue selected. Accordingly, a survey was undertaken of AGL employees to determine where they believed the business should focus its resources through giving, volunteering time and a strategic partnership. Two groups of employees were selected to take part in the survey in October 2011:

- Energy for Life Champions – Energy for Life Champions are employees that volunteer to promote the program throughout the business (they do not receive additional remuneration for this work). All existing Champions were asked to participate in the survey due to their ongoing commitment to the existing Energy for Life program; and
- AGL Employees – A random sample of AGL employees were selected to participate in the survey. The sample was derived using a randomly selected number of employees based upon their employee number.

Figure 1 shows the results of the survey conducted of AGL employees and Energy for Life Champions. The survey results demonstrate that employees believe that the political economy of energy prices and the essential service nature of the products AGL retails (i.e. electricity and gas) manifests in employee attitudes focused on customers and a sub-section of the community for whom energy affordability is a problem. Detailed survey questions and answers are presented in Appendix 1. Crucially, the survey was conducted without providing employees with the knowledge that the Energy for Life program was being actively reviewed.

Figure 1: Survey results of AGL employees



2.3 Consultation with charity partners

A successful corporate citizenship program should align skills and resources provided by a business with skills and resource shortages being experienced by a charity organisation. Accordingly, a critical step in redesigning AGL's Energy for Life program was assessing: the needs of existing and prospective charity partners; and whether the work completed by the charity is relevant to AGL's business (an integrated energy utility). Through the Employee Giving component of Energy for Life, AGL currently has ten charity partners.

In October 2011, AGL wrote to all existing Energy for Life charity partners requesting meetings to determine: the overarching objective being pursued by the organisation (e.g. treating people with depression); and any resources or skills shortages that could be feasibly met by an integrated energy utility such as AGL. As a result of a the strategic review of AGL's sustainability indicators and initial assessment of employee survey results, AGL also wrote to organisations with objectives related to hardship: The Smith Family; and St Vincent de Paul.

Meetings were scheduled with eight of the organisations that responded to AGL's request during November and December 2011. A number of recurring themes were noted by AGL during these meetings:

- The charity partners with objectives related to alleviating hardship believed that homelessness was not the correct issue for AGL to be focusing its resources on. In their experience, financial stress associated with an inability to pay utility bills was a key component in family breakdown and eventual homelessness. Rather than focusing on the outcome (homelessness), the charity partners believed that AGL should focus its resources on alleviating hardship and preventing family breakdown and homelessness occurring. This anecdotal evidence appears also to be consistent with research undertaken by Wilkins et al (2011) which found that 15.1% of survey respondents reporting three or more Household, Income and Labour Dynamics in Australia (HILDA) indicators of financial stress also reported separating from their partner in that year or the next year. This compares with 3.3% of couples not displaying indicators of financial stress. The authors note that while this is not conclusive evidence of causality, the results are 'entirely consistent with the presence of such as effect'.

- Many of the charity partners indicated that while the Employee Giving and Employee Volunteering components of Energy for Life resulted in an effective partnership between the organisations, there was not necessarily alignment between AGL's business (integrated energy company) objectives and their own programs that could be potentially funded under new strategic partnerships.
- Charity partners involved in environmental programs, also noted that AGL's investment in renewable and other forms of electricity generation and operation of coal-seam gas wells through regular business operations was a greater focus for them than the Energy for Life program.

2.4 Economic, social and environmental trend analysis

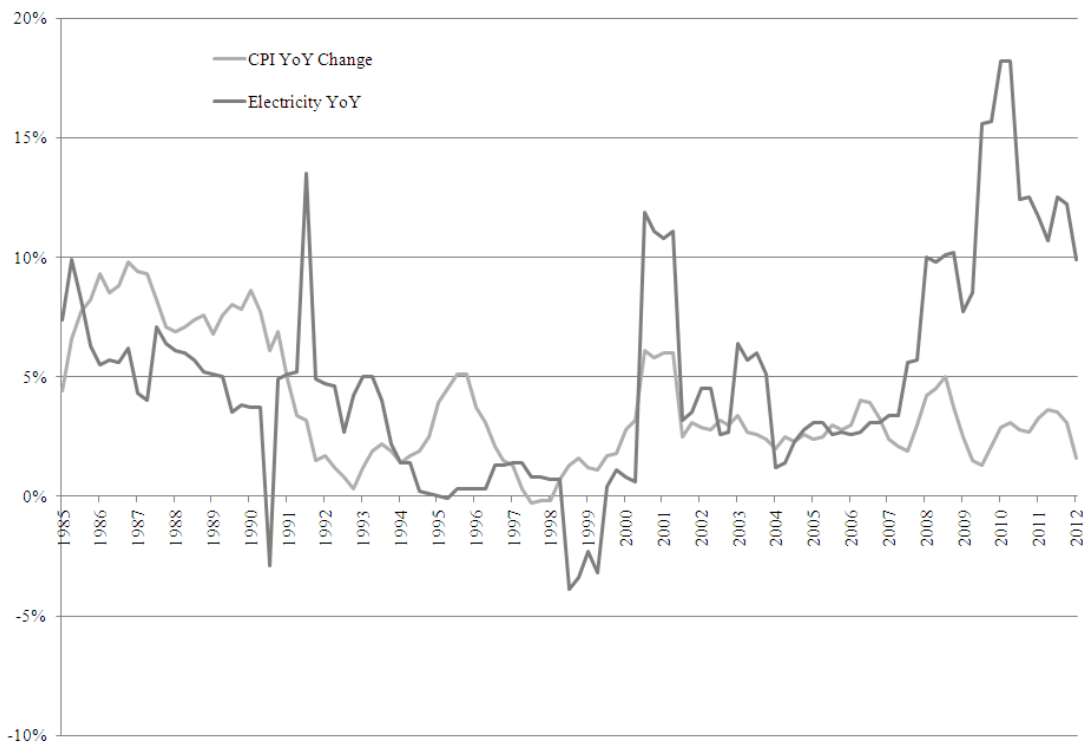
An important factor in determining the focus for the revitalisation was an assessment of the economic, social and environmental trends in the energy industry and how these relate to the broader Australian community at large. This comes down to building a better understanding of our customers, the broader community, the challenges they face and how a leading, responsible energy retailer in Australia should innovate and pro-actively work with the community in areas that directly relate to our business operations. In conducting this analysis we considered two core areas of relevance – environmental and social impact.

In environmental terms the energy industry over several years has been responding to changing regulation and legislation to drive further investment in renewable energy and towards lower emission generation sources. AGL strongly supports the certainty delivered to the industry through the implementation of a carbon price and the encouragement for investment in renewable energy driven by the bipartisan Renewable Energy Target. AGL has undertaken significant research in this area (see Nelson, Kelley, Orton and Simshauser, 2010 and Simshauser and Nelson, 2012a). Similarly, AGL supports the deployment of more energy efficiency products for households and businesses through national consistency on energy efficiency policy and the implementation of a National Energy Savings Initiative.

In relation to other environmental issues, AGL's sustainability report identifies local environmental impacts are a core area for action when it comes to sustainability. Significant resources are being deployed on a regional basis to develop, manage and operate AGL's generation and upstream gas portfolios. This includes project and community engagement teams to conduct stakeholder engagement and to meet or exceed stringent environmental and planning requirements at a state and Federal Government level.

From a social perspective, as an energy retailer, one of our core business functions is to retail electricity to over 3.4 million customers. This is a core differentiator when it comes to comparisons of energy retailers with other industries, as our responsibility is highly related to our role as the provider of an essential service to Australian households and businesses. The delivery of energy is not simply the source itself, but the end outcome it facilitates – for example: a warm home in winter; a cool home in summer; hot water for showering; and heat for cooking. Again, AGL research has been at the forefront of the debate in relation to energy pricing, hardship and the impacts of government policy on hardship (see Simshauser, Nelson and Doan, 2011a and 2011b; Nelson, Simshauser and Kelley, 2011; and Nelson, Simshauser and Nelson, 2012).

Figure 2: Electricity price index and consumer price index



Source: ABS, 2012

Figure 2 shows the difference in the rate of change of general consumer prices (i.e. the Consumer Price Index) and electricity prices. From 2007 electricity prices have increased at a materially greater rate than general inflation. Unfortunately, these price increases are often reported to be associated with renewable energy and carbon pricing when in reality much of the increase is due to a rapid run-up in network charges necessary to fund large capital expenditure programs to ensure security of supply. It is within this context, rising costs of living have been front and centre of mind over the past year for many Australian energy consumers. Repeated polls have cited cost of living as the number one ongoing concern of households. Additionally, analysis completed by Auspoll (2011) in June 2011 shows out of these cost of living pressures, ‘two thirds of Australians are very concerned with home energy costs, and this level of concern is significantly higher than that of other cost of living issues’. This comes despite the fact that analysis after analysis has shown that the share of average Australian household expenditure remains relatively small compared to other items and more recently that some households are even better off (Winestock, 2012). The latest example of this is research completed by KPMG (2012) (Household Expenditure Survey Analysis) showing that the percentage point change in the ‘share of wallet’ aggregate household expenditure on Domestic Fuel and Power has not changed over the period 2003/04 to 2009/10. However, this is due to rising wages, and stagnating household demand which has somewhat offset the impact of higher prices in the context of “share of wallet” spent on electricity.

While this analysis shows that the average comparative impact of rising electricity prices across the population might remain relatively unchanged, the impacts on low-income consumers require further analysis. The comparative impact on low-income households is substantially different due to a number of factors, including varying abilities to maximise energy efficiency, adopt new technologies and improve the energy efficiency of housing. Most importantly, energy expenditure is an essential part of life and growing income disparity impacts on energy affordability. The

OECD in December 2011 highlights growing income disparity when comparing the lowest quintiles to the top: *‘In 2008, the average income of the top 10% of Australians was 131 300 AUD (88 800 USD), nearly 10 times higher than that of the bottom 10%, who had an average income of 13 700 AUD (9 300 USD). This is up from a ratio of 8 to 1 in the mid 1990s’* (OECD, 2011).

Simshauser, Doan and Nelson (2011a) demonstrated that with a significant run-up in network prices and wholesale energy costs, household energy tariffs could double between 2008 and 2015. The study concluded that while for most households this would be little more than a budgeting inconvenience with such a rapid run up in prices, a greater proportion of households within the community would be likely to experience customer hardship over the same time period (Simshauser, Nelson and Doan, 2011b). Importantly, the authors demonstrated that it is difficult to identify consumers in hardship using aggregated or average data given the significant variation in consumption of individual households.

Simshauser, Doan and Nelson (2011b) demonstrated that households with very low expenditure on energy are more likely to spend a smaller proportion of their income on energy. The results of this analysis provide significant insights for our revitalisation of Energy for Life. Providing any type of assistance to “low-income” consumers is likely to be too blunt a tool for addressing hardship. It is necessary to delve deeper into the data to identify which groups of energy consumers face greater hardship which is a blended function of energy pricing, household income and energy consumption.

2.5 AGL forthcoming research on energy customer hardship

As a result of the materiality of energy related customer hardship in the community, significant research has been undertaken by AGL on the demographic incidence of hardship. Since the publication of Simshauser, Nelson and Doan (2011), AGL has continued to investigate customer hardship and in particular the demographic and geographic incidence of hardship. A new paper by Simshauser and Nelson (2012b) examines these issues in greater detail. The quantitative evidence presented in this paper has been a core input into the revitalisation of Energy for Life.

Critically, Simshauser and Nelson (2012b) find that the “Family Formation” demographic age group (primary energy account holder being 30-50 years old) is over-represented in the distribution of customer hardship. They also find that there is relative under-representation of the Active Retired and Sedentary Retired (i.e. over 65s) demographics in relation to customer hardship. The over-representation of the Family Formation demographic in the distribution of customer hardship is perhaps not surprising, given it is these households may be experiencing a greater degree of vulnerability for a number of reasons, in particular:

- households with 3 or 4 bedrooms (and two or more children) consuming a significantly greater amount of electricity than a 2 bedroom house;
- the account holder being subject to significantly higher relative fixed costs associated with mortgage repayments or rental payments; and
- the potential relative lack of ability of the primary account holder to control energy consumption, in particular as this relates to the energy consumption of a number of dependent children.

One of the other products of the research led by AGL has been the production of geographic maps that outline areas most at risk of energy related financial hardship. AGL (with assistance from KPMG) has been able to demographically plot postcodes where account holders are

regularly approaching disconnection or are on AGL's hardship program, Staying Connected. Appendix 2 shows maps of Sydney and Melbourne and identified areas of hardship.

Taking into account the above inputs in their entirety, AGL has determined energy related hardship as the focus for the corporate citizenship program, Energy for Life. AGL is committed to the implementation of an evidence based program and has prioritised the incorporation of this up to date demographic research in the development of new partnership initiatives. These initiatives and their linkages with the inputs discussed in Section 2 will be further discussed in Section 4.

3. Energy and financial hardship

In a recent meeting with AGL a St Vincent de Paul volunteer from South Australia recently recounted their first hand experience of how rising utility bills are impacting the community - *'It's not just the energy bills they're having trouble with – sometimes they pay them, but then there's nothing left for food'*. This relatively simple statement, in fact says a great deal about the complexity in identifying and responding to hardship. Hardship¹ is a complex matter which is impacted heavily by a range of factors affecting the household budget including food, water, transport and rent or accommodation. Decisions are based on different preferences. For this reason it can be very difficult to single out a specific indicator or "cause" of hardship. It is much more likely that hardship is a cumulative result the cost pressures, priorities and 'stage of life' of a household when compared to relative income levels.

3.1 Energy costs as a cumulative financial stressor

Rising basic and essential costs of living are regularly raised by the community sector as a cumulative stressor impacting families and households. As discussed above, identification of energy related hardship as a cumulative financial stressor is not as simple as the application of binary assessment of: 'if an electricity bill is payed on time or not'. There are a range of trade-offs that families and individuals will decide upon within the confines of a limited budget. For example, in some situations an electricity bill might be paid in lieu of rent or vice versa. The Household, Income and Labour Dynamics in Australia (HILDA) survey identified seven criteria for financial stress (Wilkins et al. 2011): could not pay electricity, gas or telephone bills on time; could not pay the mortgage or rent on time; pawned or sold something; went without meals; were unable to heat the home; asked for financial help from friends or family; and asked for help from welfare or community organisations.

Importantly, the Australian Council of Social Services (2011) also highlights that financial stress is not limited to people or households with low incomes. Financial stress can also be caused by unforeseen events such as an accident or injury, domestic and family violence, long-term illness or a death in the family. This supports the conclusion of Simshauser and Nelson (2012b) that incidence of hardship is impacted by factors other than low-incomes alone.

3.2 The policy framework for hardship intervention

AGL advocates for a shared responsibility model when it comes to assistance for households who are struggling to manage their energy costs. A shared responsibility model recognises the need for consumers, the energy industry, community organisations and government (State and Federal) to work together to provide a framework that enables Australian households to access appropriate support and assistance to manage sustainable energy consumption. It is the commitment to this

¹ It should be noted that for the remainder of the paper, that the term 'hardship' or 'energy-related financial hardship' will be used to as a descriptive for one struggling to meet the cost of ongoing energy requirements.

model that informs AGL's evidence based approach, understanding what role is appropriate to play at what stage.

As a provider of an essential service, AGL will through its core operations play a role in the identification of potential financial stress through bill payment issues. AGL recognises it has a responsibility to respond to a customer advising of difficulty in a fair, empathetic and balanced manner. This commitment extends to working with the customer to ensure they are receiving the appropriate energy assistance measures. However, where the causes of financial stress go beyond the energy bill as they often do, it would be inappropriate for an energy retailer to be involved beyond referral to a more qualified person or organisation for further assistance.

The lines in a shared responsibility model are rarely clear cut and often the role of an organisation as an essential service provider, and a contributing corporate citizen can be blurred. Using an evidence based approach will ideally enable AGL to ensure these aspects complement each other whilst remaining cognisant of the subtle but distinct differences that exist.

3.3 Core areas for energy-related hardship intervention

Table 2 provides a summary of the current types of support mechanisms being delivered by all identified organisations as they relate to three core areas of support in relation to energy-related hardship. This list is by no means all inclusive, but provides insight to the spread of responsibilities and initiatives, and more importantly, the potential gaps.

As represented in Table 2, AGL is involved in a number of hardship programs. These existing business operations and hardship program delivery are shaded blue. By assessing the network of potential support, it became clearer that there was significant potential for AGL to extend its support to the earlier stages of intervention in its corporate citizenship program, Energy for Life. Indeed, Barclays Wealth (2011) also note that private sector philanthropic intervention can be most effective in early stage support and prevention measures in responding to hardship, with the private sector often able to take a long-term approach to investments in such programs.

Based upon this "gap analysis", AGL has decided to focus the resources of the Energy for Life program in the prevention and education and capacity building phases of intervention. Importantly, these new initiatives through Energy for Life are to be complementary to AGL's current operations and programs, partnering our resources and core business functions with community organisation outreach and on-ground experience.

Table 2: Policy and program responses to energy-related financial hardship across three phases of intervention

Prevention and education	Intervention / capacity building / resource support	Crisis support
<i>Providing education to break cycles of intergenerational hardship</i>	<i>Direct financial and resource support initiatives for those experiencing or at risk of energy-related hardship</i>	<i>Immediate financial or other support for those experiencing significant financial difficulties</i>
Energy usage awareness programs (G,B,C)	Financial counselling and budgeting support (B,C)	Payment/bill support through energy retailer hardship programs (B)
Low-income energy efficiency building upgrades and technologies (through regulation and funding) (G)	Delivery of information, support and training in relation to energy usage for community organisations (G,B,C)	Home energy audits delivered in partnership between energy retailers and community organisations (e.g Kildonan) (B,C)
Child education sponsorship for children from disadvantaged households (C)	Direct Government support (e.g. concessions) (G)	Short-term direct financial support specifically for those experiencing a change in circumstance or ability to maintain income (accident/injury/long-term illness, domestic violence) (C,G)
Adult literacy and numeracy programs (G,C)		Utility payment vouchers or subsidies (e.g. EAPA) (G,C)
		Short-term funding relief for electricity bills to community organisations, homeless shelters (AGL Warmth in Winter) (B)

*Current known delivery/responsibility body: G=government, B=businesses, C=community organisations

4. Development of Energy for Life initiatives

4.1 Assessment of potential charity partners

A number of factors were taken into account in relation to the assessment of potential new strategic charity partners:

- *Potential to build a stable, long-term partnership*

A high priority was placed on developing a long term agreement with charities, to allow the partnership to grow over time, strengthen the understanding between the organisations and give

the partnership time to achieve outcomes. It is too often the case that a short run approach is taken to the development of these partnerships, resulting in funding uncertainty for the charity, limited ability to assess outcomes and the lack of ability to build an understanding between employees and the charity itself.

- ***Ability to build an integrated partnership***

In development of the partnerships it was an important factor for AGL to be able to build a long-term and integrated relationship with potential new charity partners. This means incorporating the charity into AGL's Employee Giving program, delivering a greater number of opportunities for employees to directly interact with the charity through Employee Volunteering opportunities and jointly building and contributing to the body of knowledge and data collection in relation to the outcomes of the strategic programs being delivered. This approach again re-iterates the commitment to building an integrated and evidence based corporate responsibility program – both parties essentially committing to 'skin in the game' when it comes to delivering and measuring the outcomes of dedicated support programs.

- ***Charity partner presence and outreach in areas identified as priorities from AGL research***

As discussed in section 2, significant research has been undertaken by AGL to uncover the demographic and geographic incidence of energy related hardship across the community. In keeping with our commitment to deliver an evidence based program, it was important for AGL to work with organisations that are physically located in the geographic areas identified in Appendix 2.

- ***Demonstrable evidence of outputs and outcomes***

In discussions with potential charity partners, AGL placed an emphasis on considering the levels of transparency and reporting in relation to the outputs, governance and financial reports for program delivery.

The potential to incorporate the most up-to-date information into annual reviews allows for flexibility in program delivery and for the partnership to evolve over time, taking into account the strengths and effectiveness of the initiatives and areas for attention or improvement year on year.

4.2 The development of effective partnerships and initiatives

AGL has developed partnerships with The Smith Family, the Cancer Council and St Vincent de Paul to address the varying stages of intervention discussed in Section 3. These partnerships are all aimed to alleviate hardship in some form but vary in their approach reflecting the need to address capacity building; prevention and crisis support. All of these partnerships address the issue of hardship within the context of AGL providing an essential service. Importantly, the initiative complement, rather than substitute, ongoing commitments to addressing hardship through our regulatory obligations and existing hardship programs (e.g. Staying Connected). In addition, AGL has also developed a new partnership with the Julian Burton Burns Trust around educating the community about burns prevention. As a provider of electricity and gas, AGL believes that the Burns Trust can play a critical role in educating the community about the safe use of hot water and other potential burns hazards.

Initiative 1: The Smith Family – Addressing the “Prevention and education” stage of hardship intervention

The Smith Family (TSF) is a national, independent charity helping young Australians in need to get the most out of their education, so they can create better futures for themselves. The Smith Family created its flagship *Learning for Life* program to help disadvantaged Australian children and young people break the cycle of disadvantage, using education as the key. Working in 97 Australian communities, its work reaches more than 117,000 children, young people and families in need. The Smith Family believes that education is the key to transforming lives, and not just minds, and that’s why it focuses on providing mentoring, tutoring and a whole range of other learning support programs to children and young people from socio-economically disadvantaged communities. The Smith Family’s area of operations is strongly aligned with those regions prioritised by AGL as more likely to be experiencing energy-related hardship.

AGL and The Smith Family are entering into an integrated partnership over a period of six years, with the aim of strengthening the ties across both organisations over time. Through the provision of direct funding to The Smith Family, AGL will be able to support over 340 Australian students by alleviating education costs over the six years, making AGL currently the largest corporate sponsor of the *Learning for Life* sponsorship program. Children from areas identified by AGL research (see Appendix 2) will be prioritised where possible. AGL will also provide resources to support the organisation in tracking the journey of students after leaving the *Learning for Life* program. This will provide important quantitative evidence of the value being added to the community through the co-investment of AGL and The Smith Family.

In drawing further on AGL’s core business functions, AGL and The Smith Family agreed to develop a Primary School education module focussed on tips to save energy around the home, again providing another opportunity to support children’s education, empowering them with the potential to become advocates within their own families. The organisation will also be integrated into AGL’s Employee Giving program and priority is being placed on the partnership opening up a significant number of new volunteering opportunities for AGL employees.

Initiative 2: St Vincent de Paul – Addressing the “Capacity building” stage of hardship intervention

The St Vincent de Paul (SVDP) Society is a national charity with members and volunteers reaching out to the most vulnerable in the community through 1178 conferences or parishes, 18,209 members and 30,000 volunteers. St Vincent de Paul supports families experiencing difficulty through its shopfront centres, home visitation programs, soup vans and a variety of programs including immediate financial relief for those in crisis, budget counselling, aged care facilities, homelessness programs and disability services. There is a clear correlation and extensive on the ground presence of SVDP within regions identified by AGL research (see Appendix 2).

AGL will provide funding over a period of five years for the purposes of direct financial relief through the St Vincent de Paul home visitation program. St Vincent de Paul will prioritise the direction of financial support to those areas identified in Appendix 2. This approach has been established as the ‘baseline’ level for the first year of the agreement, which can then be amended year on year depending on the experience and feedback of emerging priority areas as identified by St Vincent de Paul volunteers and members. By building flexibility into the funding agreement, the two organisations can work together to better target the provision of support and respond to community demand.

AGL has also committed to work with St Vincent de Paul to develop an effective ‘Energy Advice Pack’ for volunteers to deliver effective information to households about available support, retailer hardship programs and simple tips to save energy around the home. Importantly, AGL will also offer training to St Vincent de Paul members and volunteers where appropriate to build capacity and knowledge within St Vincent de Paul around the provision of advice and support to households around energy use. As St Vincent de Paul has around 30,000 volunteers, this agreement should have a material impact on the provision of energy efficiency knowledge throughout the community.

Table 3: A summary of new initiatives as they relate to the three phases of intervention

Prevention and education	Intervention, resource and capacity building	Crisis support
The Smith Family <i>Learning for Life</i> child sponsorship for children from disadvantaged families over 6 years	St Vincent de Paul Home Visitation Program, delivering financial support, budgetary advice and friendship to families in hardship	Cancer Council Financial Assistance Program providing short-term financial relief to individuals in hardship that have recently been diagnosed of cancer. This support is often used for utility and other bills at a time of need
High school career days held with AGL employees and The Smith Family schools	Development of Energy Advice Packs for distribution by Vinnies volunteers across NSW, VIC, SA and QLD	
Development of energy savings education module in conjunction with The Smith Family	AGL hosted workshops provided for SVDP volunteers seeking additional information and support in relation to energy management and available support	
Research and data collection initiative to support The Smith Family longitudinal tracking of the engagement rate of students and their journey after completion of the <i>Learning for Life</i> sponsorship		

Initiative 3: Cancer Council – Addressing the “Crisis support” stage of hardship intervention

As an existing AGL charity partner, Cancer Council has been supported by AGL over a number of years through: Employee Giving; fundraising events such as Australia’s Biggest Morning Tea and Pink Ribbon Day; and Employee Volunteering. In the survey of our charity partners referred to in section 2.3, Cancer Council identified its ‘Financial Assistance Program’ as one which AGL may wish to support. Through the program, families affected by cancer can apply for a one off grant from the Cancer Council to cover necessary living costs. Emergency funding is provided where no government help is available, or where applications for government benefits have been delayed. Expense assistance can be directed to utility bills, groceries; accommodation and car insurance /registration. AGL will provide funding support to the Cancer Council to contribute to the costs of operating the Financial Assistance Program. The agreement provides a strong linkage with AGL’s Energy for Life objectives and core intervention area of crisis support for those experiencing financial hardship.

A summary of the initiatives and their interaction across the various phases of intervention is presented in Table 3.

5. Conclusion

This paper has outlined the process which AGL has undertaken in the revitalisation of its corporate citizenship program and the steps taken to develop and implement an evidence-based approach. These partnerships now form the solid basis from which stronger networks can be built between the organisations over time.

6. References

- AGL, (2011), *Sustainability Performance Report 2011*, available at: <http://2011.aglsustainability.com.au/index.html#/1/zoomed>, accessed 1st May 2012
- Auspoll, (2011), *Energy Efficiency – A study of community attitudes*, report prepared for the Clean Energy Council available at: <http://www.cleanenergycouncil.org.au/policyadvocacy/Committees/directorates/Energy-Efficiency.html> accessed 1st May 2012
- Australian Council for Social Services, (2011), *Emergency Relief Handbook*, 4th Edition available at: http://acoss.org.au/policy/community_services/emergency_relief_handbook/, accessed 1st May 2012
- Barclays Wealth, (2011) *Early Interventions: An Economic Approach to Charitable Giving – in co-operation with New Philanthropy Capital*, available at: <http://www.barclayswealth.com/Early-Interventions.pdf> accessed 1st May 2012, p7
- KPMG, (2011), *International Survey of Corporate Responsibility Reporting*, available at: <http://www.kpmg.com/au/en/issuesandinsights/articlespublications/pages/kpmg-international-survey-corporate-responsibility-reporting-2011.aspx>, accessed 1st May 2012
- KPMG, (2012) *Analysis of the Household Expenditure Survey in relation to fuel poverty* – report completed for AGL
- Nelson, T., Kelley, S., Orton, F. and Simshauser, P. (2010), “Delayed carbon policy certainty and electricity prices in Australia”, *Economic Papers*, Vol. 29, No. 4, pp. 446-465
- Nelson, T., Simshauser, P. and Kelly, S. (2011), "Australian residential solar Feed-in Tariffs: industry stimulus or regressive form of taxation?", *Economic Analysis and Policy*, Vol. 41 No. 2, pp.113-129
- New Philanthropy Capital, (2011), *Corporate Giving – NPC’s practical guide for corporate funders*, available at: http://www.philanthropycapital.org/publications/improving_the_sector/grantmaking/corporate_giving.aspx Accessed 1st May 2012
- New Philanthropy Capital, (2010), *Social Return on Investment for funders*, available at: http://www.philanthropycapital.org/publications/improving_the_sector/charity_analysis/sroi_for_funders.aspx, accessed 1st May 2012, p9
- OECD, (2011), *Divided We Stand: Why Inequality Keeps Rising*, Country Note: Australia, available at: <http://www.oecd.org/dataoecd/50/48/49177643.pdf>, accessed 1st May 2012
- Simshauser, P. and Nelson, T. (2012a), “Carbon taxes, toxic debt and second-round effects of zero compensation: the power generation meltdown scenario”, *Journal of Financial Economic Policy*, In-press
- Simshauser, P. and Nelson, T. (2012b), “The energy market death spiral: rethinking customer hardship”, *AGL Applied Economic and Policy Research Working Paper*, Forthcoming
- Simshauser, P., Nelson, T. and Doan, T. (2011a), “The Boomerang Paradox Part 1: how a nation’s wealth is creating fuel poverty”, *The Electricity Journal*, Vol. 24, Issue 1, pp. 72-91
- Simshauser, P., Nelson, T. and Doan, T. (2011b), “The Boomerang Paradox Part 2: how a nation’s wealth is creating fuel poverty”, *The Electricity Journal*, Vol. 24, Issue 2, pp. 63-75

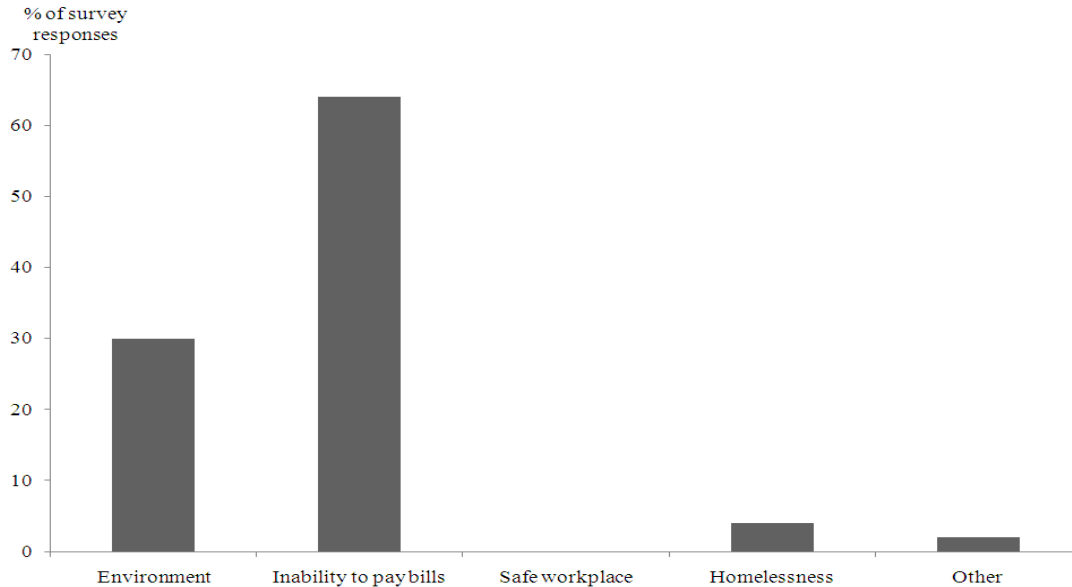
Wilkins et al, (2011), *Families, Incomes and Jobs, Volume 6: A statistical report on Waves 1 to 8 of the Household, Income and Labor Dynamics in Australia Survey*, available at: http://melbourneinstitute.com/downloads/hilda/Stat_Report/statreport-v6-2011.pdf accessed 1st May 2012, p44-48

Winestock, G (2012), Pensioners ahead in cost of living stakes, *The Australian Financial Review*, 3rd May 2012

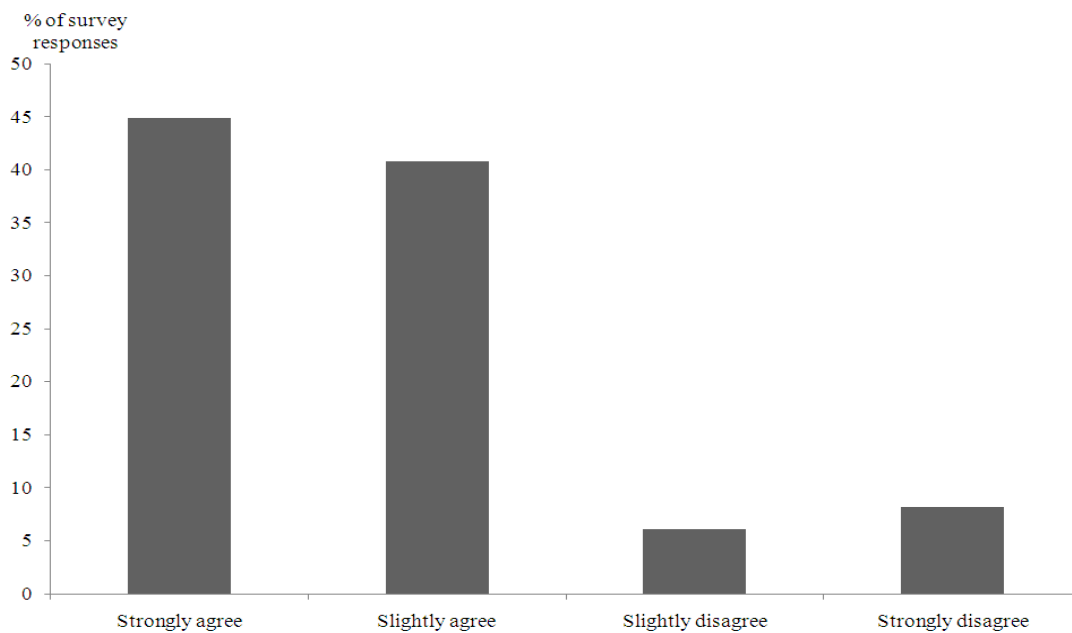
Appendix 1: List of Staff Survey Questions²

Below is a selection of questions from the Energy for Life survey referenced in section 2.2.

1. As a business that retails electricity and gas, and operates power generation assets, what issue do you think is most important to external stakeholders (including customers, the community, investors and the general public)?



2. AGL's 10 charity partners reflect the issues that are most important to AGL

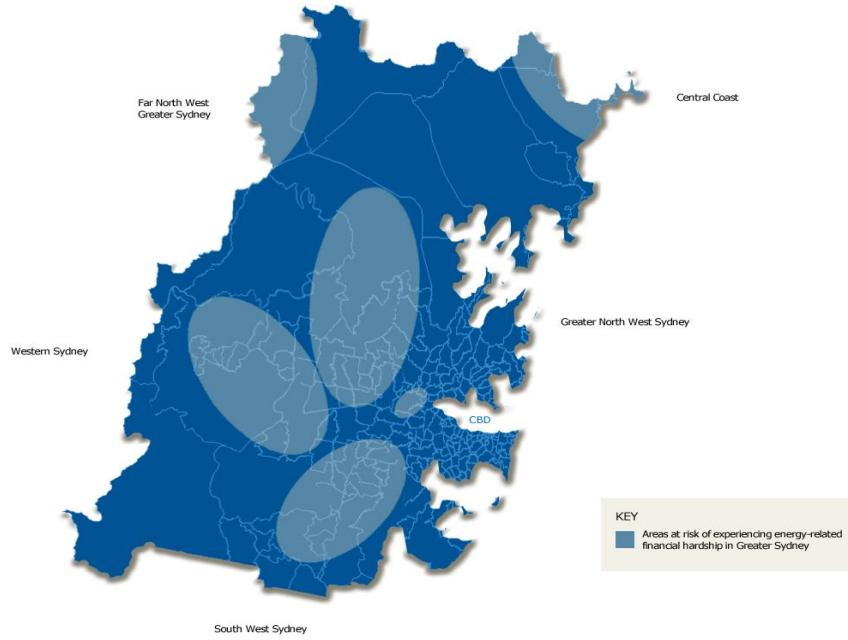


² Due to some responses having multiple answer options, figures may not add up to 100%

Appendix 2: Geographic incidence of energy related financial hardship

The maps below highlight regions likely to be ‘at risk’ of energy-related financial hardship in Metropolitan Sydney and Melbourne, similar maps have also been developed for South-East Queensland and Adelaide. This has been based on concentrations of AGL Staying Connected customers, AGL customer energy debt levels, disconnections data and forecast population growth.

Areas at risk of experiencing energy-related financial hardship in Greater Sydney



Areas at risk of experiencing energy - related financial hardship in Greater Melbourne

