

# Risk Management Policy

December 2024



# 1. Policy

## 1.1. Policy Statement

A strong risk management culture is critical to enabling AGL Energy Limited (AGL) to achieve its strategic, operational and commercial objectives and can also be a source of competitive advantage. AGL is committed to ensuring that risk management practices are embedded into all business processes and operations to drive consistent, effective and accountable action, decision-making and management practice.

## 1.2. Purpose

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

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

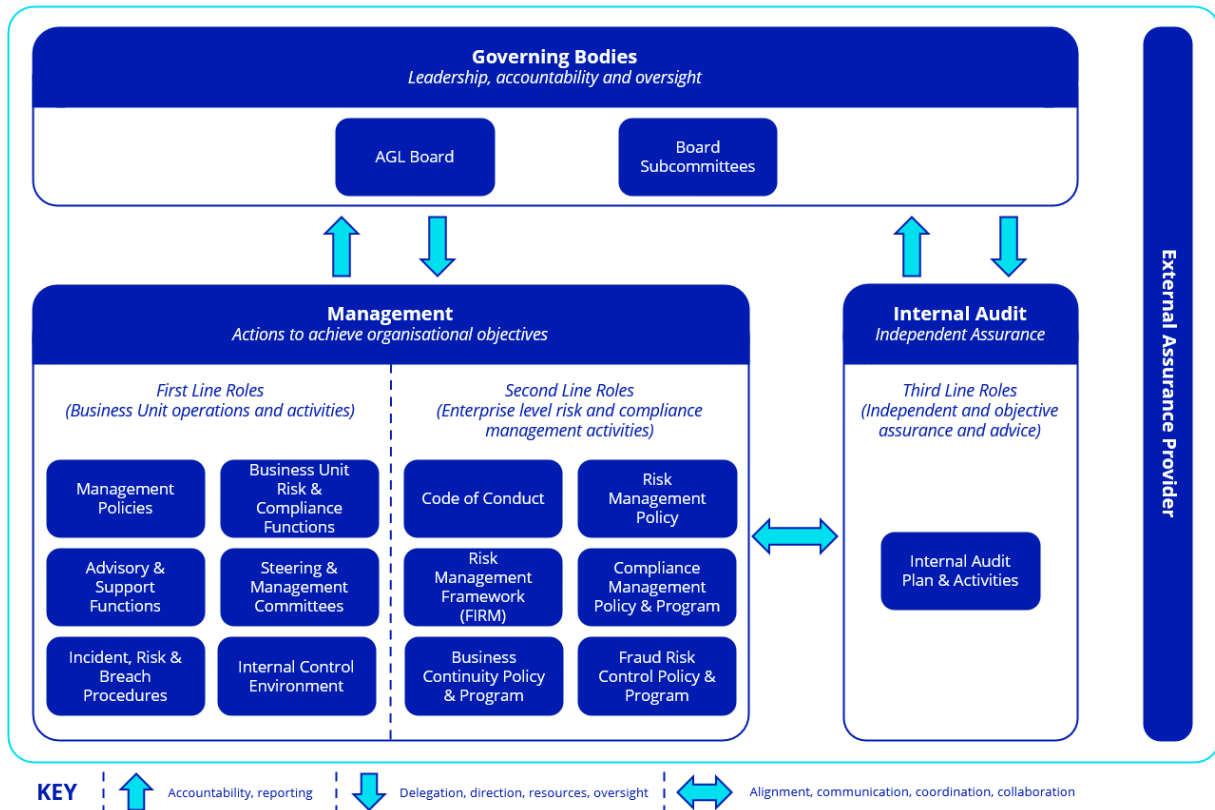
This Policy aligns with the principles and requirements set out in *ISO 31000 Risk Management – Principles & Guidelines* and the *ASX Corporate Governance Council Principles and Recommendations*, and has been approved by the AGL Board of Directors (Board).

## 1.3. Scope

This Policy applies to all AGL people, including directors, employees, fixed term contracted employees and other contracted labour (collectively referred to as 'Employees').

## 1.4. AGL’s Risk Management Model

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



## 1.5. AGL’s Risk Context

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

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

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

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

Further details outlining the context of our operating environment and our business can be found in the [Who We Are](#) section of our website.

## 1.6. Risk Management Objectives

Effective risk management within AGL has a number of key objectives, including the following:

- promote an enterprise-wide approach by integrating risk management processes into core business activities and decision-making;
- systematically identify and manage AGL's material strategic, operational and commercial risks;
- promote consistency and transparency in methodologies, assessment and management processes;
- promote proactive recognition of external factors and uncertainties that may affect the achievement of AGL's strategic objectives;
- promote confidence in operating performance, management decision-making and the achievement of expected outcomes;
- protect the interests of AGL's shareholders;
- demonstrate sound business practice to AGL's stakeholders;;
- support the prioritisation of initiatives and application of resources, including where business objectives conflict or are competing for limited resources;
- sponsor innovation and maximise value from assets, ventures and opportunities;
- provide appropriate, consistent and transparent ownership and accountability for risk mitigation;
- enable the design and implementation of effective controls and risk treatments to manage risk;
- promote timely and accurate monitoring, review, communication and reporting of risk across the organisation, including to the Board;
- continue to educate, train and raise awareness of effective risk management practices to all AGL employees.

## 1.7. Risk Management Requirements

AGL is committed to the development of effective and robust risk management practices and meeting the objectives as outlined in section 1.6 of this Policy. This commitment is reflected through the following:

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

- enterprise risk identification, assessment and profiling is conducted on a biannual basis by GRCI; and
- a review of AGL's risk appetite is facilitated by GRCI and discussed with the ARMC on an annual basis, or more regularly as required.

## 1.8. Accountabilities

---

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

---

**AGL Audit and Risk Management Committee** The ARMC has been established to, among other things:

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

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

---

**Chief Executive Officer and Executive Team** The Chief Executive Officer (CEO) is responsible for managing AGL in accordance with the strategy, business plans and policies approved by the Board. This includes responsibility for managing the implementation of this Policy and promoting a positive risk culture within AGL.

The Executive Team is accountable to the CEO for:

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

---

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

- facilitating the identification, monitoring and reporting of AGL's Tier 1 risks to the ARMC, at least twice per year;
- promoting and facilitating a standardised approach to effective risk management, including the ongoing review and improvement of the Standard;
- assisting the business to identify, understand and manage risk;

- facilitating the integration of AGL's approved processes for managing risk and compliance within the business;
- reviewing the appropriateness of AGL's General Statement of Risk Appetite on an annual basis, and reporting to the ARMC on management's performance in maintaining operations within the risk appetite set by the Board; and monitoring the effectiveness of management's performance against the AGL risk management framework.

---

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

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

- assisting the business to implement risk management practices in accordance with this Policy and the Standard;
- facilitating risk assessments, maintenance of risk profiles/registers and monitoring action items within their respective business areas;
- the provision of technical risk expertise, training and advice; and
- analysing and reporting risks in accordance with the Standard, which includes the reporting of material risks to GRCI for inclusion in ARMC reporting.

---

**Group Audit**

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

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

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

---

**Employees**

AGL's Employees are required to:

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