

AGL's approach to Corporate Governance

This Statement explains how AGL conforms with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 2nd Edition' (referred to as either ASX Principles or Recommendations) issued in August 2007.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – *Companies should establish the functions reserved to the Board and those delegated to the Executive Team*

Role of the AGL Board ('the Board')

The Board is responsible for the governance of AGL. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from AGL's Constitution.

The Board's responsibilities are encompassed in a formal Charter which the Board is responsible for reviewing and amending from time to time. The Charter was most recently reviewed and amended in August 2008. While the Charter does not specify how frequently it should be reviewed, the Board intends to undertake a further review during 2010 and thereafter no less frequently than every two years.

The major powers the Board has reserved to itself are:

- Reviewing and approving AGL's strategic plans and performance objectives;
- Selecting, appointing and monitoring the performance of the Chief Executive Officer (CEO) and, if appropriate, terminating the appointment of the CEO;
- Monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Approving and monitoring policies governing AGL's relationship with other stakeholders and the broader community, including policies in relation to environmental management and occupational health and safety (HSE);
- Monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;

- Monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;
- Approving decisions affecting AGL's capital, including determining AGL's dividend policy and declaring dividends;
- Reviewing and recommending to Shareholders the appointment or, if appropriate, the termination of the appointment of the external auditor; and
- Monitoring the effectiveness of AGL's audit, risk management and compliance systems that are in place to protect AGL's assets, and to minimise the possibility of AGL operating beyond acceptable risk parameters.

To assist it in carrying out its responsibilities the Board has established three Committees. They are:

- People and Performance Committee (see Principle 2);
- Safety, Sustainability and Corporate Responsibility Committee (see Principle 3); and
- Audit and Risk Management Committee (see Principle 4).

Details of the main accomplishments of each of the Board Committees during 2008/2009 are included in the commentary on Principle 2.

The timetables for Board and Committee meetings are agreed annually to ensure that the Board and individual Directors dedicate sufficient and appropriate time to reviewing and overseeing AGL's business.

New Directors

New Directors receive a formal letter of appointment along with an induction pack. The contents of the appointment letter and induction pack contain sufficient information to allow the new Director to gain an understanding of:

- The rights, duties and responsibilities of Directors;
- The role of Board Committees;
- The roles and responsibilities of the Executive Team; and
- AGL's financial, strategic, operational and risk management position.

AGL believes that it is important that new Directors are able to contribute to the Board's decision making process at the earliest opportunity. To that end, new Directors undertake an induction program which comprises:

- The comprehensive induction pack which includes a copy of AGL's Constitution; Board and Committee Charters; most recent Annual Report; most recent Appendix 4D or 4E and market results presentation; most recent monthly Group Performance Report; AGL strategic plan; organisational chart; Deed of Access, Insurance and Indemnity and details of AGL's Directors' and Officers' insurance policy; and the register of AGL's most significant risks;
- A program of meetings with members of AGL's Executive Team; and
- A program of meetings with other AGL employees responsible for areas such as HSE, upstream gas operations, and wholesale energy trading.

Delegation to the CEO and the Executive Team

The Board has delegated responsibility for implementing AGL's strategic direction and for managing AGL's day-to-day operations to the CEO and the Executive Team.

Specific limits on the authority delegated to the CEO and the Executive Team are set out in the Delegated Authorities policy approved by the Board. The authorities delegated to the CEO and the Executive Team cover a range of matters including sales contracts, operating expenditure, capital expenditure, employment contracts, billing adjustments and debt write-offs, and communications with media and Shareholders.

Executive Team

The Executive Team comprises the CEO and eight senior managers (Executives) who report directly to the CEO.

Each Executive is employed under a Service Agreement which sets out the terms on which the Executive is employed, including details of the Executive's duties and responsibilities, rights and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either AGL or the Executive, including details of the notice periods required to be given by either party, and the amounts payable to the Executive as a consequence of the termination by AGL of the Executive's employment.

With one exception, all the Executives are employed on a permanent basis. AGL's Chief Information Officer is employed under a Service Agreement which stipulates that his employment with AGL will cease on 30 June 2013 unless extended by agreement between him and AGL.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of the Executive Team

Performance evaluation

All Executives have formal position descriptions. Key performance measures are established for each Executive at the commencement of the financial year. Some performance measures, such as overall AGL financial performance and some occupational health and safety targets, are common for all Executives. Other performance measures are specifically set in line with the individual role and responsibilities of the Executive.

The CEO has personal objectives, as well as objectives related to business units and AGL as a whole. The Board assesses the performance of the CEO against those objectives on an annual basis, or more frequently if required.

The Board, with the assistance of the People and Performance Committee, also monitors the performance of the Chief Financial Officer (CFO), Company Secretary and other members of the Executive Team.

Executive Team performance evaluations have been conducted for the financial year ending 30 June 2009. Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report commencing on page 48 of this Annual Report.

Newly appointed Executives

An induction program is in place to enable newly appointed Executives to gain an understanding of:

- The Company's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the Board and the Executive Team.

Principle 2: Structure the Board to add value

The Board's size and composition are subject to limits imposed by AGL's Constitution, which provides for a minimum of three directors and a maximum of 10. The Board currently comprises eight non-executive Directors and one executive Director. The Managing Director is the Executive Director and CEO of AGL.

The Directors of AGL at any time during the financial year are listed with a brief description of their qualifications, experience and special responsibilities on pages 42 to 44 of this Annual Report. During the financial year, Carolyn Hewson retired as a Director and Les Hosking and John Stanhope were appointed as Directors. As required by AGL's Constitution, Mr Hosking and Mr Stanhope will stand for re-election as Directors at AGL's Annual General Meeting to be held on 29 October 2009.

The Board met 27 times during the financial year. Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 2.1 – *The majority of the Board should be independent Directors*

Independent decision making

Directors have unfettered access to AGL records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a Director. In addition, the Board has access to other relevant senior management to seek additional information concerning AGL's business.

Under AGL's Board Charter, the Board collectively, and each Director individually, has the right to seek independent professional advice at AGL's expense to help them carry out their responsibilities. During the financial year, neither the Board collectively nor any individual Director availed themselves of this right.

It is usual for the non-executive Directors to confer, without management being present, at the start of each scheduled Board meeting.

Independent Directors

AGL considers a Director to be independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgement in relation to matters concerning AGL.

In assessing independence, the Board reviews the relationship that the Director, and the Director's associates, have with AGL. In determining whether a Director is independent, the Board has considered whether the Director:

- Is a substantial Shareholder of AGL or an officer of, or otherwise associated directly with, a substantial Shareholder of AGL;
- Within the last three years, has been employed in an executive capacity by AGL or any of its related bodies corporate;
- Within the last three years, has been a principal of a material professional adviser or a material consultant to AGL or any of AGL's related bodies corporate;
- Is a material supplier to, or customer of, AGL or any of AGL's related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with AGL; or
- Has any interest, or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests.

The Board regularly assesses the independence of non-executive Directors in accordance with the above criteria. The Board has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent.

During the financial year, there were two circumstances in which individual Directors excused themselves from consideration by the Board of specific matters because of the potential for their independence to be compromised:

- During the period he was a director of Sunshine Gas Limited (Sunshine Gas), Bruce Phillips absented himself from all consideration by the Board of the potential sale by AGL of its shares in Queensland Gas Company Limited (QGC) to BG plc. QGC was, at the same time, undertaking an off-market takeover bid to acquire all of the shares in Sunshine Gas.
- Mark Johnson absented himself from consideration by the Board of AGL's potential 'farm-in' arrangements with Innamincka Petroleum Limited (INP). An associate of Mr Johnson is a director of INP.

No Director has received or become entitled to receive a benefit because of a contract between any company in the AGL group and the Director, or a firm in which the Director is a substantial member, or an entity in which the Director has a substantial financial interest, other than:

- In the case of non-executive Directors, remuneration as disclosed in the Annual Report which includes participation in the Shareholder approved AGL Share Purchase Plan; and
- In the case of the CEO, a contract of employment and entitlements under AGL's Long-Term Incentive Plan.

Recommendation 2.2 – *The Chair should be an independent Director*

Under AGL's Constitution, the Board elects a Chairman from among the non-executive Directors. It is a requirement of AGL's Board Charter that the Chairman be independent.

Recommendation 2.3 – *The roles of Chair and Chief Executive Officer should not be exercised by the same individual*

The requirement in AGL's Constitution that the Chairman be appointed from among the Non-Executive Directors means that the roles of Chairman and Chief Executive Officer are not exercised by the same individual.

The Chairman presides over AGL's Board meetings and Shareholder meetings. Under AGL's Board Charter, the Chairman is also responsible for:

- Leading the Board in reviewing and discussing Board matters;
- Managing the efficient organisation and conduct of the Board's function;
- Briefing all Directors in relation to issues arising at Board meetings;
- Facilitating effective contribution by all Directors and monitoring Board performance;
- Overseeing that membership of the Board is skilled and appropriate for AGL's needs;
- Promoting constructive relations between Board members and between the Board and management;
- Reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- Overseeing the implementation of policies and systems for Board performance review and renewal.

The Chairman must ensure that General Meetings are conducted efficiently, and that Shareholders have adequate opportunity to air their views and obtain answers to their queries.

Recommendation 2.4 – The Board should establish a nomination committee

The Board has established a People and Performance Committee (equivalent to a nomination committee) comprising four non-executive Directors, Max Ould (Chairman), Mark Johnson, Sandra McPhee and Graham Reaney. The Committee has a formal Charter that is required to be reviewed at least every two years. The Charter was most recently reviewed in June 2008. A copy of the Charter is available on AGL's website.

The Committee has responsibility for:

- Maintaining a Board which comprises individuals best able to discharge the responsibilities of Directors, having regard to the execution of AGL's strategy and to the highest standards of corporate governance;
- Reviewing the performance and remuneration of the Board and remuneration of senior management; and
- Reviewing and ratifying AGL's remuneration and employment policies, procedures and programs to:
 - Meet long-term people needs;
 - Achieve alignment between the needs and requirements of AGL's customers, Shareholders and other stakeholders, and the values and objectives of AGL's employees;
 - Promote excellent performance;
 - Promote AGL as an employer of choice;
 - Comply with relevant legislation and corporate governance principles on remuneration practices and employment policies; and
 - Provide fair remuneration and other benefits to all AGL employees.

The Committee is responsible for making recommendations to the Board as follows:

Recommendations relating to Board matters

- The skills, knowledge and experience appropriate to AGL's operational, financial and strategic objectives;
- Director tenure and Board composition;
- The process for evaluating Board, Committee and individual Director performance;
- Selection criteria for the appointment of new Directors;
- The appointment and removal of Directors for the consideration of a General Meeting of Shareholders;
- Succession plans for non-executive Directors; and
- Directors' remuneration.

Recommendations relating to the CEO

- Setting and reviewing performance objectives for the CEO and evaluating the contribution and effectiveness of the CEO against those objectives;
- Rewarding the CEO responsibly and fairly for his/her contribution to enhancing AGL's performance; and
- The recruitment, retention and termination policies and procedures for the CEO.

Recommendations relating to the Executive Team

- Reviewing the CEO's recommendations on terms of employment and remuneration for AGL's Executive Team, and on succession plans for key senior positions within AGL;
- Maintaining a balance of skills, knowledge and experience across the Executive Team; and
- Approving policies and procedures for the recruitment, retention and termination of members of the Executive Team.

Recommendations relating to incentive plans and superannuation arrangements

- Reviewing guidelines for AGL's incentive plans; and
- Reviewing the superannuation arrangements in place for AGL's employees.

Recommendations relating to AGL employment policy issues

- Providing counsel and guidance to the business in relation to talent, succession planning and performance management; and
- Monitoring remuneration policies and practices to assist AGL to attract and retain people who create value for Shareholders and who uphold and develop the culture of AGL.

The Committee collectively and its members individually have access to internal and external resources, including access to advice from external consultants or specialists.

The Committee met four times during the year. Details of Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors

Evaluation of the Board

During the financial year, the Board completed a review of its own performance.

That review involved each Director and several Executives completing a questionnaire covering:

- The role of the Board;
- The composition of the Board;
- The operation of the Board;
- Group behaviours and protocols; and
- Board performance.

The aggregate results of the questionnaire were discussed at a subsequent Board meeting. The Chairman also met separately with each Director to discuss individual responses to the questionnaire.

Evaluation of Board Committees

The Charters for each of the Board Committees require that each Committee review its own performance annually. The tables below summarise the review process adopted by, and the main achievements of, each Committee during the year.

Audit and Risk Management Committee

Members during the year	Graham Reaney (Chair) Carolyn Hewson (retired 28 February 2009) Jerry Maycock Bruce Phillips Les Hosking (from 1 December 2008) John Stanhope (from 1 April 2009)
Review process	Facilitated by an external adviser and involved: <ul style="list-style-type: none"> – Completion of questionnaires by all Directors, the CEO, the Chief Financial Officer, the Company Secretary and the external auditor; and – Interviews with each member of the Committee.
Committee achievements	The review found that the Committee had been effective in performing its responsibilities under the Committee Charter. Its main achievements during the year were: <ul style="list-style-type: none"> – Transition of two new Directors (Les Hosking and John Stanhope) on to the Committee to replace Carolyn Hewson (retired 28 February 2009) and Graham Reaney (to retire in October 2009); – Re-establishment of an in-house internal audit function and the development of an internal audit plan covering AGL's main risks; – Review of AGL's risk management framework; and – Overseeing transition of new external audit signing partner, to replace Greg Couttas who completed his five-year audit rotation in 2009.

Safety, Sustainability and Corporate Responsibility Committee

Members during the year	Carolyn Hewson (Chair until retired 28 February 2009) Sandra McPhee (Chair since 1 March 2009) Mark Johnson Bruce Phillips Note: Les Hosking was appointed to the Committee on 1 July 2009
Review process	The Committee set aside time at one of its scheduled meetings to discuss its performance over the year in achieving the objectives set out in its Charter and to consider areas to continue improving its effectiveness.
Committee achievements	The Committee considers it has been effective over the last year, most notably in relation to workplace health and safety. Over the year, it has overseen significant reductions in AGL's lost-time injury frequency rate. The Committee has also overseen: <ul style="list-style-type: none"> – Changes to AGL's HSE organisational structure which have improved AGL's capabilities in this area; – Enhancements to HSE reporting; – Improvements in AGL's HSE framework in relation to contractors working on AGL's major construction projects; and – The adoption of a revised AGL Code of Conduct. While workplace health and safety will continue to be an important focus, the Committee anticipates that it will spend more time over the next year on sustainability matters, particularly with the new obligations under the National Greenhouse Emissions and Energy Reporting Act 2007 (Cth) and the expected introduction of the Carbon Pollution Reduction Scheme.

People and Performance Committee

Members during the year	Max Ould (Chair) Mark Johnson Graham Reaney Sandra McPhee
Review process	The Committee set aside time at one of its scheduled meetings to discuss its performance over the year in achieving the objectives set out in its Charter and to consider areas of focus to maintain or improve its effectiveness.
Committee achievements	The Committee considers it has been effective over the last year. Each of its four meetings during the year focussed on one of the following key strategic issues: <ul style="list-style-type: none"> – Driving improvement in levels of employee engagement; – Talent management, including development of succession plans for key roles; – Performance management and employee relations strategy; and – Remuneration. The Committee has also overseen: <ul style="list-style-type: none"> – Implementation of a number of employee development programs to improve skills and raise employee engagement levels; – Further renewal of the Board with the appointment of Les Hosking and John Stanhope as new Directors; and – Redesign of AGL's Long-Term Incentive Plan to provide better alignment of Executive remuneration with sustained increases in Shareholder value.

Principle 3: Promote ethical and responsible decision making

AGL considers ethical decision making to be integral to the conduct of its business. To that end, the Board established the Safety, Sustainability and Corporate Responsibility Committee in March 2008 to assist the Board in enabling AGL to operate its businesses ethically, responsibly and sustainably.

The Safety, Sustainability and Corporate Responsibility Committee currently comprises four non-executive Directors, Sandra McPhee (Chair), Mark Johnson, Bruce Phillips and Les Hosking. The Committee has a formal Charter that is reviewed regularly. A copy of that Charter is available on AGL's website.

The Committee oversees and reviews:

- AGL's actions to meet its obligation 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;
- Integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities; and
- AGL's compliance with all relevant legal obligations on the matters within its responsibilities.

The Committee endeavours to hold as many meetings as practical at AGL business unit locations. It met four times during the year with the meetings held at AGL's Melbourne office; HC Extractions at Kurnell (in Sydney); Mount Beauty in the Victorian alps; and the coal seam gas operations at Gloucester (approximately 250km north of Sydney).

Recommendation 3.1 – Companies should establish a Code of Conduct

AGL has a Code of Conduct that applies to AGL and its Directors, employees and contractors (all of which are referred to as 'employees' in the Code). During the financial year, the Code of Conduct was reviewed and amended. The revised Code of Conduct has been distributed to all AGL employees.

The Code of Conduct sets out a number of overarching principles of ethical behaviour and explains:

- The obligations of AGL to put in place mechanisms to assist all employees to act in accordance with these principles; and
- How AGL employees should act consistently with these principles.

The ethical principles are set out under the following headings:

Acting honestly and with integrity

Observing the law

Valuing and maintaining professionalism

Respecting confidentiality

Managing conflicts of interest

Looking after our employees

Looking after the community

All new AGL employees are required to confirm they have reviewed and are aware of AGL's Code of Conduct. AGL is also introducing a process which will require all employees to annually confirm that they are not aware of any breaches of the Code of Conduct that have not been reported.

The Code of Conduct provides a mechanism to enable employees to report actual or suspected breaches, including provision for anonymous reporting to allay any fear of retribution. An Ethics Panel oversees the application of the Code of Conduct, including investigating alleged breaches of the Code, monitoring compliance and recommending amendments to the Board. The Ethics Panel comprises the Company Secretary, the Group Head of People and Culture, the Head of Legal, the Head of Group Audit, and an independent person with expertise in managing employee grievances.

AGL has a commitment to diversity and has a policy on this issue. AGL has also initiated a Diversity Support Line.

AGL's Code of Conduct is available on AGL's website.

Legislative Compliance Policy
Consistent with its Code of Conduct, AGL is committed to the highest standards of integrity, fairness and ethical conduct, including full compliance with all relevant legal obligations. There is no circumstance under which it is acceptable for AGL or a person associated with AGL to knowingly or deliberately not comply with the law or to act unethically in the course of performing or advancing AGL's business. Behaviour of this kind will lead to disciplinary measures that may include dismissal.

AGL has a Legislative Compliance Policy, which sets out responsibilities for compliance with AGL's various legislative obligations. This Policy was reviewed and amended during the financial year. The Policy is published on AGL's website.

Recommendation 3.2 – Companies should establish a policy concerning trading in securities by Directors, Executive Team and employees

AGL's Share Dealing Policy sets out the circumstances in which AGL's Directors, Executives and other employees may buy or sell securities in AGL or any other listed company.

AGL Directors, Executives and other employees are prohibited from dealing in, or influencing others to deal in, securities of AGL or any other company if:

- They possess information about AGL or another company that is not generally available to the market; and
- The information, if it were generally available to the market, would be likely to influence persons who commonly acquire securities, in deciding whether or not to acquire or dispose of securities in AGL or another company.

Additionally, Directors and senior managers may only deal in AGL shares during the four-week periods immediately following the release of AGL's half-year results, full-year results and Annual General Meeting.

AGL's Share Dealing Policy is available on AGL's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – *The Board should establish an audit committee*

The Board has established an Audit and Risk Management Committee. Its primary function 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.

Recommendation 4.2 – *The audit committee should be appropriately structured*

Under its Charter, the Audit and Risk Management Committee must have at least three members, all of whom must be non-executive Directors. The Charter also requires that all members have a working familiarity with basic accounting and finance practices and that at least one member have financial expertise. The Committee must also include members with an understanding of the industry in which AGL operates.

The composition of the Audit and Risk Management Committee has changed during the financial year. Carolyn Hewson, who was a member of the Committee, retired as an AGL Director in February 2009. Les Hosking and John Stanhope, who were both appointed as Directors during the financial year, have joined the Committee. The Committee currently comprises five members – Graham Reaney (Chair), Jerry Maycock, Bruce Phillips, Les Hosking and John Stanhope. Graham Reaney and John Stanhope both have financial expertise as qualified accountants. Bruce Phillips and Les Hosking each have long careers in the energy industry. Further details of the qualifications and experience of all Committee members are disclosed on pages 42 to 44 of this Annual Report.

The CEO, CFO, Company Secretary (who also has responsibility for AGL's Group Risk and Compliance function), Head of Group Audit and external auditor attend Committee meetings at the discretion of the Committee. The Company Secretary is the secretary to the Committee.

The Committee meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half-year and full-year financial reports. The Committee also meets privately with the Head of Group Audit.

The Company Secretary distributes copies of the minutes of a meeting of the Committee to the Board for discussion at the next full Board meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

The Committee collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists. The Committee met six times during the year. Directors' attendances are set out on page 45 of this Annual Report.

Recommendation 4.3 – *The audit committee should have a formal charter*

The Committee operates under a formal Charter published on AGL's website. The Charter is required to be reviewed by the Committee and updated at least every two years. The Charter was most recently reviewed and updated in June 2008.

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee.

The Committee's primary responsibilities include:

- Monitoring the integrity of financial reporting;
- Monitoring and reviewing the external auditor's qualifications, performance and independence;
- Monitoring the effectiveness of risk management processes;
- Monitoring the effectiveness of Group Audit;
- Monitoring legislative and regulatory compliance; and
- Monitoring the adequacy and completeness of internal controls.

Monitoring auditor independence

AGL's Auditor Independence Policy contains details of the procedures for the selection and appointment of the external auditor and for reviewing the independence of the external auditor.

The external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role.

Quarterly reports on the provision of auditing and related services are provided to the Audit and Risk Management Committee. The Directors have concluded that non-audit services provided did not compromise the external auditor's independence requirements under the Corporations Act 2001 (Cth).

AGL's Auditor Independence Policy is published on AGL's website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – *Companies should establish continuous disclosure policies and ensure compliance with those policies*

Market Disclosure Policy

AGL's Market Disclosure Policy describes AGL's continuous disclosure obligations and how they are managed by AGL, as well as how AGL communicates with financial markets. The Policy is complemented by the Market Disclosure Plan that gives effect to the Policy. Both the Market Disclosure Policy and the Market Disclosure Plan are published on AGL's website.

The Market Disclosure Committee – which comprises the CEO, Company Secretary (the nominated Continuous Disclosure Officer), CFO and Head of Investor Relations – is responsible for monitoring compliance with the Market Disclosure Policy. The Continuous Disclosure Officer is the convenor of meetings of the Committee.

The purpose of the Committee is to help AGL achieve its objective to establish, implement and supervise continuous disclosure within AGL. The Committee is responsible for ensuring that all AGL announcements are made in a timely fashion, contain material information that is both objective and factual, and are clearly written to allow investors to assess the impact of information on their investment decisions. The Committee is also responsible for recommending changes to the Market Disclosure Policy.

Accountability

The Company Secretary as the nominated Continuous Disclosure Officer reports to the Board quarterly on matters that were either notified or not notified to the Australian Securities Exchange (ASX). Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available in the Media Centre on the AGL website.

All the AGL Executives also confirm in writing to the Board, on a quarterly basis, that matters which might need to be disclosed have been brought to the attention of the Continuous Disclosure Officer for review.

Financial market communications

Communication with the financial market is the responsibility of the CEO, CFO and Head of Investor Relations. Communication with the media is the responsibility of the CEO, the Company Secretary, and the Head of Media. The Market Disclosure Policy covers briefings to institutional investors and stockbroking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review, as well as media briefings. The Market Disclosure Plan provides further guidance on how to give effect to the Market Disclosure Policy.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – Companies should establish a shareholder communication policy

AGL has not established a formal Shareholder communication policy, but it does strive to keep Shareholders informed about the Company's activities.

Electronic communication

Shareholders have the option of electing to receive all Shareholder communications, including dividend statements, by email. AGL provides a printed copy of the Annual Report to only those Shareholders who have specifically elected to receive a printed copy. Other Shareholders are advised that the Annual Report is available on the AGL website.

AGL's website allows Shareholders to view all ASX and media releases since at least December 2007; various investor presentations; a copy of the most recent Annual Report and Annual Reports for at least the two previous financial years; and the Notice of Meeting and accompanying explanatory material for the most recent Annual General Meeting and the Annual General Meetings for at least the two previous financial years.

All announcements made to the ASX are available to Shareholders by email notification when a Shareholder provides the AGL Share Registry with their email address and elects to be notified of all AGL ASX announcements.

Shareholder meetings are webcast and analyst/media briefings in relation to half-year and full-year financial results and other significant events can be heard by teleconference.

Meetings

Notices of meeting sent to AGL's Shareholders comply with the 'Guidelines for notices of meeting' issued by the ASX in August 2007. Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practical. Approximately 180 Shareholders took the opportunity to submit questions in advance of the 2008 Annual General Meeting.

The Chairman also encourages Shareholders at the meeting to ask questions and make comments about AGL's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his/her discretion, may refer a question to another Director, the CEO or a member of the Executive Team.

New Directors or Directors seeking re-election are given the opportunity to address the meeting and to answer questions from Shareholders.

At AGL's 2008 Annual General Meeting, the Chair of both the Audit and Risk Management Committee and the People and Performance Committee addressed the meeting to report on the activities of both Committees during the financial year. AGL intends to continue this practice at future Annual General Meetings. The Chair of the Safety, Sustainability and Corporate Responsibility Committee will also report on the activities of that Committee at future Annual General Meetings.

AGL has adopted the practice of conducting a poll on each motion being considered at the meeting, although Shareholders in attendance at the meeting are given the opportunity to vote by a show of hands before the poll is conducted.

The external auditor attends AGL's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to AGL at least five business days before the day of the meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by AGL and the independence of the auditor.

Principle 7: Recognise and manage risk

Recommendation 7.1 – Companies should establish risk management policies for the oversight of material business risks

and

Recommendation 7.2 – Companies should establish risk management and internal control systems to manage material business risk and require management to report to the Board on the effectiveness of these systems and the effectiveness of the material business risks

Risk Management Policy

AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. These risks include:

Supply risk

- Making sure that AGL can source adequate volumes of gas and electricity on acceptable terms to meet customer needs. This includes making sure that we have effective electricity hedging policies and procedures in place.

Asset operating risk

- Making sure that AGL's assets, particularly electricity generation assets, operate reliably when required.

Regulatory risk

- The prices AGL can charge its customers for gas and electricity are regulated in most of the markets in which AGL operates. AGL faces the risk that the regulated prices will not increase at the same rate as the costs of acquiring energy to meet customer needs.

Compliance risk

- AGL operates in a heavily regulated industry.

Climate change

- As an energy company, government policies on carbon emissions will affect AGL and its customers.

Financial risk

- Making sure that AGL has the right capital structure to provide the financial capacity to implement its strategy.

AGL systematically examines all operational and financial areas of the Company to identify its major risk exposures using an enterprise-wide risk program based on Standards Australia's AS/NZS 4360:2004 (Risk Management). This program is supported by AGL's Risk Management Policy.

AGL has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Legislative Compliance Policy;
- Market Disclosure Policy;
- Code of Conduct;
- Delegations of Authority Manual;
- Health, Safety and Environment Policy;
- Wholesale Energy Risk Management Policy;
- Treasury Policy; and
- Privacy Policy.

Roles and responsibilities

The Risk Management Policy, and the other policies listed above, describe the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board or to the Audit and Risk Management Committee (Committee), Executives, the business units and AGL's Group Audit function.

Board

The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that AGL has a sound system of risk management and internal control that is operating effectively.

Committee

The Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control. The Committee receives an annual presentation of AGL's material business risks and the controls in place to mitigate the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics.

The Committee has responsibility for approving the audit plan submitted annually by Group Audit. The Committee ensures that the audit plan has been developed based on an assessment of AGL's main risk exposures.

Executive Team

The CEO has primary responsibility for designing, implementing and reporting on AGL's risk management framework.

The Executive Team collectively has responsibility for promoting a risk management culture throughout AGL, including consistent application of the Risk Management Policy across the Company.

Business units

AGL's business units are responsible for maintaining effective internal controls, consistently applying the risk management framework, and reporting new or changed risk events.

Group Risk

Group Risk is responsible for supporting the businesses in identifying and implementing effective risk management processes, for reporting details of AGL's material business risks and risk controls to the Committee, and for recommending changes to the Risk Management Policy.

Group Audit

Group Audit provides assurance to the Committee on the effectiveness of AGL's risk management framework and on the adequacy and effectiveness of the system of internal controls.

Recommendation 7.3 – CEO and CFO assurance on financial reporting risks

The CEO and the CFO have provided the Board with written assurances that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – The Board should establish a remuneration committee

The Board has established a People and Performance Committee (equivalent to a remuneration committee) comprising four non-executive and independent Directors – Max Ould (Chairman), Mark Johnson, Sandra McPhee and Graham Reaney. The Committee has a formal Charter that is reviewed regularly. A copy of that Charter is available on AGL's website.

Full details of the responsibilities of the People and Performance Committee are set out in the commentary in relation to Recommendation 2.4. These responsibilities include making recommendations to the Board in relation to remuneration policies applicable to Directors and to senior AGL management.

The CEO attends meetings of the People and Performance Committee by invitation when required to report on and discuss senior management performance, remuneration and related matters, but is not present at meetings when his own performance or remuneration is discussed.

Recommendation 8.2 – The Company should distinguish between Non-Executive Directors' remuneration and that of Executive Directors and senior management

AGL's remuneration structure distinguishes between non-executive Directors and that of the Managing Director and senior management. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report, commencing on page 48 of this Annual Report.

AGL's website

Apart from the corporate governance disclosures contained within this Annual Report, the ASX Principles also recommend that a company makes available relevant documents (e.g. charters and policies) on its website.

The following documents are published on the AGL website under About AGL/ Investor Centre.

- Annual Report;
- Sustainability Report;
- Corporate Governance Statement;
- Board Charter;
- People and Performance Committee Charter;
- Audit and Risk Management Committee Charter;
- Safety, Sustainability and Corporate Responsibility Committee Charter;
- Code of Conduct;
- Share Dealing Policy;
- Legislative Compliance Policy;
- Auditor Independence Policy;
- Market Disclosure Policy;
- Risk Management Policy;
- Health, Safety and Environment Policy;
- Privacy Policy; and
- Wholesale Energy Risk Management Policy (summarised).

Directors' Report	42
Financial Report	57
Independent Auditor's Report	137
Auditor's Independence Declaration	138
Shareholding Information	139
Shareholder Information	140
Directory and energy measurements	IBC

