

The Directors present their Report together with the annual Financial Report of AGL Energy Limited (AGL) and its consolidated entities, being AGL and its controlled entities, for the year ended 30 June 2009 and the Independent Audit Report thereon.

AGL is the head entity of the AGL Energy Limited Group and is listed on the Australian Stock Exchange Limited under the code of 'AGK'.

Directors

The Directors of AGL at any time during or since the end of the financial year are:

Non-executive Directors

- Mark Johnson
- Carolyn Hewson AO (retired 28 February 2009)
- Les Hosking (appointed 1 November 2008)
- Jeremy Maycock
- Sandra McPhee
- Max Ould
- Bruce Phillips
- Graham Reaney
- John Stanhope (appointed 9 March 2009)

Executive Director

- Michael Fraser

Directors' qualifications, experience, other directorships and special responsibilities

Mark Johnson LLB MBA – Chairman, Age 68

Term: Non-executive Director and Chairman since February 2006.

Independent: Yes.

Committees: Member of the People and Performance Committee and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Chairman of Macquarie Infrastructure Group (commenced as a Director in 1996). He is also Chairman of The Australian Financial Centre Forum and one of the Prime Minister's representatives on the APEC Business Advisory Council.

Experience: Previously Deputy Chairman of Macquarie Bank Limited (commenced as a Director in 1987 and retired in July 2007); a Director of Pioneer International, Sydney Futures Exchange; and the Victor Chang Cardiac Research Institute; and Chairman of The Australian Gas Light Company (commenced as a Director in 1988 and retired in October 2006).



**Michael Fraser BCom CPA
Managing Director, Age 52**

Term: Managing Director and Chief Executive Officer since 22 October 2007.

Independent: No.

Committees: Nil.

Directorships: Nil.

Experience: Previously a Director of Queensland Gas Company Limited (commenced in March 2007 and retired in November 2008), Chairman of Elgas Limited and of ActewAGL, a Director of the Australian Gas Association, the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCo) Participant's Advisory Committee and previously a Director of the *UnitingCare* Ageing Board (commenced in June 2004 and retired in November 2008). He has more than 25 years' energy industry experience, including having established AGL as the country's largest energy retailer and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Les Hosking, Age 64

Term: Non-executive Director since November 2008.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee (from July 2009).

Directorships: Director of Adelaide Brighton Limited (commenced in 2003), Innovation Australia (commenced in 2003), Australian Energy Market Operator (Transition) Limited (AEMO) (from November 2008 to June 2009) and the Australian Energy Market Operator (AEMO) (commencing 1 July 2009).

Experience: Previously Managing Director and Chief Executive Officer of NEMMCo (from 2003 to 2008) and a non-executive Director of NEMMCo (from 1996 to 2003). He has over 30 years' experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (from 1985 to 2000). As Chief Executive Officer of Axiss Australia (from 2000 to 2003), he developed and implemented a strategy for the Australian Government to position Australia as a centre for global financial services.

**Jeremy Maycock BEng (Mech) (Hons),
FAICD, FIPENZ, Age 57**

Term: Non-executive Director since October 2006.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee.

Directorships: Managing Director and Chief Executive Officer of CSR Limited (commenced on 1 April 2007) and appointed to the Advisory Council of the Australian School of Business (UNSW) (commenced 11 March 2009).

Experience: Previously Managing Director and Chief Executive Officer of Hastie Group Limited (commenced in 2003 and retired in 2007), inaugural Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 36 years, with his early career being with Shell Oil in the UK and in New Zealand.



Left to right: Michael Fraser, Mark Johnson, Jeremy Maycock, Sandra McPhee, Max Ould, Bruce Phillips, Graham Reaney, John Stanhope, Les Hosking

Sandra McPhee Dip Ed, FAICD, Age 63

Term: Non-executive Director since October 2006.

Independent: Yes.

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee and a member of the People and Performance Committee.

Directorships: Director of Tourism Australia (commenced in 2009) and St Vincent's & Mater Health Sydney Limited (commenced in 2003) and Vice President of the Art Gallery of New South Wales (commenced in 2003). Member of the Advisory Council of JP Morgan (commenced in 2005) and Advisory Board of Marsh and McLennan Companies (commenced in 2009).

Experience: Previous appointments include Director of Australia Post (commenced in 2001 and retired in 2009), the Coles Group Limited (commenced in 2003 and retired in 2007), Perpetual Limited (commenced in 2004 and retired in 2007), Primalife Corporation Limited (commenced in 2003 and retired in 2005) and CARE Australia. She held a number of Group General Manager positions in Qantas Airways Limited before retiring in 2004.

Max Ould BSc, Age 62

Term: Non-executive Director since February 2006.

Independent: Yes.

Committees: Chairman of the People and Performance Committee.

Directorships: Chairman of Goodman Fielder Limited (commenced as a Director in 2005 and appointed Chairman in September 2006). Director of Pacific Brands Limited (commenced in 2004) and Foster's Group Limited (commenced in 2004).

Experience: Previously Managing Director of National Foods Limited and a Director of The Australian Gas Light Company (commenced in 2004 and retired in October 2006).

Bruce Phillips BSc (Hons) PESA, ASEG, Age 54

Term: Non-Executive Director since August 2007.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Director of Platinum Capital Limited (commenced 10 March 2009) and an alternate Director of the Very Small Particle Company Limited (commenced 30 April 2009).

Experience: He has more than 30 years of technical, financial and managerial experience in the upstream energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited. He also held prior positions as Director of Sunshine Gas Limited (commenced in October 2007 and resigned in October 2008), Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities and General Manager of Petroleum Securities Australia Limited, and was an expert technical adviser to News Corporation Limited.

Graham Reaney BCom CPA, Age 66

Term: Non-executive Director since July 2006.

Independent: Yes.

Committees: Chairman of the Audit and Risk Management Committee and a member of the People and Performance Committee.

Directorships: Chairman of PMP Limited (commenced as a Director in 2002) and a Director of Westpac Banking Corporation (commenced in December 2008).

Experience: Previous appointments include as a Director of St. George Bank Limited (commenced in 1996 and retired in November 2008), a Director of So Natural Foods Australia Limited (commenced in 2001 and retired in October 2006) and a Director of The Australian Gas Light Company (commenced in 1988 and retired in October 2006). He retired as Managing Director of National Foods Limited in 1996, prior to which he was Managing Director of IEL.

John Stanhope BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, Age 58

Term: Non-executive Director since March 2009.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee.

Directorships: Executive Director of Telstra Corporation Limited (commenced in May 2009). Chairman of the Business Coalition for Tax Reform and a member of the Financial Reporting Council.

Experience: Appointed as Chief Financial Officer and Group Managing Director, Finance and Administration of Telstra (commenced in October 2003). In this role he is responsible for finance, treasury, risk management and assurance, productivity, corporate services and billing. Previously served as Director, Finance. In this role, which he assumed in 1995, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures.

Directors' interests

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

AGL Energy Limited ordinary shares

Mark Johnson	56,843
Michael Fraser	335,155
Les Hosking	2,000
Jeremy Maycock	45,620
Sandra McPhee	10,200
Max Ould	26,877
Bruce Phillips	29,000
Graham Reaney	101,311
John Stanhope	NIL

Company Secretary

Paul McWilliams was appointed Company Secretary of AGL Energy Limited on 25 August 2006. Paul's educational qualifications include Bachelor of Arts (Accounting) from the University of South Australia and Master of Applied Finance from Macquarie University. He is a member of the Institute of Chartered Accountants of Australia. Paul has had more than 30 years of experience across a variety of roles in the Australian Taxation Office, chartered accounting and listed public companies.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of AGL during the financial year were:

Director's name	Regular Board meetings		Special Board meetings		Audit and Risk Management Committee		People and Performance Committee		Safety, Sustainability and Corporate Responsibility Committee	
	A	B	A	B	A	B	A	B	A	B
Mark Johnson	10	11	12	16			1	4	2	5
Michael Fraser	11	11	15	16						
Carolyn Hewson AO (to 28 February 2009)	6	6	13	14	4	4			3	3
Les Hosking (from 1 November 2008)	9	9	7	8	4	4				
Jeremy Maycock	10	11	13	16	6	6				
Sandra McPhee	11	11	15	16			4	4	5	5
Max Ould	11	11	13	16			4	4		
Bruce Phillips	11	11	12	16	6	6			5	5
Graham Reaney	11	11	14	16	6	6	4	4		
John Stanhope (from 9 March 2009)	4	5	2	2	2	2				

A – number of meetings attended

B – number of meetings held during the time the Director held office during the year

In addition to the above selected meetings, Directors throughout the year participated in informal meetings and telephone conferences. AGL makes extensive use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; and to dispose of routine matters to allow formal Board meetings to concentrate on more important matters. An extended strategy session is held at least once a year. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Review and results of operations

The consolidated profit after income tax attributable to Shareholders was \$1,596.1 million (2007/2008 \$229.0 million). The underlying net profit after tax was \$378.8 million (2007/2008 \$341.0 million). A review of the operations and of the results of those operations of the consolidated entity during the financial year are contained on pages 24 to 31 of this Annual Report.

Reconciliation of underlying net profit after tax

	30 June 2009 \$m	30 June 2008 \$m
Profit after tax from continuing operations	718.2	316.3
Profit/(loss) after tax from discontinued operations	877.9	(87.3)
Profit after tax attributable to Shareholders	1,596.1	229.0
Adjust for the following after tax items:		
Significant items	(1,441.3)	(62.6)
Changes in fair value of financial instruments	251.0	184.6
Pro-forma adjustment	(27.0)	(10.0)
Underlying net profit after tax	378.8	341.0

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the AGL consolidated entity that occurred during the financial year other than those included in the front section of this Annual Report.

Principal activities

- Buying and selling of gas and electricity;
- Construction and/or operation of power generation and energy processing infrastructure;
- Development of natural gas production facilities; and
- Exploration, extraction, production and sale of coal seam gas (CSG).

Dividends

The following dividends have been paid or declared by the Directors since 30 June 2008:

Final dividend of 27.0 cents per share (100% franked) referred to in the previous Directors' Report and paid on 26 September 2008

\$119.9 million

Interim dividend of 26.0 cents per share (100% franked) out of profits for the six months ended 31 December 2008 paid on 3 April 2009

\$116.2 million

Final dividend of 28.0 cents per share (100% franked) payable on 30 September 2009

\$125.3 million

Events subsequent to balance date

Apart from matters discussed elsewhere in this Annual Report, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2009 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the future.

Likely developments, strategies and prospects

Further information about likely developments in the operations of AGL and its consolidated entity and the expected results of those operations in the future has not been included in this Annual Report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

AGL's operations are subject to various Commonwealth, State and Territory environmental laws in relation to energy.

During 2008/2009, the Board Safety, Sustainability and Corporate Responsibility Committee met five times to review the effectiveness of AGL's health, safety and environmental management program. The entity completed health, safety and environmental system audits using external auditors. The environmental focus of the audits in 2008/2009 was on environmental licence compliance. In addition, the Board Audit and Risk Management Committee was presented with a six-monthly summary of environmental compliance.

Merchant Energy

Environmental licence and planning conditions in New South Wales, Queensland, South Australia and Victoria govern aspects of the management of generation assets.

Operational and maintenance activities were undertaken throughout Australia during the financial year. No environmental infringements were reported and no fines were levied on this part of the business during the year.

Wattle Point Wind Farm, South Australia

A condition of the wind farm's Development Approval No 544/1318/2002 was to perform a noise level survey to confirm representations made as part of the wind farm's development application. The noise testing results demonstrate that the original noise modelling by the developer of the wind farm was incorrect. Noise performance of the wind farm exceeds its Development Approval conditions. Energy output would need to be reduced by approximately 10% to bring noise levels within Development Approval conditions. As noted last year, AGL has held discussions with the Environment Protection Authority (EPA) South Australia and the local council to consider amending the Development Approval conditions. It is anticipated that a recommendation will be made to the local council to approve amendments to the Development Approval conditions.

Hallett 1 Wind Farm, South Australia

The wind farm commenced full operations during 2008/2009. Noise testing required under the Development Approval is still being completed by the contractor and results are expected early next calendar year with an expectation that the wind farm will be compliant.

Somerton Power Station, Victoria

The Somerton Power Station operates in accordance with Waste Discharge Licence No. EA 51148 under the Victorian Environment Protection Act.

The Somerton Power Station is subject to the Environment Protection (Environment and Resource Efficiency Plans (EREP)) Regulations. During 2008/2009, AGL has registered, submitted and received approval of the Somerton EREP from the Victoria Environment Protection Authority (EPA Victoria).

Torrens Island Power Station, South Australia

The Torrens Island Power Station operates in accordance with Environment Authorisation 12849 and EPA Dark Smoke Exemption 14179 under the Environment Protection Act 1993 (SA).

During the reporting period, the entity conducted an environmental review of prescribed licensed activities and other environmental aspects of the operation of the power station and renewed the Environmental Authorisation for a 10-year period until January 2019. An independent audit of the condenser cooling-water thermal-discharge monitoring program confirmed continuing compliance with authorisation limits.

AGL Hydro power generation

AGL Hydro power generation facilities are spread across New South Wales and Victoria. These assets include flexible catchment controlled cascade power stations, 'run of river' power stations and irrigation driven facilities. During the year, AGL Hydro operations located in New South Wales and Victoria complied with all environmental management conditions associated with Bulk Water Entitlements, Water Agreements and Crown Lease Agreements.

Major Customers power generation

AGL owns and operates generating facilities situated on customer premises in New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia.

The Symex co-generation plant in Port Melbourne, Victoria falls under the Environment Protection (Environment and Resource Efficiency Plans (EREP)) Regulations. During the year, the entity has registered, submitted and received approval of the Symex EREP from EPA Victoria.

During 2008/2009, the Suncoast Gold Macadamia co-generation facility did not conduct stack testing as required by the Queensland Environment Protection Authority (EPA Queensland) environmental protection licence ENRE00720507. This was reported to and discussed with EPA Queensland. As the facility is seasonal in its operations, stack testing has been scheduled to occur when the facility is next operational, which is expected to be early in 2009/2010.

Hydrocarbon Extractions, New South Wales

Hydrocarbon Extractions (HC Extractions) is licensed under the Protection of the Environment Operations Act 1997 (NSW). AGL recently developed a Leak Detection and Repair (LDAR) program, which will be implemented in 2009/2010. This program will more accurately quantify the Volatile Organic Compound (VOC) emissions from the facility network of pipes, valves and flanges. During 2008/2009, the facility licence was amended to include the LDAR program.

In addition, in May 2009 HC Extractions presented a case to the New South Wales Department of Environment and Climate Change Technical Review Panel (TRP) for amendment of licence conditions, based on a proposal for the use of site-specific emission factors for benzene and sulphur dioxide. HC Extractions is currently waiting on a response from the TRP. During the latter part of the year, AGL detected levels of suspended solids in wastewater above the load-based licence limit. AGL is currently investigating the elevated readings, which may be due to adjacent earthwork processes, coinciding with sampling and testing of waste water samples. Holding pond maintenance processes are also under review. Discussion with the New South Wales Environment Protection Authority (EPA NSW) on this matter is expected early in the 2009/2010 financial year.

Construction activities

Construction activities relating to Merchant Energy power generation assets were undertaken at sites in New South Wales, Queensland, South Australia and Victoria during 2008/2009. These activities included the ongoing construction of the Bogong Hydro-Electric Power Station, Hallett 2 Wind Farm and the transition from development to construction stage of the Hallett 4 Wind Farm.

AGL proceeded with the development and construction of new liquefied natural gas bus refuelling depots at Willawong (Queensland) and at Leichhardt (New South Wales) and a further three landfill flaring and generation facilities were constructed in New South Wales.

Upstream Gas

AGL continues to expand its exploration and production operations in New South Wales and is also involved in joint ventures in Queensland and South Australia. AGL is the operator of the Galilee Project in Queensland.

Camden Gas Project, New South Wales

The Camden Gas Project operations are licensed under the Protection of the Environment Operations Act and operate under the Petroleum (Onshore) Act 1991 (NSW) and the Environmental Planning and Assessment Act 2008 (NSW). The Rosalind Park Gas Plant is licensed under the Protection of the Environment Operations Act.

AGL continues to work closely with EPA NSW and the New South Wales Department of Planning on resolving historical licence non-compliance. During 2008/2009, excessive emissions of fine particulates were reported at the Rosalind Park Gas Plant. Further maintenance works at the gas plant and additional monitoring have shown that the facility has subsequently operated in accordance with licence limits. No fines or penalties have been incurred.

A licence variation was obtained which allows AGL to maintain a database of well site and ancillary facility location information for the Camden Gas Project.

The Ray Beddoe Treatment Plant, which is part of the Camden Gas Project, is now decommissioned. Site rehabilitation has been completed and AGL has surrendered the environmental protection licence.

Gloucester Gas Project, New South Wales

The Gloucester Gas Project was acquired in December 2008. The Project operates in accordance with the Petroleum Exploration Licence (PEL) 285 under the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Hunter Gas Project, New South Wales

On 1 April 2009, AGL became the operator of the Hunter Gas Project after becoming the owner of Sydney Gas Limited. The Project is in the exploration phase and operates in accordance with requirements of PEL 267 and PEL 4 under the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Camden North Gas Project, New South Wales

During the reporting period the Camden North Gas Project began the environmental assessment and stakeholder consultation phase. The Project will be subject to the requirements of the Petroleum (Onshore) Act and the Environmental Planning and Assessment Act.

Galilee Gas Project, Queensland

The Galilee Gas Project comprises a range of preparation works for the production testing of the Glenaras Pilot in the Galilee Basin in Queensland. The works are required to comply with the Petroleum and Gas (Production and Safety) Act 2004 (Qld) and the Environmental Protection Act 1994 (Qld) and associated regulations. A Level 1 Environmental Authority was recently granted under the Environmental Protection Act for the tenure and EPA Queensland is currently reviewing the design of the Glenaras holding pond.

Cooper Basin, South Australia

In February 2009 AGL 'farmed into' Innamincka Petroleum Limited's (Innamincka's) interests in PEL 101 and PEL 103 in the Cooper Basin. Innamincka operates oil production from the Flax Field and AGL will operate three coal seam gas exploration wells as part of the 'farm in'. Since mid-February 2009, when AGL 'farmed into' Innamincka's acreage, there have been no reportable environmental incidents or non-compliance reported by Innamincka's operations.

During the year, AGL submitted an application under the Petroleum Act 2000 (SA) for approval to commence coal seam gas exploration, including a drilling program. Works are expected to commence early in 2009/2010.

AGL-Arrow-Shell Moranbah Gas Project Joint Venture, Queensland

The Arrow Energy operated Moranbah Gas Project operates production wells, gas compression and an exploration program in accordance with PLs, ATPs and Environmental Authorities under the Petroleum Act 1923 (Qld) and the Environmental Protection Act. The Environmental Authorities for PL 223 and PL 224 are currently under review for amendment by EPA Queensland.

Other projects and operations

During 2008/2009, AGL concluded the construction of the Berwyndale to Wallumbilla pipeline and the Wallumbilla compression station in Queensland.

AGL's program of geothermal works received approvals and commenced operations during the year. There were no incidents, fines or breaches reported, with no fines levied on this part of the business during the year.

Proceedings on behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of AGL or intervene in any proceedings to which AGL is a party for the purpose of taking responsibility on behalf of AGL for all or any part of those proceedings. AGL was not a party to any such proceedings during the year.

Non-audit services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in this Annual Report on page 100.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Quarterly reports on the provision of auditing and related services are provided to the Board through the Audit and Risk Management Committee. Directors are satisfied that the provision of \$232,000 of non-audit services by the external auditor is compatible with the general standard of independence for auditors.

The policy and procedures in place, and the review by the Audit and Risk Management Committee, enable Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act. There is also in place an agreed rotation policy for the senior auditor of Deloitte Touche Tohmatsu. The external auditor annually provides a letter to the Company Secretary on its independence within the meaning of relevant legislation and professional standards. No officers of AGL were partners or directors of Deloitte Touche Tohmatsu during this reporting period.

Indemnification and insurance of Directors and officers

AGL's Constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

- Liability to third parties (other than related entities) when acting in good faith; and
- Costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this Report and the Company Secretary, Paul McWilliams, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year AGL paid premiums in respect of contracts insuring all Directors of AGL as listed earlier, all Directors of related bodies corporate of AGL and secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act does not require disclosure of the information.

Auditor's declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 138 of this Annual Report.

Rounding

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

Remuneration Report Introduction

The Directors present the Remuneration Report for AGL Energy Limited and its consolidated entities for the year ended 30 June 2009.

A detailed report covering the relevant requirements of the Corporations Act follows.

The Audit Report of the Financial Report contains confirmation that the remuneration disclosures that are contained within this Remuneration Report comply with Section 300A of the Corporations Act.

Remuneration policy

The People and Performance Committee of the Board is responsible for reviewing the remuneration strategy and remuneration arrangements for Key Management Personnel (KMP). It makes recommendations to the Board on these matters. The Committee has access to independent external advisers as required.

The purpose of the People and Performance Committee, in relation to remuneration, is to ensure that appropriate remuneration procedures and programs are in place to:

- Meet long-term people needs through effective talent management and succession planning;
- Achieve clear alignment between the needs and requirements of key stakeholder groups (i.e. customers, Shareholders and communities) and the objectives and values of AGL's employees;
- Promote excellent performance by implementing appropriate remuneration policies and other policies to keep employees committed and motivated;
- 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 employees.

Non-executive Directors

Non-executive Directors are entitled to receive a base fee plus, where applicable, a Committee fee for participation as a member of a Board Committee. Chairing a Committee attracts a higher fee rate. This structure ensures the remuneration reflects the general responsibilities of individual non-executive Directors as well as the extra responsibilities and workload involved in participating in a Committee. The Chairman of the Board receives no extra remuneration for participation in or chairing Committees.

The maximum aggregate remuneration payable to non-executive Directors is \$1.75 million per annum, or such other amount as approved at a General Meeting of Shareholders.

Non-executive Directors' fees are determined by the Board based on advice from independent remuneration advisers, which includes market comparison of remuneration paid to non-executive Directors of other companies in comparator groups across the ASX100.

As the focus of the Board is on the long-term strategic direction of AGL, there is no direct link between non-executive Director remuneration and the short-term results of AGL.

The fee structure for non-executive Directors, effective 1 January 2009, is as follows:

	Base fee \$	Audit and Risk Management Committee fees \$	Other Committee fees \$
Chairman of Board	340,200		
Chairman of Committee	136,080	40,824	20,412
Director	136,080	27,216	13,608

The table on page 54 provides a breakdown of fees paid during the financial year to each non-executive Director.

Non-executive Directors may each elect to receive fees as a combination of one or more of:

- Directed superannuation contributions. Subject to minimum contributions as required under the Superannuation Guarantee Charge (SGC) legislation, and maximum tax deductible contributions under the Income Tax Assessment Act, non-executive Directors may direct that some or all of their entitlement to fees be paid as contributions to a complying superannuation fund of their choice;
- AGL shares acquired under the AGL Share Purchase Plan (SPP). The Plan Trustee acquires AGL shares on-market at market price during permitted trading windows. Details of the trading windows are included in AGL's Share Dealing Policy, which is available on AGL's website; and
- Cash. The balance of fee entitlements not taken as directed superannuation contributions or AGL shares is paid in cash to the non-executive Director in equal monthly amounts over the year.

Note that the SPP is currently suspended pending the Federal Government's review of employee share plans.

Non-executive Directors are permitted to vary the components of their fee entitlements at any time.

No options have been granted over any securities or interests of AGL or the consolidated entity.

The Board has a process of reviewing the performance of individual Board members and Board Committees, consistent with the ASX Corporate Governance Principles. This process is also part of the strategic overview of non-executive Directors addressed under the Charter of the People and Performance Committee.

CEO and senior Executive team

The remuneration of the CEO and senior Executives is delivered through a combination of fixed remuneration and short and long-term incentives. The target level of these components for individual roles is determined by comparison with market remuneration practice taking into account the complexity of the business and the industry, enabling AGL to attract and retain key people in critical roles.

External advisers provide relevant market data, comparators and other analysis to ensure remuneration levels for each senior Executive role is established in a rigorous manner. The comparators selected are organisations of comparable business complexity, as well as general market comparisons based on functional job requirements.

Remuneration elements

The total remuneration of senior Executives has three elements:

- Total Fixed Remuneration (TFR) is the amount of non-variable remuneration specified in an Executive's contract of employment. TFR includes the amount of any superannuation contributions paid to a complying superannuation fund on the Executive's behalf and the cost (including any component for Fringe Benefits Tax) for other items such as novated vehicle lease payments. The amount of TFR is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance and experience. Fixed remuneration represents pay for 'doing the job', reflecting AGL's strategy in terms of desired market position;
- Short-Term Incentive (STI) payments are awarded under AGL's Short-Term Incentive Plan (STIP) based on achievement of individual performance targets set at the commencement of the financial year. These targets are aimed at focusing senior Executives on achieving AGL's tactical objectives, as well as reaching divisional performance targets and objectives linked to each Executive's role. They therefore align individual performance and business outcomes, and provide transparent linkages between rewards and the Executive's performance. STI can vary annually based on individual performance against specified targets. The STI can be paid in cash or, at the Executive's election, taken as a contribution to the complying superannuation fund of which the Executive is a member.

The STI payable to selected senior Executives includes a portion that is deferred for 12 months. Generally the Executive has to remain employed by AGL throughout the deferral period to receive the deferred portion; and

- Share Performance Rights (SPR) are granted in accordance with the terms of the Long-Term Incentive Plan (LTIP), details of which are provided on page 55. The LTIP is designed to align the interests of Shareholders and senior Executives. The focus of the LTIP performance metric is the creation of long-term Shareholder value.

The balance between fixed and variable remuneration is kept under review for market relevance and competitiveness.

The incentive elements may be made to reward performance achieved or to encourage better future performance or for retention purposes.

The variable/at risk element of an Executive's remuneration increases with the level of responsibility and/or criticality of the role. In respect of the 2008/2009 financial year, the maximum remuneration mix within the senior roles in AGL was as follows:

	Maximum percentage of total target remuneration		
	TFR	STI	LTI
Chief Executive Officer	33.3%	33.3% ¹	33.3% ¹
Group General Managers and Chief Financial Officer	50% to 55%	30% to 35%	10% to 20%
Other Senior Executives	60% to 70%	25% to 35%	10% to 15%

Note:

1 Percentages are based on stretch outcomes.

The weighting for variable pay is utilised to drive increased opportunities as well as AGL's 'pay for performance' approach to remuneration.

Performance linkage

(a) Short-Term Incentive

Executives are not eligible to be considered for an STI payment unless they have performed satisfactorily in their role, and demonstrated AGL's values, throughout the year. This is assessed annually using the AGL Performance Development and Review (PDR) process.

STI are payable:

- To Executives employed at the end of the financial year;
- To Executives whose employment terminated during the financial year (on a pro rata basis) due to retirement on grounds of age or invalidity, or death; and
- At the discretion of the Board in other circumstances.

The actual level of STI paid for each Executive is determined at the end of the financial year by assessment of the Executive's performance against specified financial, strategic, customer and people management objectives. These performance objectives are identified and agreed at the beginning of the financial year and included on a PDR for each Executive. The weighting given to each objective varies depending on the Executive's role within AGL. The PDR is used to measure the actual level of achievement of each objective at the end of the financial year. No STI is payable for any objective where a minimum level of performance has not been reached.

The use of the PDR assists in focusing Executives on achieving AGL's tactical objectives, as well as reaching divisional targets and objectives linked to the individual's role. This performance management process provides a robust link between AGL and individual performance and STI payments.

The maximum STI payment varies between 35% and 100% of TFR for senior Executives including the CEO, Mr Fraser. The weighting given to each performance objective will vary for each Executive depending on the Executive's role at AGL. Typically, the weightings may be: financial 40%, strategy/customer 40%, and people management 20%.

(b) Long-Term Incentive

The AGL LTIP is designed to align the interests of AGL Executives and the strategic goals of AGL with those of AGL Shareholders. The LTIP forms an integral component of AGL's remuneration strategy.

Under the LTIP, Executives are granted SPRs that vest to the Executive, providing (and to the extent that) performance conditions applicable to the SPRs are met. An SPR is an entitlement to one fully-paid ordinary share in AGL. SPRs do not carry dividend or voting rights. However, SPRs will participate in bonus issues, rights issues, and reconstructions and reorganisations of the capital of AGL in the same manner as AGL shares. On vesting, SPRs are exercised and converted to fully-paid AGL shares.

AGL has made three grants of SPRs to Executives under the LTIP. The first was in April 2007, the second in January 2008 and the third in October 2008.

The first grant in April 2007 comprised two tranches. Vesting of tranche one, representing 50% of the total grant, was based on measurement of the performance hurdle at 30 June 2008.

The second tranche, also representing 50% of the total, will vest based on measurement of the performance hurdle at 30 June 2009.

Vesting of the second grant in January 2008 will be based on measurement of the performance hurdle as at 30 June 2010.

AGL has also made a grant of SPRs to the Chief Financial Officer (CFO), in accordance with his Service Agreement, in November 2006, which will vest based on measurement of the performance hurdle as at 30 June 2009. Following this allocation, the CFO did not participate in the April 2007 offer.

The applicable performance condition for the first two grants of SPRs (including the CFO) is based on relative Total Shareholder Return (TSR) over three years as follows:

AGL's relative TSR ranking to comparator group	Percentage of SPRs that vest
TSR below 50%	0%
TSR equal to 50%	50%
TSR between 51% and 74%	Progressive vesting on a straight-line basis from >50% and <100%
TSR equal to or greater than 75%	100%

The level of vesting is dependent upon AGL's relative TSR performance measured against the ASX100 companies at specific dates as follows:

Grant	AGL's TSR performance measured against the ASX100 companies as at:
April 2007	26 October 2006
CFO	8 November 2006
January 2008	26 October 2007

Vesting of the third grant in October 2008 will be based on measurement of the performance hurdle initially three years from the date of issue and (to the extent that full vesting does not occur at this point) four years from the date of issue.

The applicable performance condition for the third grant of SPR is based on relative TSR as follows:

AGL's relative TSR ranking to comparator group	Percentage of SPRs that vest
TSR below 40%	0%
TSR between 40% and 50%	Progressive vesting on a straight-line basis from 40% to 50%
TSR between 51% and 84%	Progressive vesting on a straight-line basis from >50% and <100%
TSR equal to or greater than 85%	100%

The comparable group of ASX listed companies is the group of companies which comprise the ASX100 at 1 October 2008.

For all grants the SPRs will vest to the extent to which the performance condition is either satisfied or waived by the AGL Board.

TSR performance is assessed by an independent third party provider to ensure accuracy and independence of calculation.

TSR was chosen as the measure for vesting of the LTI as it takes into account dividends, changes in share price and return of capital and provides a further link between AGL and individual performance and remuneration, as well as an indication of Shareholder wealth creation.

LTIP allocations to Executives are determined based on market practice to give AGL comparability in remuneration against other energy industry companies.

The Board is continuing to review the terms on which future grants of SPRs will be made under the LTIP. The Board has sought external advice regarding market practice in Australia and overseas to assist with this process and is cognisant of the various reviews of Executive remuneration currently occurring.

Participants in the LTIP are restricted from entering into any derivative or other financial product in relation to the SPRs to protect against an economic exposure to price movements in AGL shares.

If, before the expiry of the vesting period applicable to a grant of SPRs, a Plan participant ceases employment as a result of total and permanent disablement, redundancy, retirement or death, the AGL Board in its discretion may determine that the SPRs held by that participant will vest, subject to the satisfaction of performance conditions applicable to those SPRs, measured as at a date determined by the Board.

Any SPRs that do not vest when performance conditions are applied to them will automatically lapse.

AGL financial performance

The financial performance information provided below is to meet the reporting requirements of the Corporations Act.

Year ended 30 June ³	2009	2008	2007
EPS (cents) ¹	91.0	80.6	75.5
Dividends (cents) ²	54.0	53.0	35.5
Increase/decrease in adjusted share price (%)	(5.9%)	(5.7%)	n/a

Notes:

- 1 EPS excludes significant items and changes in fair value of financial instruments.
- 2 Dividends relate to financial years, not when they were paid.
- 3 Only three years' data is available following the demerger of AGL on 25 October 2006.

Service Agreements

Senior Executives have service agreements which specify the components of remuneration to which they are entitled. The Service Agreements provide for participation in the short and long-term incentive arrangements in accordance with the terms of the Plans. The Board can vary the terms of these Plans, although such variations cannot be applied retrospectively.

Details of contract duration, notice period for termination, and termination payments for senior Executives are provided in the table below. Details on Mr Fraser are covered in the section commencing on page 51.

Executive	Position	Contract duration	Termination notice period by AGL	Termination notice period by employee	Termination payments
Jeff Dimery	Group General Manager Merchant Energy	No fixed term	3 months	3 months	Up to 73 weeks TFR
Ken Hodgson	Group General Manager Retail Energy	No fixed term	3 months	6 months	9 months TFR
Paul McWilliams	Group Head of Corporate Support Services and Company Secretary	No fixed term	3 months	6 months	9 months TFR
Stephen Mikkelsen	Chief Financial Officer	No fixed term	3 months	6 months	9 months TFR
Mike Moraza	Group General Manager Upstream Gas	No fixed term	3 months	3 months	9 months TFR

Retention provisions

The Service Agreement of the CFO includes a provision for the payment of a sign on bonus if he is employed by AGL on 28 August 2009.

Terms of Mr Fraser's appointment

Mr Fraser was appointed Managing Director and CEO of AGL on 22 October 2007.

A summary of Mr Fraser's Service Agreement follows.

Term

Mr Fraser's Service Agreement is open ended and his appointment as Managing Director and CEO will continue until his appointment is terminated.

AGL may terminate Mr Fraser's appointment:

- By giving Mr Fraser 12 months' notice in writing at any time; or
- Without notice in the event of any act which detrimentally affects AGL such as dishonesty, fraud or serious or wilful misconduct in the discharge of his duties or unremedied, persistent, wilful or material breaches of the terms of his Service Agreement.

Mr Fraser may terminate his appointment:

- By giving AGL 12 months' notice in writing at any time; or
- By giving AGL three months' notice in writing if he ceases to hold the most senior management role within AGL or ceases to report directly to the Board, or if the scope of his responsibilities or authorities is materially diminished (Fundamental Change). This right of termination must be exercised within six months after the Fundamental Change occurs.

If Mr Fraser's appointment is terminated by either AGL or Mr Fraser by giving a period of notice, then AGL may at any time before the end of the period of notice pay to Mr Fraser, in lieu of the unexpired notice period, an amount equal to that proportion of his TFR at the time which corresponds to the period of notice which is forgone.

If Mr Fraser's appointment is terminated by AGL with 12 months' notice before the date on which AGL pays STIs in respect of a financial year, Mr Fraser is eligible to be paid a STI in respect of that financial year as follows:

- If Mr Fraser is terminated as a result of unsatisfactory performance, a pro rata STI at on-target performance; or
- If Mr Fraser is terminated as a result of redundancy or total or permanent disablement, a pro rata STI for stretch performance.

Further, if Mr Fraser terminates his employment with AGL, due to retirement or a Fundamental Change, a pro rata STI payment will be made for stretch performance.

If AGL terminates Mr Fraser's appointment by giving 12 months' notice in writing, all unvested SPRs granted to Mr Fraser will vest on his date of termination in accordance with the performance criteria determined by the LTIP. Currently the performance criterion is relative TSR against the ASX100.

If Mr Fraser terminates his employment with AGL due to a Fundamental Change, all unvested SPRs granted to Mr Fraser will vest on his date of termination in accordance with the performance criteria determined by the LTIP.

If Mr Fraser terminates his employment with AGL in other circumstances, none of his SPRs will vest in him.

Remuneration

Mr Fraser's remuneration comprises the components set out below.

Total Fixed Remuneration

Mr Fraser's TFR, effective 1 September 2009, is \$1.85 million per annum. During each year of the term of his appointment, the Board will review Mr Fraser's TFR for the next year and determine whether to increase that amount, having regard to such matters as the Board thinks fit such as, but not limited to, external market relativities. Under no circumstances can Mr Fraser's TFR be reduced without Mr Fraser's written consent.

Retention arrangement

Under Mr Fraser's prior Service Agreement originally entered into in 1998, he was entitled to certain retention payments. The final payment under this original retention arrangement was due to be made in August 2009. In lieu of these prior retention arrangements, Mr Fraser either has been, or will be, allocated AGL shares in three tranches as follows:

- Upon appointment as Managing Director and CEO, AGL shares were allocated with a face value of \$1,023,639;
- On 1 September 2008, Mr Fraser was allocated AGL shares with a face value of \$400,000; and
- If Mr Fraser is employed by AGL as at 31 August 2009, AGL shares with a face value of \$400,000.

The shares referred to in (a) and (b) above were allocated under the AGL Share Purchase Plan. The allocation of shares referred to in (c) may be under the AGL Share Purchase Plan dependent of the outcome of the Federal Government's share plan review.

Short-Term Incentive

Mr Fraser participates in the AGL STIP.

Mr Fraser is eligible to receive an STI for the year ending 30 June 2010 as follows:

- (a) \$925,000 for on target performance; or
- (b) \$1,850,000 for stretch target performance.

Any STI will be determined in accordance with the STIP rules and is subject to satisfaction of applicable performance hurdles as set out in his PDR. Typically, these include financial, strategy, customer and people management objectives.

One half of an STI will be paid in cash. The balance of the STI will be deferred, for 12 months.

Long-Term Incentive

Mr Fraser participates in the AGL LTIP, the terms of which are summarised above under the heading 'Long-Term Incentive' on pages 49 and 50.

AGL has obtained Shareholder approval for the maximum number of SPRs available for issuance to Mr Fraser in respect of each of the financial years ending 30 June 2009, 30 June 2010 and 30 June 2011. Depending on the performance of Mr Fraser against his annual objectives, he may receive a LTIP allocation with a face value equivalent of to up to 100% of his TFR. The number of SPRs to be allocated is determined by dividing his total fixed remuneration for each of those years by the volume weighted average price (VWAP) of the Company's shares traded on ASX during the 30 calendar days immediately following release of the Company's financial results for the preceding financial year.

The SPRs granted to Mr Fraser under AGL's LTIP, which are referred to above, will vest at no cost to Mr Fraser and are issued on the terms and conditions specified in AGL's LTIP.

Restraint

Mr Fraser must not, for a period of six months following termination of his appointment, be engaged or concerned in any capacity whatsoever, in any business which is similar to, or competitive with, the business of AGL, or solicit or entice or attempt to solicit or entice any Director, employee or client of AGL to leave AGL, or attempt

to persuade any Director, employee or client of AGL with whom Mr Fraser had dealings within the year preceding the termination of his appointment to discontinue their relationship with AGL or reduce the amount of business they do with AGL.

Share Plan participation

AGL offers its employees participation in the following Share Plans:

- AGL LTIP, whereby Executives are granted SPRs that vest in the Executive after the specified period, providing (and to the extent that) performance conditions applicable to the SPRs are met. Participants in the LTIP are not eligible to participate in the Share Reward Plan;
- AGL Share Reward Plan, whereby AGL in any year grants eligible employees up to a maximum of \$1,000 worth of AGL shares subject to AGL meeting specific performance hurdles. Participants in the Share Reward Plan are not eligible to participate in the AGL LTIP; and
- AGL Share Purchase Plan, whereby the Plan Trustee acquires AGL shares on-market at market price during permitted trading windows for Directors and employees who have salary sacrificed a portion of their pre-tax salary. Note that this plan is currently suspended pending the outcome of the Federal Government's review of employee share plans.

The total number of employees participating in the Share Reward Plan and Share Purchase Plan is 1,248 out of 2,095 employees and the total number of AGL shares held is 410,031.

Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of AGL.

The term KMP refers to:

- Non-executive Directors;
- The Managing Director who is the Chief Executive Officer; and
- Senior leadership Executives.

The following persons were KMP of AGL during the financial year. Unless otherwise indicated they were KMP for the entire period.

Name	Position	Tenure (if not full year)
Directors		
Mark Johnson	Chairman	
Les Hosking	Non-executive Director	Appointed 1 November 2008
Carolyn Hewson	Non-executive Director	Retired 28 February 2009
Jeremy Maycock	Non-executive Director	
Sandra McPhee	Non-executive Director	
Max Ould	Non-executive Director	
Bruce Phillips	Non-executive Director	
Graham Reaney	Non-executive Director	
John Stanhope	Non-executive Director	Appointed 9 March 2009
Managing Director and Chief Executive Officer		
Michael Fraser	Managing Director and Chief Executive Officer	

Name	Position	Tenure (if not full year)
Executives		
Jeff Dimery	Group General Manager Merchant Energy	
Ken Hodgson	Group General Manager Retail Energy	Appointed 1 December 2008
Phil James	Group General Manager Retail Energy	Retired 30 September 2008
Paul McWilliams	Group Head of Corporate Support Services and Company Secretary	
Stephen Mikkelsen	Chief Financial Officer	
Mike Moraza	Group General Manager Upstream Gas	

Remuneration of Key Management Personnel for year ended 30 June 2009

Executives	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share Based Payments		Total	Value of Equity as a percentage of Total
	Cash Salary & Fees	Short-Term Incentives (a)	Non-Monetary Benefits (b)	Other Short-Term Benefits	Super-annuation	Retirement Benefits			Rights (c)	Other Share Plans		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Jeff Dimery	461,336	425,000	41,378	–	75,081	–	–	–	97,226	7,200 (d)	1,107,221	9.4%
Michael Fraser	1,245,924	1,100,000	4,176	–	224,175	–	–	–	595,194	400,000 (e)	3,569,469	27.9%
Ken Hodgson (f)	385,732	155,000	–	–	8,018	–	–	–	–	–	548,750	0.0%
Phil James (g)	515,771	–	5,893	–	48,710	–	–	–	21,101	–	591,475	3.6%
Paul McWilliams	391,910	150,000	13,432	–	46,745 (h)	–	–	–	34,677	–	636,764	5.4%
Stephen Mikkelsen	720,008	320,000	–	–	13,745	–	–	–	139,621	–	1,193,374	11.7%
Mike Moraza	430,036	470,000	27,114	–	93,469	–	–	–	41,493	–	1,062,112	3.9%
Alan Murray (i)	298,301	30,830	4,548	–	22,554	–	–	347,061	12,599	–	715,893	1.8%
Jane Thomas	421,906	228,000	–	–	33,093 (h)	–	–	–	33,955	–	716,954	4.7%
Total	4,870,924	2,878,830	96,541	–	565,590	–	–	347,061	975,866	407,200	10,142,012	–

(a) Earned in respect of 2008/2009 financial year and paid in September 2009.

(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.

(c) The fair value LTI SPR has been calculated using a Monte-Carlo simulation method.

(d) Value of shares acquired under the AGL Share Purchase Plan.

(e) Under Mr Fraser's prior Service Agreement he was entitled to certain retention payments as a result of which he was allocated AGL shares which were acquired under the AGL Share Purchase Plan.

(f) Commenced employment in December 2008.

(g) Ceased employment in September 2008.

(h) Includes salary sacrifice contributions.

(i) Ceased employment in March 2009.

All Executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for year ended 30 June 2008

Executives	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share Based Payments		Total \$	Value of Equity as a percentage of Total
	Cash Salary & Fees \$	Short-Term Incentives (a) \$	Non-Monetary Benefits (b) \$	Other Short-Term Benefits \$	Super-annuation \$	Retirement Benefits \$	\$	\$	Rights (c) \$	Other Share Plans \$		
Paul Anthony (d)	526,411	–	214,607	–	3,996	–	–	5,118,840	325,946	–	6,189,800	5.3%
Greg Conway (e)	99,733	–	27,676	–	2,449	–	–	1,050,000	–	200,000 (f)	1,379,858	14.5%
Jeff Dimery (g)	518,164	317,500	36,675	–	58,813	–	–	–	43,702	7,216 (h)	982,070	5.2%
Michael Fraser	1,060,001	1,050,000	–	–	176,653	–	–	–	155,409	1,023,639 (i)	3,465,702	34.0%
Phil James	732,044	600,000	24,921	–	194,838 (j)	–	–	–	36,869	–	1,588,672	2.3%
Paul McWilliams	462,548	127,750	27,831	–	42,206 (j)	–	–	–	21,802	–	682,137	3.2%
Stephen Mikkelsen	623,611	281,500	–	–	13,129	–	–	–	70,377	–	988,617	7.1%
Mike Moraza (g)	426,743	245,500	25,235	–	59,357	–	–	–	18,481	–	775,316	2.4%
Total	4,449,255	2,622,250	356,945	–	551,441	–	–	6,168,840	672,586	1,230,855	16,052,172	–

(a) Earned in respect of 2007/2008 financial year and paid in September 2008.

(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.

(c) The fair value LTI SPR has been calculated using a Monte-Carlo simulation method.

(d) Ceased employment in October 2007.

(e) Commenced employment in October 2007, ceased employment in December 2007.

(f) Mr Conway received a sign-on allocation of AGL shares under the AGL Share Purchase Plan.

(g) Includes remuneration received in the financial year prior to appointment as KMP in January 2008.

(h) Value of shares acquired under the AGL Share Purchase Plan.

(i) Under Mr Fraser's prior Service Agreement he was entitled to certain retention payments. Upon appointment as Managing Director and CEO, AGL shares were allocated and acquired under the AGL Share Purchase Plan.

(j) Includes salary sacrifice contributions.

All Executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for year ended 30 June 2009

Non-executive Directors	Short-Term Benefits			Post-Employment Benefits		Share Based Payments		Total (a) \$	Value of Equity as a percentage of Total
	Cash Salary & Fees \$	Short-Term Incentives \$	Non-Monetary Benefits (a) \$	Super-annuation \$	Retirement Benefits \$	Rights \$	Other Share Plans (b) \$		
Mark Johnson	15,692	–	–	11,699	–	–	300,208	327,599	91.6%
Carolyn Hewson (c)	53,251	–	–	61,282 (e)	–	–	–	114,533	0.0%
Les Hosking (d)	95,584	–	–	9,163	–	–	–	104,747	0.0%
Jeremy Maycock	–	–	–	12,984	–	–	144,264	157,248	91.7%
Sandra McPhee	145,770	–	–	13,745	–	–	–	159,515	0.0%
Max Ould	76,671	–	–	13,745	–	–	60,278	150,694	40.0%
Bruce Phillips	155,556	–	–	13,745	–	–	–	169,301	0.0%
Graham Reaney	98,454	–	–	25,000 (e)	–	–	60,000	183,454	32.7%
John Stanhope (f)	45,492	–	–	4,094	–	–	–	49,586	0.0%
Total	686,470	–	–	165,457	–	–	564,750	1,416,677	–

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.

(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.

(c) Ceased as an AGL Director in February 2009.

(d) Commenced as an AGL Director in November 2008.

(e) Includes salary sacrifice contributions.

(f) Commenced as an AGL Director in March 2009.

Remuneration of Key Management Personnel for year ended 30 June 2008

Non-executive Directors	Short-Term Benefits			Post-Employment Benefits		Share Based Payments		Total (a) \$	Value of Equity as a percentage of Total
	Cash Salary & Fees \$	Short-Term Incentives \$	Non-Monetary Benefits (a) \$	Super-annuation \$	Retirement Benefits \$	Rights \$	Other Share Plans (b) \$		
Mark Johnson	14,718	–	–	13,129	–	–	279,652	307,499	90.9%
Charles Allen AO (c)	97,200	–	–	–	–	–	–	97,200	0.0%
Carolyn Hewson	70,385	–	–	83,514 (e)	–	–	–	153,899	0.0%
Jeremy Maycock	8,609	–	–	12,187	–	–	126,804	147,600	85.9%
Sandra McPhee	126,371	–	–	13,129	–	–	–	139,500	0.0%
Max Ould	69,311	–	–	13,129	–	–	54,960	137,400	40.0%
Bruce Phillips (d)	98,969	–	–	11,274	–	–	–	110,243	0.0%
Graham Reaney	87,200	–	–	25,000 (e)	–	–	60,000	172,200	34.8%
Total	572,763	–	–	171,362	–	–	521,416	1,265,541	–

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.

(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.

(c) Ceased as an AGL Director in February 2008.

(d) Commenced as an AGL Director in August 2007.

(e) Includes salary sacrifice contributions.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2009

	Balance at 1 July 2008	SPRs granted during the year	Grant date	Fair value per SPR at grant date (d)	Lapsed/forfeited	Vested	Balance at 30 June 2009
Jeff Dimery	3,459	–	1-Apr-07	5.81	(1,132)	(2,327)	–
Jeff Dimery	3,459 (a)	–	1-Apr-07	6.71	–	–	3,459
Jeff Dimery	12,188 (b)	–	11-Jan-08	9.16	–	–	12,188
Jeff Dimery	–	18,056 (c)	27-Oct-08	10.30	–	–	18,056
Michael Fraser	6,605	–	1-Apr-07	5.81	(2,163)	(4,442)	–
Michael Fraser	6,604 (a)	–	1-Apr-07	6.71	–	–	6,604
Michael Fraser	103,915 (b)	–	25-Feb-08	7.66	–	–	103,915
Michael Fraser	–	107,639 (c)	27-Oct-08	10.30	–	–	107,639
Phil James	5,363	–	1-Apr-07	5.81	(1,756)	(3,607)	–
Phil James	5,362	–	1-Apr-07	6.71	(1,756)	(3,606)	–
Stephen Mikkelsen	16,285 (a)	–	8-Nov-06	6.60	–	–	16,285
Stephen Mikkelsen	19,647 (b)	–	11-Jan-08	9.16	–	–	19,647
Stephen Mikkelsen	–	14,000 (c)	27-Oct-08	10.30	–	–	14,000
Paul McWilliams	1,712	–	1-Apr-07	5.81	(560)	(1,152)	–
Paul McWilliams	1,711 (a)	–	1-Apr-07	6.71	–	–	1,711
Paul McWilliams	6,140 (b)	–	11-Jan-08	9.16	–	–	6,140
Paul McWilliams	–	3,132 (c)	27-Oct-08	10.30	–	–	3,132
Michael Moraza	1,430	–	1-Apr-07	5.81	(468)	(962)	–
Michael Moraza	1,429 (a)	–	1-Apr-07	6.71	–	–	1,429
Michael Moraza	5,294 (b)	–	11-Jan-08	9.16	–	–	5,294
Michael Moraza	–	7,639 (c)	27-Oct-08	10.30	–	–	7,639

(a) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 29,488 SPRs will vest on 1 September 2009.

(b) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 147,184 SPRs will vest on 1 September 2010.

(c) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 150,466 SPRs will vest on 1 October 2011.

(d) Fair value of SPRs granted is measured using the Monte Carlo simulation method.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2008

	Balance at 1 July 2007	SPRs granted during the year	Grant date	Fair value per SPR at grant date (c)	Lapsed/ forfeited	Vested	Balance at 30 June 2008
Paul Anthony	140,851	–	–	4.88	(140,851)	–	–
Paul Anthony	46,950	–	–	6.02	–	(46,950)	–
Jeff Dimery	3,459 (a)	–	1-Apr-07	5.81	–	–	3,459
Jeff Dimery	3,459 (a)	–	1-Apr-07	6.71	–	–	3,459
Jeff Dimery	–	12,188 (b)	11-Jan-08	9.16	–	–	12,188
Michael Fraser	6,605 (a)	–	1-Apr-07	5.81	–	–	6,605
Michael Fraser	6,604 (a)	–	1-Apr-07	6.71	–	–	6,604
Michael Fraser	–	103,915 (b)	25-Feb-08	7.66	–	–	103,915
Phil James	5,363 (a)	–	1-Apr-07	5.81	–	–	5,363
Phil James	5,362 (a)	–	1-Apr-07	6.71	–	–	5,362
Stephen Mikkelsen	16,285 (a)	–	8-Nov-06	6.60	–	–	16,285
Stephen Mikkelsen	–	19,647 (b)	11-Jan-08	9.16	–	–	19,647
Paul McWilliams	1,712 (a)	–	1-Apr-07	5.81	–	–	1,712
Paul McWilliams	1,711 (a)	–	1-Apr-07	6.71	–	–	1,711
Paul McWilliams	–	6,140 (b)	11-Jan-08	9.16	–	–	6,140
Michael Moraza	1,430 (a)	–	1-Apr-07	5.81	–	–	1,430
Michael Moraza	1,429 (a)	–	1-Apr-07	6.71	–	–	1,429
Michael Moraza	–	5,294 (b)	11-Jan-08	9.16	–	–	5,294

(a) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 18,569 SPRs vested on 1 September 2008 and 34,850 SPRs will vest on 1 September 2009.

(b) SPRs will vest at no cost to the recipient. Providing performance conditions are satisfied, 147,184 SPRs will vest on 1 September 2010.

(c) Fair value of SPRs granted is measured using the Monte Carlo simulation method.

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 20th day of August 2009.



Mark Johnson
Chairman