



Energy in action.®

AGL Summary Sustainability Report 2009



**AGL has a heritage of delivering energy to Australian households and businesses for over 170 years. AGL has demonstrated a commitment to long-term business decision making.**

We are committed to effectively managing our responsibilities to the community, our customers, our Shareholders, our employees and our environment.

The 2008/09 Sustainability Report outlines how we have performed against our goals and strategies over the past year and explains how we are placed to face the challenges of transformational change over the coming decade.

#### **The transformation of energy markets**

Australia's energy markets are undergoing significant transformation. The implementation of an expanded Renewable Energy Target and emissions trading scheme by the Commonwealth Government will require investment of up to \$30 billion in new renewable generation over the coming decade. Energy prices are likely to continue to increase as the economy shifts towards lower carbon fuels.

AGL has developed an integrated energy strategy which provides portfolio flexibility. This sustainability report outlines how AGL is responding to this transformational change over the next decade.

#### **Climate change initiatives**

AGL currently manages the largest privately owned or controlled portfolio of renewable generation facilities in Australia. AGL's owned, operated and controlled renewable generation assets comprise around 26% of AGL's generation portfolio (by installed capacity).

We had 353 MW of new renewable assets under construction as at 30 June 2009 and a further 2,000 MW of identified projects at various stages of development. These projects will leave AGL well placed to contribute towards the Commonwealth Government's expanded Renewable Energy Target, which will require that 20% of Australia's electricity be supplied from renewable sources.

#### **Developing world-class customer service**

AGL is Australia's largest energy retailer, with around 3.2 million customer accounts. By November 2008, we had transferred the majority of our customers onto a new single billing system. We believe that this single system billing platform will significantly improve our customer service in the medium term.

Regrettably, for a few months following completion of the customer transfers, a number of our customers experienced delays in receiving bills. This resulted in some of our customers eventually receiving a larger than normal bill for energy supplied over several months. We acknowledge that this caused financial difficulty for some of our customers. We also acknowledge that we did not communicate with our customers as well as we could have during this period. We have now fixed the issues which caused the billing delays and we have been working hard on improving our customer communications. We take this opportunity to apologise to those affected customers for any inconvenience and anxiety experienced during this period.

#### **Safety of our employees**

The AGL Board and AGL management believe that the safety and wellbeing of our employees is of paramount importance. This is particularly relevant as we increase our interests in the construction and operation of electricity generation assets and upstream gas projects.

### Reporting on AGL's sustainability performance

We publish an annual sustainability report so that our stakeholders – our customers, investors, employees and the community – can gain an understanding of the social, environmental and economic challenges and opportunities we face, and the steps we are taking to address these to enhance the long-term value of our business.

This year, our sustainability reporting process comprises two elements – a complete, online only report 'AGL Sustainability Report 2009' (the report), and this concise printed summary 'AGL Summary Sustainability Report 2009'.

### AGL Summary Sustainability Report 2009

#### What's in print

IFC	Message from the Chairman and the Managing Director
2	AGL's sustainable business strategy
4	Strategy and performance summary
6	Transformation of energy markets
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10	Environmental management
12	Customers
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IBC	Feedback

### AGL Sustainability Report 2009

#### What's online

Full details of our business operations, including acquisitions and divestments made during 2008/09, and an overview of generation projects under development

AGL's sustainability strategy, including our approach to stakeholder engagement

A detailed insight into the transformation of the energy industry that is occurring, and what this means for the sustainability of our business

Comprehensive performance information for each of our six sustainability focus areas (greenhouse, environmental management, customers, employees, community and economic performance)

Global Reporting Initiative (GRI) content index

Assurance statement

Progress against commitments made in the 2008 Sustainability Report

Key actions for 2009/10



[www.aglsustainability.com.au](http://www.aglsustainability.com.au)

Our medium-term goal is zero lost time injuries. In the past year, we made significant progress towards this goal by reducing our Lost Time Injury Frequency Rate (LTIFR) from 3.6 to 2.5. This was well ahead of our annual target of 3.0. Our target for the coming year is to further reduce this measure to 2.0.

#### Engagement of our employees

A company relies on the high performance of its people to succeed over the long term. We believe that there is a direct correlation between the level of engagement of our employees and achievement of the Company's objectives. AGL's objective is to be an employer of choice. As employee engagement increases, it becomes easier to attract and refresh the skilled people necessary to deliver our strategy.

Our people continue to be increasingly engaged. During 2008/09, our employee engagement rating improved again after improving substantially during 2007/08. This increase in engagement provides a clear indication that the initiatives we have focused on delivering are having a positive impact on engaging our people.

#### Local community engagement

We believe that AGL has a responsibility to work with the community to develop mutually beneficial outcomes and to manage sensitively the environmental aspects of our individual projects. Over the past 12 months we have continued to consult with communities where we are developing projects, and we delivered a range of positive outcomes through the Energy for Life program.

In summary, this report documents how AGL has considered and addressed the challenges we have faced over the previous 12 months. We welcome your views on this report, our broader performance and our stakeholder communication. Mechanisms for providing feedback are outlined in this report.

**Mark Johnson**  
Chairman

**Michael Fraser**  
Managing Director  
and CEO



**AGL is Australia's leading integrated renewable energy company and is taking action toward creating a sustainable energy future for our customers, our investors and the communities in which we operate.**

Sound management of the social, environmental and economic challenges and opportunities that arise from our activities is central to the overall success and long-term value of our business.

AGL Hallett 1 Wind Farm in South Australia.

**About AGL**

Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio.

AGL has Australia's largest retail energy and dual fuel customer base, retailing natural gas, electricity and energy-related products and services to 3.2 million customer accounts across New South Wales, Victoria, South Australia and Queensland.

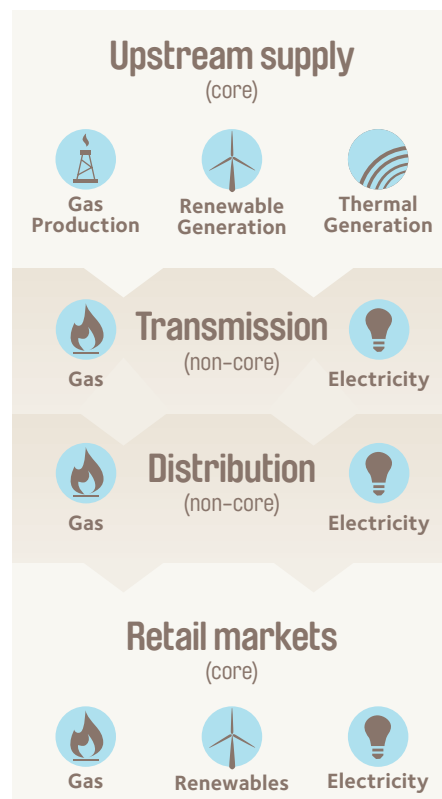
AGL is Australia's largest private owner and/or operator and developer of renewable generation assets and has an industry-leading portfolio of renewable and thermal (gas fired) power generation development projects. AGL also has one of Australia's largest contracted gas portfolios and emerging positions in new coal seam gas (CSG) developments.

AGL's owned, operated or controlled renewable energy generation assets comprise 26% of our generation portfolio (by installed capacity). More information on AGL's renewable assets is available in the Greenhouse section of this report.

Listed on the Australian Securities Exchange (ASX code: AGK), AGL is an S&P/ASX 50 company with a market capitalisation of over A\$6 billion. AGL has a BBB (investment grade) credit rating from Standard & Poor's.

**AGL's integrated strategy**

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



**Sustainability and our business strategy**

At AGL, 'sustainability' is about recognising that if we want our business to be here, successful and respected in the next 10, 20, or 50 years, we need to do the right thing by our Shareholders, our employees, our customers, the community and the environment.

The material sustainability risks that guide AGL's business priorities include:

**Greenhouse and Environment**  
Managing the environmental impacts of supplying energy to our customers and structuring our portfolio for a carbon-constrained future;

**Customers**  
Delivering excellent service and value to our customers, and providing equitable access to energy for vulnerable customers;

**Employees**  
Providing the best workplace environment to develop the skills and talents of our employees to deliver outstanding business results;

**Community**  
Engaging with the communities in which we work and operate, by managing the impact of our development activities on local communities and responding to broader community needs; and

### Our values

AGL's values are the guidelines and principles that define the way we wish to conduct our business and work together.

### One Team

Acting in the best interest of the whole Company; breaking down silos; applying consistent standards and expectations across the business.

### Delivery

Making things happen; keeping it simple; setting clear goals and achieving them.

### Authentic

Telling the truth with good and bad news; doing what we say; knowing our business.

### Safe and Sustainable

Being serious about safety; taking personal responsibility for our own safety; thinking about how our actions will impact tomorrow not just today.

### Vitality

Saying 'we can do this'; open to new ideas; going above and beyond.

### Operational snapshot

**2,138**

employees (head count)

**3.2 million**

customer accounts

### Generation portfolio

**3,544 MW**

installed generation capacity

**26%**

renewable generation

**78%**

renewable and low intensity generation

### Upstream gas portfolio

**1,056 PJ (2P)**

equity ownership of upstream gas

**1,891 PJ (3P)**

equity ownership of upstream gas

### Energy sales

**14,803 GWh**

electricity sold to our mass-market customers

**63.0 PJ**

gas sold to our mass-market customers

**19,163 GWh**

electricity sold to our large commercial and industrial customers

**91.9 PJ**

gas sold to our large commercial and industrial customers

**68.4 PJ**

gas also sold to wholesale customers or used internally for electricity generation

### Economic performance

Delivering on our strategy and managing longer-term challenges and opportunities that may affect sustainable returns to investors.

Our ability to respond effectively to these challenges is fundamental to the success of our business and our ability to deliver on the AGL integrated strategy.

We believe that effectively managing our social, environmental and economic risks drives business improvement, enhances our brand, demonstrates the long-term value of our Company, helps maintain regulator confidence, drives strategic regulatory reform, secures community support and engages our employees.

We have set six goals to guide our long-term performance in each key sustainability area, and have agreed strategies for working towards the achievement of our long-term goals.

Each year, we report on our progress towards these goals and set targets and actions for the year to come.

### About this report

The report covers the performance of AGL Energy Limited (AGL) and the activities and facilities over which AGL had operational control for all, or part, of the financial year ended 30 June 2009. Together, the AGL Sustainability Report 2009 and the AGL Annual Report 2009 provide the full account of AGL's performance for the period.

In preparing our sustainability report, we were guided by the Global Reporting Initiative (GRI) 'G3' Sustainability Reporting Guidelines, as well as the GRI Electric Utility Sector Supplement, which have been applied to meet the requirements of a 'B+' application level. A full GRI content index is included in the online report.

Net Balance Management Group has provided independent assurance over AGL's online sustainability report using the AA1000 Assurance Standard (2008). Assurance provides our stakeholders with confidence that the report is a balanced and accurate representation of our performance during the year, and that AGL is responding to the material sustainability issues that are important to our stakeholders. The assurance statement is included in the online report.



STRATEGIES TO REACH OUR GOAL	DELIVERY 2008/09	KEY ACTIONS 2009/10
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**Greenhouse**

**LONG-TERM GOAL: Provide leadership to reduce the greenhouse gas intensity of energy across the supply chain throughout the economy**

Engage with our stakeholders about reducing greenhouse gas emissions	Established the AGL Climate Change Council as a formal mechanism for consultation with key stakeholders	Offset 100% of the greenhouse gas emissions from the use of electricity in our offices and fuel in our fleet vehicles
Expand our portfolio of investments in renewable energy and low-emission power generation and power purchase contracts	78% of AGL's installed capacity is low or zero emission In addition to the 353 MW of renewable generation projects under construction, AGL also has over 2,000 MW of renewable and 5,000 MW of gas fired generation projects at various stages of development	Commission the Bogong Hydro Power Station (140 MW) and the Hallett 2 Wind Farm (71 MW)
Lead Australian participation in domestic and international emissions trading schemes	Continued trading carbon internationally through the Chicago Climate Exchange	Continue to meet our obligations and targets through our participation in the Chicago Climate Exchange – a 6% reduction in emissions from the Loy Yang A and Torrens Island power stations by 2010
Provide energy efficiency and climate change services to our customers	Developed detailed strategies for participation in energy efficiency schemes	Offer new energy efficiency products to our customers
Develop portfolio flexibility to minimise risks associated with changing climate change policies	Initiated the Carbon Implementation Project to manage the operational risks associated with the proposed Carbon Pollution Reduction Scheme	Work with our emerging technology partners Torrens Energy and Project Better Place to transform the stationary energy and transportation sectors
Work with Loy Yang Power to reduce its greenhouse gas emission intensity	Through our investment in Loy Yang A Power Station, agreed to work with MBD Energy Limited on a pilot project to utilise CO <sub>2</sub> in a bio-sequestration process	Report on the progress of all technology initiatives underway at the Loy Yang A Power Station
Greenhouse footprint	Reduced greenhouse gas emissions from our operations by 18% from 2007/08 to 1.7 MtCO <sub>2</sub> e	Aim for our electricity supply intensity to be beneath state averages to contribute towards a long-term goal of substantially decarbonising our electricity supply by 2050

**Environmental management**

**LONG-TERM GOAL: Achieve excellence in environmental management and performance**

Strengthen and maintain the environmental aspects of our HSE management system	Published a revised set of Environmental Principles	Audit compliance against the requirements of our health, safety and environment management system in respect to water and biodiversity management
Improve our people's capabilities in environmental management	Reviewed the structure, capability and resourcing of environmental management roles across the Company	Review corporate environmental management training programs to ascertain appropriate content and types of training offered across the business
Monitor and manage our impact on land, air and water	Continued to monitor and report information on water use, air emissions, and licence compliance through AGL's environmental footprint A total of 12 environmental incidents were recorded in our corporate incident reporting systems during 2008/09 (2007/08: 16)	Reduce A4 office copy paper use by 10% per person (FTE) compared to 2008/09 levels by 30 June 2010 Convert to recycled content A4 white office copy paper in our offices Establish a water use target in 2009/10

**Customers**

**LONG-TERM GOAL: Become a world-class customer-focused energy company**

Provide the best customer experience according to our customer needs	Implemented a major program of work to reduce the recently high numbers of unbilled accounts, an issue that has contributed to high numbers of Ombudsman cases Introduced a comprehensive Quality Assurance program to facilitate better customer service	Implement a new Customer Charter outlining the principles we will adhere to Achieve a net promoter score in the top quartile for Australian energy retailers by 2012
Sell and market our products responsibly	Remained a participant in the Retailer Round Table Forum	Improve the quality of communications to our customers
Support access to energy for all vulnerable customers	Utilised the expertise of the AGL Customer Council to build strategies that are responsive to customers' needs	Focus on early identification of customers who are having difficulties making payments
Provide products, services and information to help customers make informed energy choices to benefit their home and the environment	Carried out almost 3,000 energy audits under energy efficiency schemes	Become Australia's largest retailer of GreenPower by volume, selling more than 1 TWh annually
Respond to critical events where the provision of energy to our customers is interrupted	Waived over \$43,000 in outstanding accounts for customers impacted by the 2009 Victorian bushfires	Develop a crisis response policy to enable a consistent approach to supply interruption issues

STRATEGIES TO REACH OUR GOAL	DELIVERY 2008/09	KEY ACTIONS 2009/10
<b>Employees</b>		
<b>LONG-TERM GOAL: Engage our employees in ways that continue to support our business, grow their skills and deliver outstanding business results</b>		
Improve AGL's Health, Safety and Environment (HSE) performance and achieve milestone targets, designed to meet our medium term goal of zero lost time injuries	Reduced the Lost Time Injury Frequency Rate (LTIFR) from 3.6 in 2007/08 to 2.5 Completed 100% of the actions in our 2008/09 HSE Action Plans	Reduce the LTIFR to 2.0 in 2009/10, and commence analysis of contractors' LTIFR Introduce a revised definition of Medical Treatment Injury Frequency Rate, and a new indicator, Total Injury Frequency Rate Track behavioural safety management against lead performance indicators
Enable a high performance culture that is dynamic and adaptable to change	Increased employee engagement by 12% compared to 2007/08, exceeding our target of a 10% increase	Continue to implement initiatives to support employee engagement Deliver Values Workshops across the business over the next 12–24 months
Attract, retain and develop employees	Introduced a Leadership Capability Framework Built a better understanding of our workforce profile, with more robust reporting and metrics	Refresh the AGL Diversity Strategy and develop improved metrics to measure and benchmark diversity initiatives Develop streamlined recruitment and selection processes Implement a Company-wide Talent Management process
<b>Community</b>		
<b>LONG-TERM GOAL: Connect our business and employees with the community in ways which make a genuine contribution, engage our people and strengthen our business</b>		
Build long-term strategic community partnerships	Delivered energy audits and other support services to a cumulative total of 113 hardship households in South Australia	Deliver a comprehensive review of Energy for Life so that this program continues to reflect the interests of our employees and the business
Provide sustainable assistance to vulnerable Australians	Contributed to the winter energy bills for 171 crisis accommodation services, funding 83,000 warm winter nights	Continue to fund and facilitate energy audits for at least four selected emergency accommodation services Apply a more targeted approach to inviting applications for funding for the 2010 AGL Warmth in Winter initiative
Provide the means and opportunity for our employees to make a genuine contribution to the community – by volunteering their time and/or providing direct financial support to causes that reflect their interests	Donated more than \$120,000 through Employee Giving	Maintain the matching of all employee donations through the Employee Giving initiative to an annual maximum of \$200,000 Target an average monthly participation rate of 10% in our Employee Giving initiative for 2009/10
	Provided more than 1,272 hours of volunteering services valued at over \$89,000	Target a participation rate of 10% in our Employee Volunteering initiative in 2009/10
Engage with the community on projects that affect them, every step of the way	Opened the AGL Information Centre in Burra, South Australia Donated \$30,800 through the AGL Hallett Wind Farm Community Fund	Complete an assessment on the aviation night lights at the Hallett wind farms to determine lighting requirements Construct a new television translator to improve television reception in the Hallett community
<b>Economic</b>		
<b>LONG-TERM GOAL: Deliver growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earnings streams</b>		
Implement AGL's integrated business strategy	Delivered an underlying net profit after tax of \$378.8 million, up 11.1% on 2007/08, paying fully franked dividends totalling 54.0 cents per share Rebalanced our gas interests to focus on wholly owned and operated projects Completed a \$3.2 billion non-core asset divestment program	Commission the Bogong Hydro Power Station (140 MW) and the Hallett 2 Wind Farm (71 MW)
Reduce operating costs while improving service quality and appropriately manage our business risks	Transferred 93% of our customers to our new SAP-based retail business platform	Reduce net operating expenditure as a percentage of gross margin to less than 50% for Retail Energy
Maintain Australia's largest private portfolio of renewable generation assets to deliver sustainable benefits in a carbon-constrained environment and to meet an expanded Renewable Energy Target	Commenced and/or continued to construct 353 MW of new renewable generation	Continue to explore new renewable energy development opportunities such as electric vehicles and geothermal energy
Apply a disciplined approach to growth strategies that add to AGL's integrated strategy and provide sustainable cash flows	Divested non-core assets to improve our balance sheet Refinanced 2009 and 2010 debt maturity obligations	Continue to apply a disciplined approach to capital investment decisions

## Climate change policies and concerns about energy security are influencing the development of energy markets around the world.

This section outlines how AGL is integrating sustainability into our business decision making within the context of the rapid transformation of energy markets that is occurring around the world.

AGL Hallett 1  
Wind Farm in  
South Australia.

Climate change policies and concerns about energy security are influencing the development of energy markets around the world. AGL has developed an integrated energy strategy which recognises that sustainability is integral to maximising value during a period of rapid transformation. This new section of the AGL Sustainability Report explains how energy markets are changing and what this is likely to mean for many of our stakeholders.

Globally, energy policy makers are primarily responding to three public policy issues: anthropogenic climate change and air quality; energy security; and fuel poverty.

### Climate change and air quality

In many countries, governments are establishing emissions trading schemes and other policies to reduce greenhouse gas emissions from the energy sector. For example, the European Union Emissions Trading Scheme requires emissions to be reduced by 20%–30% of 1990 levels by 2020. Domestically, the proposed Carbon Pollution Reduction Scheme would require Australia to reduce emissions by between 5% and 25% of 2000 levels by 2020.

### Energy security

Approximately 70% of the world's oil reserves are located in Eastern Europe and the Middle East. The concentration of reserves in these regions has created concerns about security of energy supplies in other parts of the world such as the European Union and the United States. Governments are increasingly implementing policies such as renewable energy targets to increase deployment of non-fossil fuel energy resources such as wind, solar and geothermal. In Australia, the expanded Renewable Energy Target will require 20% of our electricity to be sourced from renewable generation by 2020.

### Fuel poverty

Energy costs around the world are increasing. This is due to increased underlying fuel prices, increases in capital costs and in the cost of capital, and a shift towards more expensive renewable and low emission technologies. As energy prices rise, the number of customers experiencing fuel poverty (defined as customers who spend more than 10% of their income on electricity and gas) is also likely to rise.

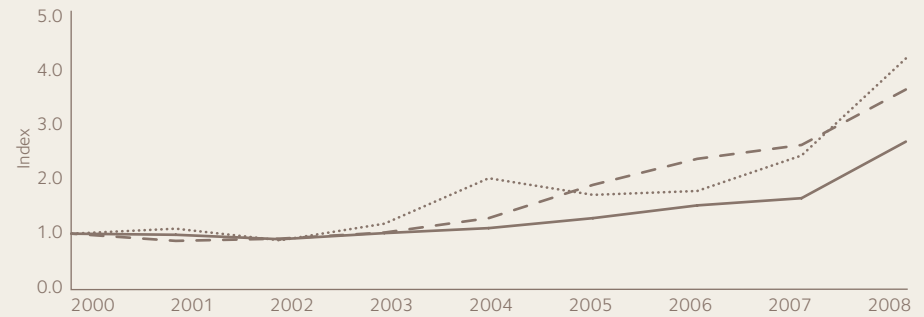
In 2008, approximately 40% of new electricity generation capacity installed worldwide was renewable. Within Australia, up to 10,000 MW of new renewable generation will be built over the coming decade at a cost of \$25–\$30 billion. As Australia moves towards renewable and other more expensive energy resources, energy companies will need to increasingly focus on the consequences of these trends for all stakeholders. AGL's strategy is to provide electricity and gas to our customers while developing a suite of renewable and gas fired generation and upstream gas production assets. This strategy provides portfolio flexibility for AGL as energy markets continue to develop.

The following outlines how AGL is integrating sustainability into our business decision making within the context of this energy market transformation. Our long-term sustainability goals and strategies help guide our focus around these issues.





### International coal, gas and oil price indexes



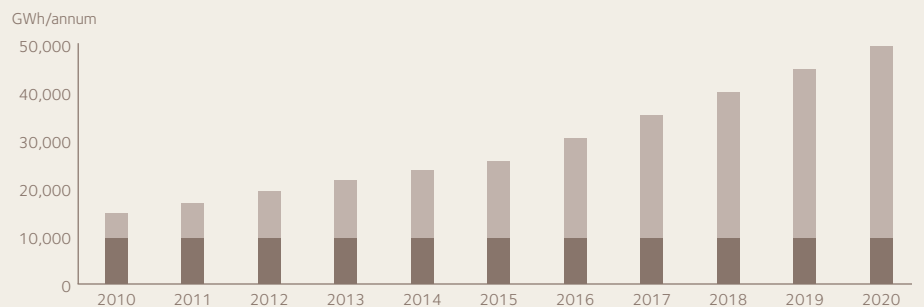
#### Legend

..... Coal prices      — Gas prices      - - Oil prices

#### Notes

Source: BP World Energy Statistics, 2009

### New renewable energy required in Australia



#### Legend

● Existing renewable energy requirements  
● New renewable energy requirements

#### Notes

The Commonwealth Government is transitioning the Mandatory Renewable Energy Target into a new Renewable Energy Target with an ultimate goal of delivering 45,000 GWh per annum of new renewable energy by 2020.

### Customers

The Commonwealth Government expects household electricity and gas bills to increase by 18% and 12% respectively after the Carbon Pollution Reduction Scheme is implemented. For an average customer, this translates into an increase in household energy expenditure of approximately \$6 per week or \$312 per year. However, the effects will not be evenly distributed. The overall cost of living for a single pensioner household in the lowest income quintile (i.e. the bottom 20% of households) is likely to increase 1.4% as a result of these energy price increases whereas households in the highest income quintile face an average increase of 1.0%. Further cost of living increases may also result from increased prices of other goods and services as higher energy costs are carried through the supply chain.

AGL has already commenced discussions with the AGL Customer Council about the consequences of these expected price increases for our customers. While this is an important first step in understanding the issues, ongoing engagement will be required so that customer consequences are understood and collectively managed by industry, governments and community organisations. AGL will continue to engage with our stakeholders on this critical issue over the coming years.

### Communities

As investment in renewable technologies increases over the coming decade, energy companies need to engage with the communities in which their renewable energy projects are developed. The characteristics of renewable projects are often different from traditional thermal technologies such as coal and gas. Increased investment in wind is likely to benefit regional communities by providing an additional source of revenue for landowners, as well as increased economic activity and employment in the area.

Issues such as visual amenity are important to communities where these assets are developed. AGL has had successful community engagement in places such as Hallett, South Australia, where one wind farm is operating, a second is being commissioned and a third is under construction. AGL will continue to engage and work with the communities in which we invest to understand and incorporate their views into our business planning.

### Environment

While much of the focus of renewable and low emission energy investment is on reducing the effects of climate change, there are likely to be other environmental consequences. Our project environmental management systems will evolve so that we consider and address emerging environmental issues associated with the development and construction of new projects.

### Employees

New technologies such as smart metering, geothermal technology and electric vehicles will require AGL to develop new skills. To equip our workforce for these changes, we will need innovative talent attraction and training techniques. Our values reflect the environment of change and include 'vitality' and 'safe and sustainable'. These values reflect AGL's long history of an 'open to new ideas' culture so that our business is sustainable over the long term.

**Our long-term goal is to provide leadership to reduce the greenhouse gas intensity of energy across the supply chain throughout the economy.**

We consolidated our position as Australia's leading renewable energy company by investing in new renewable projects and development options.

AGL recognises that climate change and air quality are critical issues facing the global community and accepts the scientific consensus that greenhouse gases in our atmosphere need to be stabilised to minimise dangerous climate change and adverse health impacts from poor air quality.

With respect to climate change, according to the Intergovernmental Panel on Climate Change, this effectively requires global emissions to peak in 2015 and be reduced by up to 85% relative to 2000 levels by mid-century. AGL supports the leadership position adopted by the Commonwealth Government in committing to support a global agreement to stabilise levels of greenhouse gases in the atmosphere at 450 parts per million CO<sub>2</sub>e or lower by mid-century. AGL notes that this translates into an emission reduction target of up to 25% below 2000 levels by 2020.<sup>1</sup>

Longer-term, AGL believes that achievement of a 450 parts per million goal may require the substantial decarbonisation of the electricity sector by mid-century. In this context and given current policy and market settings, AGL does not have any plans to invest in the development of new conventional coal fired power stations as the emissions profile is inconsistent with the achievement of these targets.

#### Renewable and low-intensity generation

This year, AGL has made a number of strategic investment decisions that have consolidated our leading position and further reduced the greenhouse intensity outlook of our operations. 78% of AGL's capacity is now low or zero emission. With the completion of all assets under development, this figure could increase to 93%.

#### Emissions trading

AGL has positioned itself early to maximise shareholder value in an emissions trading environment. We believe that it is critical for the proposed Carbon Pollution Reduction Scheme legislation to be implemented in a timely manner to provide investment certainty.

AGL estimates that it will benefit from the introduction of the Carbon Pollution Reduction Scheme. This is because our renewable assets will receive greater revenue as energy prices rise but will not be required to purchase Australian Emission Units (AEUs). The expansion of the Renewable Energy Target will also provide AGL with the ability to develop up to 2,000 MW of identified renewable projects.

#### Generation intensity

Using fuels that have lower greenhouse emissions per unit of electricity generated and working out smarter ways to make equipment more efficient can help to decrease the greenhouse intensity of our business operations.

The greenhouse intensity of the electricity that we generated in 2008/09 is similar to 2007/08 levels.

#### Greenhouse footprint

AGL uses three approaches to measure and communicate the greenhouse gas impact of our business.



[www.aglsustainability.com.au/greenhouse](http://www.aglsustainability.com.au/greenhouse)

- AGL Greenhouse Gas Policy
- Detailed operational, equity and energy supply greenhouse footprints
- AGL's portfolio of renewable and low intensity generation development projects

<sup>1</sup> [www.climatechange.gov.au/emissionstrading/pubs/carbon\\_pollution\\_target.doc](http://www.climatechange.gov.au/emissionstrading/pubs/carbon_pollution_target.doc)

**Highlights**

Established the AGL Climate Change Council as a formal consultation mechanism with key stakeholders.

Continued trading carbon internationally through the Chicago Climate Exchange, complying with our obligations and meeting our emission reduction targets.

Initiated the Carbon Implementation Project to manage the operational risks associated with the proposed Carbon Pollution Reduction Scheme.

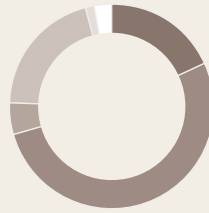
Through our investment in the Loy Yang A Power Station, we agreed to work with MBD Energy Limited on a pilot project to utilise carbon dioxide in a bio-sequestration process.

78% of AGL's installed capacity is low (gas fired) or zero emission.

In addition to the 353 MW of renewable generation projects under construction, AGL has over 2,000 MW of renewable and 5,000 MW of gas fired generation projects at various stages of development.

**Installed capacity of AGL electricity generation portfolio (MW)**

2008/09



Legend

● Hydro	18.2%
● Gas	52.4%
● Wind	5.2%
● Coal	20.2%
● Other fossil fuels	1.4%
● Other renewables	2.6%

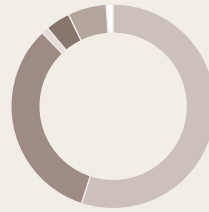
Total Installed Capacity 3,544 MW

Notes

These figures include assets that are owned and/or operated by AGL, and assets where AGL controls the dispatch but does not operate the site. Also included is AGL's 32.5% equity stake in Loy Yang A Power Station.

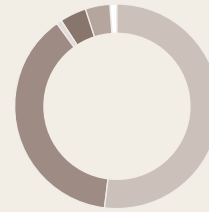
**Greenhouse intensity of AGL electricity**

2008/09 electricity sent out



Greenhouse Intensity 0.86 tCO<sub>2</sub>e/MWh

2007/08 electricity sent out



Greenhouse Intensity 0.85 tCO<sub>2</sub>e/MWh

Legend

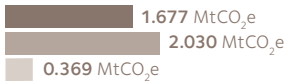
● Hydro	● Gas	● Wind	● Coal	● Other fossil fuels	● Other renewables
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Notes

These figures include the amount of electricity generated by assets that are owned and/or operated by AGL, and assets where AGL controls the dispatch of electricity but does not operate the site. Also included is AGL's 32.5% equity stake in the Loy Yang A Power Station (apportioned by investment level).

**Operational Footprint**

The Operational Footprint covers the emissions from activities and assets that we operate. Our Operational Footprint has decreased since 2007/08 as a result of a lower amount of generation required in 2008/09 from the Torrens Island Power Station. Emissions from AGL's other operations remained relative stable.



Legend

● 2008/09
● 2007/08
● 2006/07

Notes

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

**Equity Footprint**

The Equity Footprint sets out AGL's share (by percentage investment level) of the emissions from our fully or partly owned entities. The Equity Footprint has increased since 2007/08 due to a rise in emissions from Loy Yang Power associated with a greater amount of electricity generation.



Legend

● 2008/09
● 2007/08
● 2006/07

**Energy Supply Footprint**

The Energy Supply Footprint estimates the greenhouse gas emissions associated with the use of electricity and gas by our customers. The Energy Supply Footprint in 2008/09 is similar to 2007/08, with a slight decrease.



Legend

● 2008/09
● 2007/08
● 2006/07

## Our long-term goal is to achieve excellence in environmental management and performance.

This goal is underpinned by the management systems, organisational structures and expertise we have in place to manage our business for sustainable growth.

The Bogong Hydro Project in Victoria's high country is the biggest hydro-electric project on mainland Australia in 25 years.

### AGL Environmental Principles

AGL has established a set of overarching principles that define how we manage and measure our impact on the environment. During 2008/09, AGL reviewed and revised these longstanding principles.

### Management system

AGL's health, safety and environmental (HSE) management system, Life Guard, establishes and documents a framework of requirements, policies, standards and guidelines for consistent and continuous improvement in health, safety and environmental performance. Based on ISO 14001, Life Guard assists AGL to proactively manage environmental risks and compliance issues, define environmental responsibilities, and measure and benchmark our environmental performance.

During 2008/09 we also reviewed the structure, capability and resourcing of environmental management roles across the Company.

### Environmental footprint

We continue to monitor and report information on water use, air emissions, biodiversity, compliance with environmental regulation and licensing requirements through AGL's environmental footprint.

Comprehensive performance data for our electricity generation facilities, coal seam gas operations and construction projects is available in the full online report.

In addition, we also measure the environmental footprint of our offices, with a focus on reducing energy, water and material consumption and managing our waste streams. Importantly, we have set a target to reduce the amount of office copy paper used per person by 10% compared to 2008/09 levels by 30 June 2010, and will also continue to offset 100% of the greenhouse gas emissions from office electricity and fleet vehicle fuel use.

### Supply chain environmental impacts

During 2008/09, the cost of goods sold (purchase of gas and electricity) was equivalent to 80% of AGL's sales revenue. The most significant supply chain environmental impact from the purchase of energy is the greenhouse gas emissions resulting from the production, transportation, distribution and consumption of electricity and gas for and by our customers. AGL assesses and discloses these emissions as part of the Energy Supply Greenhouse Footprint. In 2008/09 we have continued to sell electricity with lower greenhouse gas intensity than the state average, for every state in which we operate.

In recognition of the effect that electricity generation can have on biodiversity, AGL also has a Biomass Policy which states that AGL will not source fuel for power generation from native forest or from crops located in areas cleared of native forest after 1990.



### Highlights

Published a revised set of Environmental Principles for doing business.

Reviewed the structure, capability and resourcing of environmental management roles across the Company.

Continued to monitor and report information on water use, air emissions, and environmental licence compliance on our energy generation and coal seam gas projects through AGL's environmental footprint.

Offset 100% of the greenhouse gas emissions associated with our office electricity and fleet vehicle fuel use.

### AGL Environmental Principles

#### Compliance

AGL will meet or exceed statutory obligations and relevant codes of conduct and Company standards

#### Monitoring, Reporting and Communication

AGL's environmental performance measurement and reporting will be consistent with recognised national and global reporting standards

AGL will apply the assurance and verification principles of materiality and completeness and responsiveness when measuring, monitoring and reporting environmental performance

#### Impact Minimisation

AGL will reduce risk to the environment and minimise our environmental impact, by integrating considerations of environmental sustainability in all activities. Key considerations for AGL and our stakeholders in minimising environmental impact include pollution prevention, promotion of waste minimisation, reuse and recycling, the efficient use of resources such as water and energy and protecting cultural heritage

AGL will provide products, services and information to help customers make informed energy choices to benefit their home, business and the environment

Contractors and suppliers are expected to demonstrate consistency with AGL's approach by fulfilling their environmental responsibilities

#### Climate Change and Renewable Energy

Consistent with business objectives and AGL's Greenhouse Gas Policy, AGL will work in consultation with its external stakeholders to improve greenhouse gas emission outcomes

#### Stakeholder Engagement

AGL will provide leadership and actively participate in the policy debate on energy and environmental matters; we will engage with government, industry and communities, our people and other stakeholders about how to achieve sustainability in the energy sector

AGL's employees are encouraged to contribute to improving the AGL's environmental performance

AGL will aim to build knowledge, capability and understanding of environmental management issues for our employees

### Environmental incidents

AGL aims to have zero environmental incidents. A total of 12 environmental incidents were recorded in our corporate incident reporting systems during 2008/09, compared with 16 incidents recorded in 2007/08. The majority of these incidents were spills of oil or other fluids to land and water, and none of these incidents were classified as significant. None of the incidents reported in our databases in 2008/09 resulted in any fines from environmental regulatory authorities.



[www.aglsustainability.com.au/environment](http://www.aglsustainability.com.au/environment)

- An overview of our health, safety and environmental management system, including auditing and training undertaken during 2008/09
- Environmental performance information for our power generation facilities, coal seam gas extraction operations, construction projects and office facilities, including water consumption, wastewater discharge, and air emissions
- Details of environmental incidents and compliance with environmental licences

## Our long-term goal is to become a world-class customer-focused energy company.

We believe that the customer is central to everything that we do at AGL. We aim to be the energy industry leader in terms of service delivery and customer management.

Our four-year program of business change (Project Phoenix) was completed during 2008/09, culminating in the transfer of the majority of our customers onto a single system in November 2008. The new billing system will allow AGL to provide enhanced customer service levels. This conversion process has taken longer than we had hoped, as the limitations of the legacy systems were deep and complex.

Many of our customers experienced unacceptable delays in receiving bills and, as a consequence, we received an increased number of complaints. Some enquiries to the Company did not receive the standard of service that our customers should expect. AGL has been very concerned by these problems. The billing delays have now been resolved and service levels restored, but this has resulted in a six month delay in AGL realising the full benefits from the new billing system.

### Customer service

AGL undertook a significant program of work targeted at the reduction in unbilled accounts. We have made substantial progress and, as of 30 June 2009, the number of unbilled accounts was lower than at any time prior to the consolidation of systems. The target is to have no unbilled accounts greater than 30 days overdue by the end of December 2009.

Complaints by customers to the Ombudsman have fallen during the first four months of 2009/10, AGL's interim target is to reduce Ombudsman complaints to 45 per 10,000 customers for 2009/10. During 2009/10 we will measure our progress against this target and develop a longer-term improvement goal for future years.

### Responsible sales and marketing

The energy markets that we operate in continue to be dynamic and extremely competitive. Door-to-door sales campaigns, and complaints about doorknock activities, are standard features of Australia's retail energy markets. AGL has in place processes for the responsible sale and marketing of our suite of products.

AGL continues to have a low number of complaints per sales made as part of door-to-door sales operations. Complaints per sales totalled 0.58% during 2008/09.

AGL has remained a participant in the Retailer Round Table Forum – a voluntary group of industry representatives that was formed to address misleading and deceptive sales practices within the Australian energy industry.

**Highlights**

Transferred the majority of our customers onto a new billing system.

Implemented a major program of work to reduce the recent high numbers of unbilled accounts, an issue that has caused our customers considerable distress and contributed to high numbers of Ombudsman cases during the year.

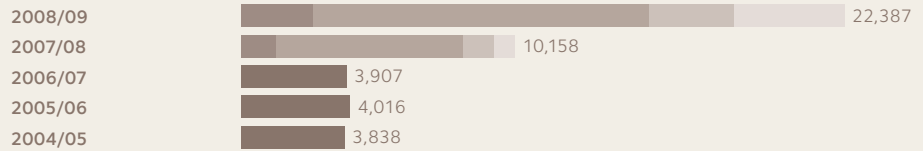
Introduced a comprehensive Quality Assurance program and suite of quality metrics to facilitate better customer service delivered by our operational teams, including the identification of employee training needs.

Utilised the expertise of the AGL Customer Council to build strategies that are responsive to customers' needs.

Carried out almost 3,000 energy audits under energy efficiency schemes.



**Ombudsman complaints**



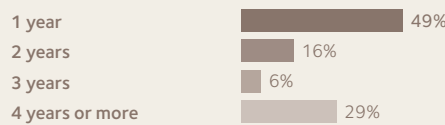
**Legend**

- NSW
- Vic.
- SA
- QLD
- All states

**Notes**

Reported figures represent complaints to the various State Ombudsman offices only. Enquiries, complaints referred to other agencies or instances where the customer has been advised to contact AGL directly are therefore not included. Historical data does not include Ombudsman cases relating to gas and electricity distribution networks that were part of The Australian Gas Light Company prior to October 2006.

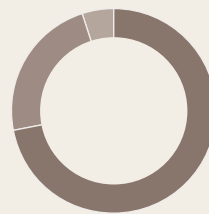
**Number of years on Staying Connected program**



**Notes**

Data is based on a random sample of 300 Staying Connected customers in May 2009. Data represents the number of years each of the selected participants had been on the program. Where participants had been on the program on more than one occasion, this data represents the length of their current participation only.

**Staying Connected return customers**



**Legend**

- First time Staying Connected customer 72%
- Return Staying Connected customer (second time) 23%
- Multiple Staying Connected customer 5%

**Notes**

Data is based on random sample of 300 Staying Connected customers in May 2009. Data represents the number of times each of the selected participants had been on the program.

**Vulnerable customers**

AGL's Staying Connected program is designed to maintain access to energy for customers who are experiencing financial hardship. AGL has processes in place to prevent disconnection, and offers a suite of other assistance mechanisms, including tailored payment plans and energy audits, to help customers manage energy consumption.

AGL uses two key performance indicators to measure the success of the program; namely the time it takes to return customers to a sustainable financial position, and the number of times each customer has joined the Staying Connected program. 29% of Staying Connected participants have been on the program for four or more years, and 28% have been on the program more than once. During 2009/10, AGL will be focusing on reducing these levels, as well as the early identification of customers who are having difficulties in making payments. Decreasing the level of debt at which customers come on to the program will make it easier for them to return to a sustainable financial position.

**Environmental choices**

AGL has a suite of accredited GreenPower™ products available for residential customers. These products allow customers to choose the proportion of accredited GreenPower they wish to receive: 10%, 20% or 100%. For our major industrial and commercial customers, we also offer AGL Green Balance™, certified by the Department of Climate Change under the Greenhouse Friendly™ initiative.

**Critical event response**

Although AGL does not own energy networks and is therefore not responsible for physical energy supply, as a retailer of essential services we have an integral role to play when the supply of energy to our customers is interrupted due to unforeseen circumstances. AGL waived over \$43,000 of outstanding accounts for customers affected by the Victorian bushfires earlier this year. AGL also donated \$100,000 to financial counsellors operating in the area and to provide appliance replacement where appropriate.

**AGL Customer Council**

The AGL Customer Council, comprising seven community group representatives, meets quarterly to discuss the consequences of AGL's business activities on our customers.

The Council's role is of growing importance as we move into a period of price uncertainty given key government initiatives including the rollout of the Advanced Metering Infrastructure in Victoria, a move to a National Energy Framework and the proposed introduction of the Carbon Pollution Reduction Scheme and the expanded Renewable Energy Target.



[www.aglsustainability.com.au/customers](http://www.aglsustainability.com.au/customers)

- Customer service statistics
- Information about our accredited GreenPower™ and Greenhouse Friendly™ products, including customer numbers

**Our long-term goal is to engage our employees in ways that continue to support our business, grow their skills and deliver outstanding business results.**

Our employees are key to the successful delivery of our integrated strategy.

AGL employee at Torrens Island Power Station in South Australia.

Our people are critical to the achievement of our business strategies and to reaching our vision of being a world-class customer-focused energy company. That is why it is so important for AGL to create a safe working environment where employees can contribute to delivering a positive customer experience.

AGL aims to offer a safe, satisfying and productive place to work and to developing the skills and knowledge of all employees. Our values underpin everything we do: One Team, Delivery, Authentic, Safe and Sustainable, and Vitality. How our employees live these values shapes our brand perception as well as the day-to-day experience that our stakeholders have with AGL.

**Safety**

Our foundation for managing safety is the premise that all injuries are preventable, and the only acceptable goal is zero incidents.

We have continued to build on our 2008–2010 HSE Strategy by delivering on action plans aimed to strengthen our safety leadership capability, foster a strong safety culture, improve the effectiveness of our safety management system, and manage risks associated with workplaces and equipment. We completed 100% of the actions in our 2008/09 Action Plans, and have established new plans for 2009/10.

As a step towards our medium-term goal of zero lost time injuries, AGL set and exceeded a target to reduce the Lost Time Injury Frequency Rate (LTIFR) to 3.0 for 2008/09 from 3.6 in 2007/08. The decrease in LTIFR is indicative of the efforts of the Company over the last 12 months to prevent and appropriately manage serious injuries. This sets the stage for a further reduction in LTIFR in 2009/10 to 2.0.

**Employee engagement**

It is important that our people are engaged and have the opportunity to contribute to how we can improve our working environment. AGL undertakes an annual engagement survey to gain a better understanding of how engaged employees are by measuring key drivers such as Employment Experience, Career Opportunities, Company Reputation, Resources, Performance Management and Diversity.

We set a target to increase engagement by 10% compared to 2007/08. We exceeded this target with an increase of 12%. This improvement is a result of our hard work to improve the basics of how we work together and manage the business. We will continue to measure engagement and focus our initiatives towards our goal of becoming an employer of choice.

**Leadership development**

AGL recognises there are particular skills and capabilities that are required for leadership positions. During 2008/09, AGL developed a Leadership Capabilities Framework to define leadership success at AGL. Specific steps or tactics needed to meet these capabilities are embedded within Career Development Plans as an important way of building the leadership skills AGL and its employees need for the future.

AGL has also been continuing to build the career management and leadership development infrastructure in response to feedback received from our employees through previous engagement surveys, with a number of leadership development programs piloted and deployed across the organisation.





**Highlights**

Reduced the Lost Time Injury Frequency Rate (LTIFR) from 3.6 in 2007/08 to 2.5.

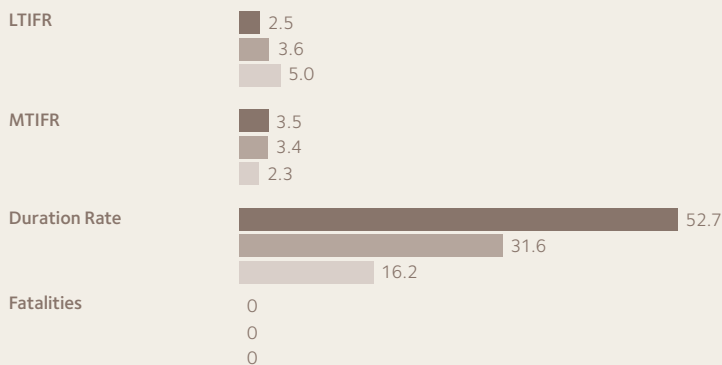
Completed 100% of the actions in our 2008/09 HSE Action Plans.

Increased employee engagement by 12% compared to 2007/08, exceeding our target of a 10% increase.

Built a better understanding of our workforce profile, with more robust reporting and metrics.

Introduced a Leadership Capability Framework to define leadership success at AGL, supported by leadership courses at all levels of leadership.

**Health and safety performance**



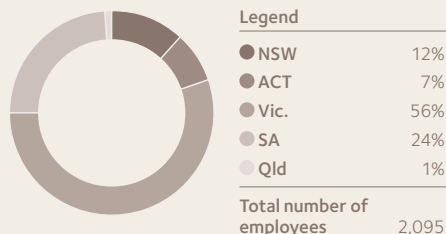
**Legend**

- 2008/09
- 2007/08
- 2006/07

**Notes**

- Historical data (2006/07) excludes the health and safety performance of Agility employees that were previously part of The Australian Gas Light Company prior to the demerger in October 2006
- **Lost Time Injury Frequency Rate (LTIFR):**  
Number of lost time injuries x 1 million ÷ number of hours worked
- **Medical Treatment Injury Frequency Rate (MTIFR):**  
Number of medical treatments x 1 million ÷ number of hours worked
- **Duration Rate:** Average number of days lost per injury

**Our workforce**



**Legend**

- NSW 12%
- ACT 7%
- Vic. 56%
- SA 24%
- Qld 1%

**Notes**

Includes fixed term, permanent full-time, and permanent part-time employees on an FTE (full-time equivalent) basis. Excludes casual, labour hire and contract workers.

**Code of Conduct**

The AGL Code of Conduct provides the foundation for expectations of behaviour from AGL Directors to the newest employee. The Code is administered by the AGL Ethics Panel. The Code underwent a major review and revision in 2008/09 to streamline and provide further clarity on AGL's expectations of all employees. In 2009/10 the new Code of Conduct will be delivered to the business.

**Employee benefits**

Benefits offered to our employees include up to two years salary continuance income protection, 12 weeks paid maternity leave and five days paid paternity leave, discounted health insurance, an education assistance program and a 25% discount on AGL electricity and gas.

**Employee turnover**

Total voluntary and involuntary employee turnover for 2008/09 was 25.9%, a slight increase over the result for the previous year (24%) on an FTE basis. Higher than average turnover has been experienced in the group of employees that are over 65 years of age (194%). This is consistent with the demographic profile of a number of our power stations, where a large number of employees are reaching retirement age. Higher than average turnover is also present in employees under 30 years of age, female employees, and employees based in Adelaide and Canberra. The demographic profile of this turnover is consistent with two of our customer contact centres.

The introduction of the new SAP billing system and the resultant changes to a number of business processes are likely to have contributed to higher employee turnover this year. We have continued to support our employees in our customer contact centres through this significant change process, and are confident that the new system will ultimately bring benefits to both customers and our employees. These benefits include reducing the complexity of working with multiple billing systems and providing better access to customer information.



[www.aglsustainability.com.au/employees](http://www.aglsustainability.com.au/employees)

- Initiatives to improve health and safety performance
- Policies and programs to support fair treatment, diversity, women in the workforce and wellbeing
- Employee benefits
- Performance Development Review processes, leadership development programs, career development, online learning, and talent management initiatives
- Reward and remuneration, including incentive plans

**Our long-term goal is to connect our business and employees with the community in ways which make a genuine contribution, engage our people and strengthen our business.**

The success of AGL is shaped and measured not only by the financial outcomes of what we do, but by the social and environmental consequences our decisions and actions have on the wider community. We want to leave the place 'better' than when we arrived.

AGL Information Centre in Burra, South Australia.

### Community consultation

Community liaison and consultation is vital to engaging the community on new developments, expansions of existing infrastructure and ongoing operations. By engaging communities during the project development process, with regular communication and feedback, we are able to deliver and operate our projects while satisfying community concerns.

Across our business we:

- Include consultation with community stakeholders (including government groups, asset owners, local community groups, businesses, residents and local media) as a key aspect of project planning;
- Establish constructive working relationships and communication channels with key stakeholders and interest groups;
- Consider indigenous Australian cultural heritage issues in our consultation process;
- Seek community feedback and concerns; and
- Provide regular feedback to interested communities on the progress of projects.

### Upstream gas

AGL is exploring for and developing natural gas reserves through a number of key projects. Active Community Consultation Committees are in place for the Camden, Gloucester and Hunter projects. Independently chaired, each committee includes local council appointed representatives, local residents, local environment groups and AGL representatives. The committees provide a key forum for community involvement, where members can ask questions and make suggestions which AGL considers and adopts where appropriate. The committees participate in consultation processes for proposed exploration and development activities and also oversee the environmental performance of these activities.

### Power generation development projects

AGL has a number of electricity generation facilities at various stages of development. AGL is currently constructing the Hallett 2 Wind Farm, and together with the existing Hallett 1 Wind Farm and four other wind farms in development around Hallett, has a significant presence in the local community.

AGL has established an information centre in Burra to provide information about these projects, and has also introduced the AGL Hallett Wind Farm Community Fund. Through the Community Fund, AGL aims to provide annual grants to local community-based projects and groups for the next 25 years.

AGL recently received development approval to construct the gas fired Leafs Gully Power Station in south-west Sydney. Through the community consultation undertaken for the project, it became clear that a number of issues already being considered by AGL were also very important to the community, including how the potential environmental, health and economic impacts of the project would be addressed. Through the development approval process, AGL commissioned expert reports to understand and minimise localised impacts.

## Highlights

Opened the AGL Information Centre in Burra, South Australia to engage with the community on wind farms AGL is operating, constructing and developing.

Donated \$30,800 through the AGL Hallett Wind Farm Community Fund for a range of community projects.

Donated more than \$120,000 to charity through our Employee Giving program, from both employees and AGL dollar-for-dollar matching.

Provided more than 1,270 hours of volunteering services, conservatively valued at over \$89,000.

Contributed to the winter energy bills for 171 crisis accommodation services, funding the equivalent of over 83,000 warm winter nights for homeless Australians.

Delivered energy audits and other support services to a cumulative total of 113 hardship households in South Australia.

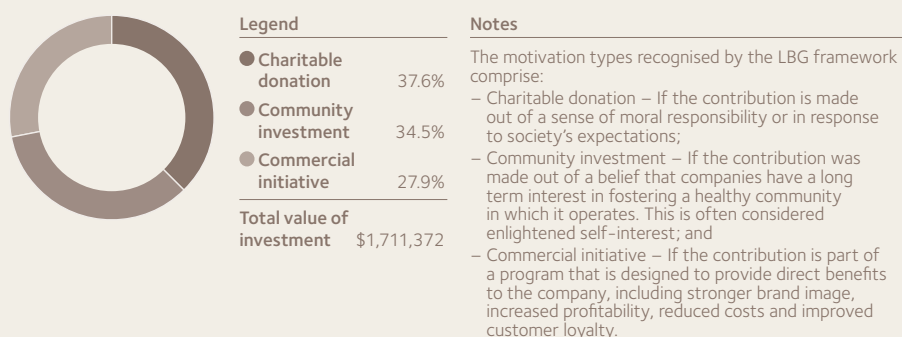
## Valuing our community contribution

AGL is a founding member of the London Benchmarking Group Australia/New Zealand and has been measuring and reporting the value of our contribution to the community using the LBG model since 2005/06. The LBG model provides a standardised methodology for organisations to account for and communicate their community contributions, and breaks down contributions by charitable cause as well as by motivation.

### Community contribution by program area



### Community contribution by motivation for investment



### Energy for Life

For the past six years, AGL's Energy for Life program has made a genuine contribution in the communities in which we live and work. Energy for Life's core social cause is homelessness, with this focus reflected across four key initiatives.

#### Employee Giving

AGL employees can elect to make regular payroll contributions to any of our 18 charity partners, with AGL matching each employee's contribution to a total maximum of \$200,000 each year. 7.2% of our workforce currently participate in this initiative. AGL is targeting an average monthly Employee Giving participation rate of 10% for 2009/10. This year, almost \$200,000 in additional funding was donated to charity from employees and AGL through fundraising events, as well as for the Victorian Bushfire Appeal.

### Volunteering

AGL's Volunteering program provides the opportunity for each AGL employee to take one day of paid volunteering leave per year to lead or support community causes and charitable organisations that are important to them. During 2008/09, 159 employees took volunteering leave, contributing over 1,270 hours to community causes, an increase of 87% compared to the hours taken in 2007/08. AGL is targeting a Volunteering participation rate of 10% for 2009/10.

#### Warmth in Winter

Each year, AGL invites crisis accommodation services to apply for a cash rebate based on their previous year's winter energy bills. Our contributions allow these organisations to channel funds to other services that directly benefit their clients.

During 2008/09, AGL completed energy audits at six emergency accommodation facilities, and funded the installation of energy efficient appliances at each audited facility.

### Energy Matters

Energy Matters is an energy efficiency and financial counselling program based in South Australia. Households who are experiencing difficulty paying energy bills are referred to the program, where they have access to home energy audits and an appliance fund to help them reduce energy consumption and stabilise household spending. Case workers are also able to link the individuals and families to other social services, such as parenting support and other counselling. Anecdotal feedback to Mission Australia suggests that some households have achieved savings of up to \$500 per energy bill.



[www.aglsustainability.com.au/community](http://www.aglsustainability.com.au/community)

- Community sponsorships
- Details of supported charities and key partnerships
- Donations made through our Employee Giving program and other initiatives
- Community consultation case studies for AGL's development projects

**Our long-term goal is to deliver growth in total shareholder returns and enhance the quality of earnings through sound risk management and diversification of earnings streams.**

We are embarking upon a decade of transformational reform of energy markets. AGL's integrated energy company strategy provides the flexibility to adapt to these changes.

Torrens Island Power Station in South Australia.

#### Integrated business strategy

AGL retails gas and electricity to residential, small business and commercial and industrial customers. Our cost of supply fluctuates with movements in energy prices.

AGL's integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and our customers' demand for energy. Vertical integration provides AGL with a natural hedge against energy price movements. Horizontal integration through operating across the National Electricity Market provides further diversification of our earnings streams. Benefits flow through to both our customers in the form of lower energy costs and to our Shareholders in the form of diversified sources of income and improved quality of earnings.

#### Electricity generation

The introduction of the Carbon Pollution Reduction Scheme and expanded Renewable Energy Target will affect future investment within the energy sector. The investment in new generation over the coming decade across the National Electricity Market is likely to double from \$17 billion to \$32 billion, most of which will be renewable energy.

Companies with renewable development opportunities are positioned well to thrive over the coming decade. AGL has Australia's largest privately owned, operated and controlled portfolio of renewable generation assets and a pipeline of renewable development opportunities. The AGL integrated strategy is consistent with a carbon-constrained future.

#### Upstream gas

We continued to build our upstream gas reserves but refined our strategy to focus on operational control. AGL recognises the growing importance that coal seam gas will play in the Australian gas market and has developed a strategy that will deliver future supply benefits.

We anticipate that with our current upstream gas investments and our existing wholesale contracts in place, AGL will be able to satisfy our supply requirements for our customers beyond 2017. This represents the longest 'reserves to consumption' ratio in the Company's history and demonstrates the growing sustainability of our business.



## Highlights

Delivered an underlying net profit after tax of \$378.8 million, up 11.1% on 2007/2008, paying fully franked dividends totalling 54.0 cents per share.

Transferred 93% of our customers to our new SAP-based retail business platform.

Commenced and/or continued to construct 353 MW of new renewable generation capacity.

Rebalanced our gas interests to focus on wholly owned and/or operated projects.

Completed a \$3.2 billion non-core asset divestment program to improve our balance sheet strength.

Refinanced our 2009 and 2010 debt maturity obligations of \$800 million.

## Financial performance summary

	2008/09	2007/08
Revenue	6.0b	\$5.7b
Operating earnings before interest and tax <sup>1</sup>	670.1m	\$703.2m
Net finance costs	94.0m	\$175.9m
Underlying net profit after tax <sup>1</sup>	378.8m	\$341.0m
Underlying basic earnings per share	85.0 cps	78.3 cps
Total annual dividend (fully franked)	54.0 cps	53.0 cps
Total assets <sup>2</sup>	9.0b	\$9.5b
Shareholders' equity	5.9b	\$5.0b
Underlying operating cash flow	447.6m	\$396.6m
Total capital expenditure	552.1m	\$324.6m
Gearing (net debt/(net debt + equity))	7.8%	29.0%
EBIT to average funds employed return	10.1%	10.6%

### Notes

1. Excluding significant items and fair value movements of financial instruments.
2. Includes derivative financial instrument contracts at fair value.

## Distribution of revenue

	2008/09 (\$ million)	2007/08 (\$ million)
Revenue	5,995.7	5,653.5
Other income <sup>1</sup>	1,924.6	223.7
Total revenue	7,920.3	5,877.2
Cost of goods, services, materials and other external costs	(5,633.2)	(5,317.0)
Wages, salaries and benefits to employees	(283.5)	(259.1)
Dividends to Shareholders	(236.1)	(225.6)
Net interest paid on borrowings	(81.5)	(151.9)
Income tax (expense)/income	(390.6)	62.2
Movement in retained earnings	1,295.4	(14.2)

### Notes

1. Includes profit on sale of non-core assets.

## Price regulation

A key issue within the energy sector is the continued government regulation of household and small business electricity and gas prices. In 2008/09, Victoria became the first state in Australia to discontinue regulation of retail prices. While the other states have also agreed to remove price regulation where competition is demonstrated to be effective, current price reviews by state regulators are underway, with new regulated price determinations likely to be in place in Queensland, New South Wales and South Australia at various points over the next 18 months.

AGL continues to be concerned about the price risks that exist for energy retailers where regulated prices do not reflect current energy costs or there have been changes to market conditions and increased costs cannot be passed through to customers on regulated tariffs. AGL participates in price reviews when they arise.

## Capital management program

AGL's disciplined approach is critical to the creation of shareholder value and to ensuring that investments are made in projects that provide sustainable earnings. AGL continues to pursue a capital management program that focuses on investments in core assets that generate positive cash flows. Over the past 12 months we have sold a number of assets that did not fully align with our integrated strategy, including our interests in Elgas and Queensland Gas Company Limited, as well as our oil and gas interests in Papua New Guinea. Collectively, the non-core asset sales program raised \$3.2 billion.

## Debt refinancing

In June, AGL successfully refinanced its 2009 and 2010 debt maturity obligations. The new facilities, which total A\$800 million in two tranches, are for a term of three years maturing in June 2012. Although we were looking to refinance only \$800 million, we received commitments for approximately \$1.2 billion from both domestic and offshore banks. This is a significant achievement given the current global financial climate and the difficulty many companies are currently having in sourcing credit.



[www.aglsustainability.com.au/economic](http://www.aglsustainability.com.au/economic)

- Implications for earnings from CPRS and RET
- Upstream gas investments
- Response to pricing reviews

[www.agl.com.au/annual-report](http://www.agl.com.au/annual-report)

- Detailed financial information
- Corporate governance statement

**AGL is the only Australian integrated energy company included in the Dow Jones Sustainability World Index.**

AGL's carbon disclosure was ranked third in the world out of 110 of the world's largest publicly listed electric utilities.

Turbine gauge board at Torrens Island Power Station.

Our share price is included in the following indexes



**DJSI World**

AGL is a constituent company in the Dow Jones Sustainability World Index (DJSI World) 2009/10, which tracks the top 10% in terms of sustainability performance in each sector of the world's largest 2,500 companies.



**DJSI Asia Pacific**

AGL is a constituent company in the Asia Pacific Dow Jones Sustainability Index (DJSI Asia Pacific) 2009/10, which tracks the top 20% in terms of sustainability performance of the 600 largest companies in the developed Asia Pacific Markets.



**AuSSI**

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



**FTSE4Good**

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

**Recognition and awards**

**Carbon Disclosure Project**

In April 2009, AGL's carbon disclosure was ranked third in the world out of 110 of the world's largest publicly listed electric utilities. AGL has also earned a place in the ASX 100/ NZ 50 2008 Climate Disclosure Leadership Index, and a leading ranking in the Australian and New Zealand utilities sector.

**Ethical Investor Sustainability Awards 2008**

At the Ethical Investor Annual Sustainability Awards in December 2008, AGL was the winner of the Special Award for the Environment. The award acknowledges AGL's strategic response to climate change, and AGL's disclosure record in relation to greenhouse gas emissions. AGL was also a finalist for the Ethical Investor Special Award for Corporate Governance and for the 2008 Sustainable Company of the Year. AGL was independently nominated for these awards.

**NSW Government Green Globe Awards 2009**

In July 2009, AGL was the winner of a long-term recognition award, for ongoing commitment to environmental excellence over the past 10 years.

**ACCA Australia and New Zealand Sustainability Reporting Awards 2009**

AGL's 2008 Sustainability Report was one of the 27 that were shortlisted for consideration out of 77 entrants.

## Feedback

We welcome your feedback on our sustainability performance and on any aspect of our report.

Please contact:

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Alternatively, please visit  
[www.aglsustainability.com.au/feedback](http://www.aglsustainability.com.au/feedback)



## We support

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

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

## Product accreditation/certification



An Australian Government Initiative

AGL Green Balance™ is certified under the Department of Climate Change's Greenhouse Friendly™ initiative.



AGL Green Spirit, AGL Green Living™, AGL Green for Free and AGL Green Energy™ are accredited under the National GreenPower program.

## Notes

**GreenPower** is a trademark of the State of New South Wales Department of Water and Energy.

**Greenhouse Friendly** is a trademark of the Commonwealth of Australia, as represented by the Department of Climate Change.

**CCX** is a trademark of Chicago Climate Exchange, Inc.

## About this report

This document is a printed summary of the AGL Sustainability Report 2009, which is only available online at [www.aglsustainability.com.au](http://www.aglsustainability.com.au)

The AGL Summary Sustainability Report 2009 is printed on Envi™, Australia's first carbon-neutral paper. Envi is also the first paper stock in Australia to carry the Federal Government's Greenhouse Friendly™ certification, and is the stock of choice for all AGL customer communications.

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

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

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

**AGL Energy Limited**  
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