

- 2 AGL will continue to implement initiatives to increase the number of women in leadership positions. By March 2012, AGL will develop succession plans to increase female representation in key leadership positions.

Progress to date

AGL is enhancing its talent management processes to facilitate an increased representation of women in leadership. Additional metrics have been developed to assess the proportion of women identified as successors for critical roles. These metrics have been applied to the talent review process to identify where women's representation in the leadership pipeline can be improved.

- 3 AGL will ensure equity in remuneration principles. By September 2011, AGL will embed pay equity analytics into AGL's Remuneration Review System and update remuneration training for leaders to include pay equity principles.

Progress to date

In March 2011, leaders received training on AGL's remuneration principles and practices, including gender pay equity concepts. The training is being adapted to an online format and will be launched later in 2011.

AGL's remuneration review system now provides simple on-screen calculations and tailored reporting to assist leaders assess whether they have any unexpected (potentially gender-biased) results at the time remuneration is being set.

- 4 AGL will support employees seeking flexible work arrangements as well as the specific needs of our employees who are carers. By December 2011, AGL's Parental Leave Policy will be updated to be amongst best practice organisations.

Progress to date

A new Parental Leave Policy has been approved by the Executive Team. The new policy provides 14 weeks paid leave for women or men who are the primary carers of a newborn or newly adopted child and 2 weeks paid leave for partners at the time of birth or adoption. Employees also have the flexibility to structure their paid leave flexibly, in multiple blocks or on a part-time basis, to match their individual caring situation. The policy is expected to be launched during FY2012.

Recommendation 3.4 – Companies should disclose the proportion of women employees in the company, in Senior Executive positions, and on the Board

Female Directors on the Board	25%
Female employees in the Company	45%
Female employees on the Executive Team	11%
Female employees in leadership positions	33%

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – The Board should establish an audit committee

The Board has established an Audit and Risk Management Committee. Its primary function is to assist the Board in fulfilling its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

Recommendation 4.2 – The audit committee should be appropriately structured

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

The composition of the Committee has changed during the financial year. Belinda Hutchinson joined the Committee in December to replace Jerry Maycock who stepped down as a member following his appointment to the role of AGL Chairman. The Committee currently comprises four members – John Stanhope (Chair), Bruce Phillips, Les Hosking, and Belinda Hutchinson. John Stanhope has financial expertise as a qualified accountant. Bruce Phillips and Les Hosking each have long careers in the energy industry. Belinda Hutchinson also has prior energy industry experience as a former Director of Energy Australia and Snowy Hydro Trading. She also has extensive experience in finance and risk management. Further details of the qualifications and experience of all

Committee members are disclosed on pages 42 and 43 of this Annual Report.

The CEO, CFO, Company Secretary (who also has responsibility for AGL's Group Risk and Compliance function), Head of Group Audit and the external auditor attend Committee meetings at the discretion of the Committee. Other non-executive Directors may attend meetings. Although he ceased to be a member of the Committee after becoming AGL Chairman, Mr Maycock has attended all meetings held during the year.

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

The Company Secretary is the secretary to the Committee. Copies of the minutes of a meeting of the Committee are distributed to the Board for discussion at the next full Board meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

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

The Committee met five times during the year. Directors' attendances are set out on page 44 of this Annual Report.

Recommendation 4.3 – The audit committee should have a formal charter

The Committee operates under a formal Charter published on AGL's website. The Charter is required to be reviewed by the Committee and updated at least every two years. The Charter was most recently reviewed and updated in June 2010.

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