

person who has expertise in managing employee grievances. The Ethics Panel met four times during the year.

AGL's Code of Conduct was most recently reviewed by the Board in 2010. The Code of Conduct is available on AGL's website.

Compliance Policy

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

AGL's Compliance Policy sets out responsibilities for compliance with AGL's legal obligations. The Policy is published on AGL's website.

Recommendation 3.2 – Companies should establish a policy concerning diversity

In 2011, AGL adopted a Diversity and Inclusion Policy to describe AGL's approach to diversity and inclusion and how these attributes are to be embedded in AGL workplaces. The Policy includes specific provisions regarding gender diversity and the positive correlation between increased representation of women on company boards and in senior management positions and the achievement of better financial performance, higher employee retention rates, and enhanced corporate image and reputation. The Policy is published on AGL's website.

AGL has established a Diversity & Inclusion Council to support the achievement of a diverse workforce and an inclusive workplace culture. The Council is chaired by Michael Fraser, AGL's CEO, and comprises eight other members drawn from senior leaders across AGL's business. Five of the members are women.

Recommendation 3.3 – Companies should disclose the measurable objectives for achieving gender diversity and progress toward achieving those objectives

During 2011, the Board established measurable objectives for achieving gender diversity. The objectives focussed on establishing the foundations, policies and practices to underpin an inclusive workplace culture that supports gender diversity. These objectives align with the diversity focus areas established by the Diversity & Inclusion Council: building AGL's inclusive workplace culture; flexibility and carer's needs; and women in the workplace.

The objectives, and progress made toward achieving them, are set out below.

- 1 AGL will continue to build a culture of inclusion that will support all employees to contribute and achieve their potential. By June 2012, AGL will deliver face-to-face diversity and inclusion training to AGL leaders.

Progress to date

A customised workshop for leaders has been developed and delivered across all areas of the business. It builds on traditional anti-discrimination and harassment compliance training to cover concepts of diversity, inclusion and unconscious bias; how these play out in the workplace; and how to manage issues when they arise. 370 AGL leaders attended the training during FY2012.

- 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 continues to enhance 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 business critical roles. These metrics have been applied in AGL's talent review process and are supporting development planning for women across the Company with the aim of deepening the pool of potential female successors for critical roles.

- 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

Revised remuneration training for leaders was delivered during March 2011 and this training included gender pay equity concepts. The training was adapted to an online format and launched across AGL in November 2011. The online training module is included in the on-boarding process for all new AGL leaders.

AGL's remuneration review system now delivers 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. These enhancements were implemented for the

remuneration review process undertaken at the start of the year. They have delivered a more efficient means of providing fair remuneration outcomes for all employees.

- 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 was launched in December 2011. It included enhancements to position AGL's policy among best practice organisations. 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. Paid parental leave provided under AGL's policy is in addition to any paid parental leave entitlement under the Australian Government Paid Parental Leave scheme.

Having met the objectives set in 2011, the Board set new objectives for the year commencing 1 July 2012. The objectives reflect AGL's policy continuing work to establish and embed an inclusive workplace culture that supports gender diversity, and include a three year goal to increase the representation of women in the most senior positions in the company. These objectives do not yet extend to AGL Loy Yang. The Board will consider setting objectives that are inclusive of AGL Loy Yang during 2013.

- 1 AGL will continue to build a culture of inclusion that will support all employees to contribute and achieve their potential. By June 2013, AGL will, in a consultation process with employees, identify and develop further initiatives to embed inclusive leadership and support workforce diversity.

Progress to date

During the coming year, AGL will be developing and implementing further initiatives to build on the leadership awareness and skills developed through the inclusive leadership training implemented over the last twelve months. In addition, AGL will conduct a Diversity Census to develop a deeper understanding of its workforce demographics and the needs of particular employee groups.