

Meetings

Notices of meeting sent to AGL's shareholders comply with the "Guidelines for notices of meeting" issued by the ASX in August 2007. Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practical. Approximately 100 shareholders took the opportunity to submit questions in advance of the 2010 Annual General Meeting.

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

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

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

The external auditor attends AGL's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to AGL at least five business days before the day of the meeting. No questions were sent to the auditor in advance of the 2010 Annual General Meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by AGL and the independence of the auditor.

Principle 7: Recognise and manage risk

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

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

Risk Management Policies

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

Supply risk

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

Asset operating risk

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

Regulatory risk

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

Compliance risk

AGL operates in a heavily regulated industry.

Climate change

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

Financial risks

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

AGL systematically examines all operational and financial areas of the Company to identify its major risk exposures using an enterprise-wide risk program based on ISO31000, the international standard on risk management. This program is supported by AGL's Risk Management Policy.

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

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

Roles and responsibilities

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

Board

The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that AGL has a sound system of risk management and internal control that is operating effectively. The Committee assists the Board in carrying out these responsibilities. Details of the operation of the Committee are included in the commentary on Principle 4.

Committee

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

The Committee has responsibility for approving the internal audit plan submitted annually by Group Audit. The internal audit plan is based on an assessment of AGL's main risk exposures. The Committee also reviews and approves the annual external audit plan.

Executive Team

The CEO has primary responsibility for designing, implementing and reporting on AGL's risk management framework. The Executive Team collectively has responsibility for promoting a risk management culture throughout AGL, including consistent application of the Risk Management Policy across AGL.