



# Compliance Management Policy

April 2016

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## Document management

Date	Version	Comment
11/06/10	1	This Policy version replaces the former AGL Legislative Compliance Policy dated August 2008.
20/06/11	2	Revision to change the periodic review of this Policy from annually to every two years.
11/11/13	3	Revision incorporating modification to responsibilities in line with Ernst & Young Risk Management and Compliance Frameworks audit report recommendations dated August 2013.
19/04/2016	4	Complete revision in line with ISO 19600:2015 and review of the AGL Risk Management Policy so as to align in format, terminology and responsibilities.

## 1. Policy Statement

AGL Energy Limited (AGL) is committed to maintaining a culture of integrity, compliance and ethical behaviour that is underpinned by its values and the AGL Code of Conduct. Building and upholding a strong compliance culture is critical to achieving AGL's strategic, operational and commercial objectives and can also be a source of competitive advantage.

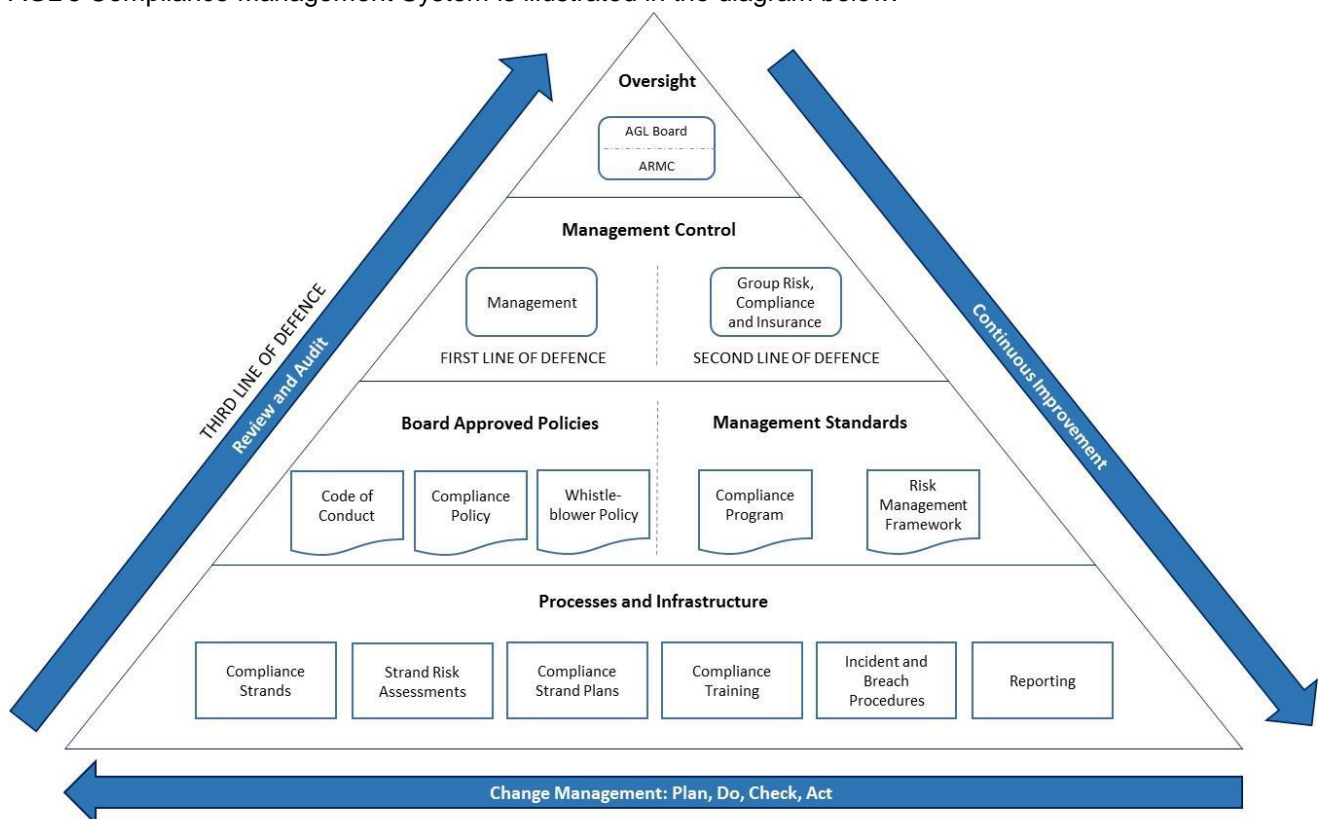
The purpose of this Policy is to set out AGL's compliance management objectives, its commitment to maintaining a culture of compliance and to clearly articulate responsibilities of all AGL personnel in relation to compliance.

This Policy is supported by the AGL Compliance Program which describes the requirements and processes necessary for AGL to meet its compliance objectives and to manage its compliance risks. This Policy and the Compliance Program are key components of AGL's Compliance Management System.

This Policy aligns with the principles and requirements set out in ISO 19600:2015 Compliance Management Systems and has been approved by the AGL Board of Directors (Board).

## 2. AGL's Compliance Management System

AGL's Compliance Management System is illustrated in the diagram below.



### 3. Scope

This Policy applies to AGL, its directors, and its employees, including employees working on fixed term contracts and contracted labour (collectively referred to as 'Employees').

### 4. AGL Compliance Context

AGL is an integrated energy company, listed on the Australian Securities Exchange. AGL operates four distinct businesses:

- Energy Markets which is responsible for satisfying the gas and electricity requirements of AGL's wholesale, consumer and business customers.
- Group Operations which is responsible for managing a diverse power generation portfolio, spread across traditional thermal (coal & gas) generation, gas & LNG storage, and renewable sources including hydro, wind, biofuels and solar.
- New Energy which is responsible for driving AGL's capabilities in taking new and distributed technologies to market in Australia.
- Investments including AGL's equity investment in the ActewAGL Retail Partnership and its joint venture interests in North Queensland gas production and merchant businesses.

As a publicly listed company and given the broad nature of its business, AGL operates in a highly regulated environment. Accordingly, the compliance risk inherent in AGL's external and internal operating environments is complex and diverse.

AGL is subject to a wide range of compliance obligations, which are comprised of compliance requirements (things we must do, e.g. by law) and compliance commitments (things that we choose to do). AGL's compliance obligations include, but are not limited to:

- laws and regulations;
- permits, licenses and other forms of authorisations;
- orders, rules and guidance issued by regulatory agencies;
- relevant industry codes and compulsory standards;
- judgements of courts and administrative tribunals;
- AGL's own organisational requirements including policies and procedures; and
- obligations arising under contractual arrangements with third parties.

Penalties for non-compliance can result in fines, increased external reporting requirements, increased regulation, efficiency impacts, stop work orders and suspension or withdrawal of operating licences. In some instances non-compliance could result in individual penalties, as well as penalties for the organisation. Non-compliance can also damage AGL's reputation with external parties. Meeting our compliance obligations is therefore critical to enabling continued operations.

Effective compliance management is also a means of achieving competitive advantage that is pivotal to enabling the continued growth and success of our business.

## 5. Compliance Management Objectives

Compliance management is essential to establishing good corporate governance and is also a fundamental component of good risk management. AGL's objectives in relation to managing compliance risk are:

1. Promoting an enterprise wide approach to compliance management by integrating it with:
  - organisational strategy and decision making;
  - AGL's risk management framework; and AGL Compliance Management Policy April 2016 5
  - audit and general governance functions.
2. Developing and fostering a strong compliance culture within the business that supports:
  - proactive and accountable management and decision making;
  - clear ownership of compliance obligations and risks;
  - clearly defined roles, responsibilities and performance expectations; and
  - the provision of adequate resources to meet our compliance obligations.
3. Identifying and managing AGL's compliance obligations. This includes identifying compliance risks associated with these obligations, assessing their materiality, developing appropriate compliance plans and allocating resources for their treatment.
4. Communicating our compliance obligations, including risks, management processes, non-compliances and near misses as well as improvement activities and audit outcomes in accordance with this Policy and the Compliance Program.
5. Raising the level of awareness of our compliance obligations throughout the business by providing relevant compliance training, education and guidance.
6. Enabling the design and implementation of compliance controls that are:
  - developed in accordance with the risk associated with the compliance obligation;
  - cost effective and appropriate; and
  - documented and periodically reviewed for effectiveness.
7. Providing timely and accurate monitoring, review and continual improvement of the Compliance Management System.

## 6. Compliance Roles & Responsibilities

In accordance with AGL's Code of Conduct, it is the responsibility of all Employees to comply with the law, AGL's contractual commitments and AGL's policies and procedures (including the Compliance Management System) and to work towards embedding AGL's compliance management objectives within their areas of responsibility.

### AGL Board

The Board is responsible for:

- approving, and monitoring the implementation of policies governing AGL's systems of internal compliance, risk management and control; and
- monitoring AGL's compliance with obligations governing AGL's operations.

To assist it in discharging its responsibilities the Board has established the Audit and Risk Management Committee (ARMC).

### AGL Audit and Risk Management Committee

The ARMC has been established to, among other things:

- review, and recommend to the Board approval of, the Policy for managing compliance risk at AGL;
- monitor the effectiveness of AGL's compliance policies and procedures; and
- monitor – and discuss with management - progress in responding to inquiries from regulatory authorities.

The ARMC operates and reports within the terms of the ARMC Charter endorsed by the Board.

### Chief Executive Officer and Executive Team

The Chief Executive Officer (CEO) is responsible for managing AGL in accordance with the strategy, business plans and policies approved by the Board, including this Policy.

This includes responsibility for managing the implementation of AGL's Compliance Management System and promoting a positive compliance culture within AGL.

The Executive Team is accountable to the CEO for:

- identifying, assessing, managing, reporting, reviewing and monitoring of compliance issues; and
- ensuring that there are systems in place to maintain adherence to this Policy.

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## **Group Risk, Compliance & Insurance**

Group Risk, Compliance & Insurance (GRCI) has carriage of the AGL wide compliance function. GRCI reports to the Company Secretary and is independent from business operations in terms of its reporting line. It is responsible for:

- facilitating the identification, monitoring and reporting of AGL's Tier 1 Risks, which includes consideration of compliance risks;
- promoting and facilitating a standardised approach to effective compliance management, including the ongoing review and improvement of AGL's Compliance Management Framework System;
- assisting the business to identify, understand and manage compliance risk;
- facilitating the integration of AGL's approved processes for managing risk and compliance within the business; and
- reporting to the ARMC no less frequently than quarterly on material risks and material compliance obligations (known as compliance strands).

## **Compliance Strand Managers**

Compliance Strand Managers are accountable for overseeing and managing compliance with their assigned compliance strands, this includes the identification of new or changed compliance obligations.

Compliance Strand Managers must report to a member of the Executive Team, but may appoint another employee within their leadership team to coordinate and report on compliance activities (including non-compliances and near misses) relevant to the compliance strand.

Compliance Strand Managers must provide a report, at least quarterly, to GRCI on the performance of the strand.

## **Group Legal**

Group Legal assists with the identification and interpretation of new and existing compliance obligations.

## **Group Audit**

In accordance with its charter, Group Audit provides independent, objective assurance and consulting services to the ARMC and senior management designed to support and assist, both directly and indirectly, AGL to achieve its strategic objectives in an efficient and effective manner and within an acceptable level of risk.

Group Audit is responsible for developing the Internal Audit Plan that will be a risk based flexible plan, using an appropriate risk based methodology.

Group Audit reviews are designed to assess that activities appropriately mitigate risk and are in compliance with AGL policies and procedures, which are designed to comply with industry standards, legislation and regulations.

The scope and design of internal audit reviews may consider compliance risk.

The type of assurance engagements that Group Audit can undertake include compliance audit reviews.

### **Employees**

AGL's Employees are required to:

- familiarise themselves with this Policy and other policies concerning the compliance with obligations that are relevant to their workplace activities;
- adhere to relevant legislation and their compliance obligations;
- incorporate compliance management practices into their workplace activities;
- report and escalate all compliance concerns, issues and breaches as required by the Compliance Program; and
- undertake training in accordance with the Compliance Program.

## **7. Compliance Commitments**

AGL is committed to the effective development and implementation of the Compliance Management System and to meeting the compliance objectives set out in section 4 of this Policy. This commitment is reflected in the following areas:

### **Compliance Awareness and Management**

AGL takes compliance seriously and expects all Employees to fulfill their compliance obligations. Each area of the business is accountable for managing key compliance risks and ensuring that Employees understand and are aware of their compliance obligations.

The necessary structures and processes to achieve effective compliance management and embed a compliance culture within the business are set out in the Compliance Program.

### **Reporting and Complaints Handling**

AGL actively encourages the proactive reporting and remediation of compliance related complaints, breaches, incidents and issues through established compliance and breach reporting and complaints handling processes

AGL Employees are required to observe breach reporting and complaints handling processes relevant to the requirements of their employment responsibilities.

AGL has a Whistleblower Policy in place, which provides further guidance and support for reporting such matters.

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### **Communication with External Parties**

AGL will cooperate with external regulators, to the extent possible, in relation to inquiries concerning AGL's Compliance Management System. Communication is only to occur via Employees who have the responsibility for managing relevant regulator relationships or who are authorised to communicate with such external parties.

### **Compliance Awareness - Education and Training**

AGL recognises that its compliance obligations should be fully understood by all those participating in the business and that education and training are fundamental to aid this understanding.

GRCI will have oversight of AGL's compliance training program aimed at providing Employees with the necessary competencies to understand their compliance obligations and perform their roles effectively.

With the support of the business, it is incumbent on Employees to ensure that they have the necessary competencies to perform their roles.

### **Compliance Program**

AGL will maintain a Compliance Program which provides further detail and clarity on the roles and responsibilities, and the steps and processes needed to maintain compliance with AGL's obligations.

## **8. Non-Compliance with AGL's Obligations**

Under no circumstances is it acceptable for AGL Employees to knowingly, deliberately or recklessly breach AGL's compliance obligations, or act unethically in the course of performing, or advancing, AGL's business.

Knowingly and deliberately breaching a compliance obligation may result in termination of employment.

## **9. Related & Supporting Policies**

This Policy is supported by, and interrelates with, other AGL policies and standards as issued from time to time. These policies and standards, located on Company Secretariat page of The Grid, include but are not limited to:

- AGL Risk Management Policy
- AGL Risk Management & Assessment Framework
- Code of Conduct.
- Compliance Program
- Whistleblower Policy
- Fraud & Corruption Risk Control Policy.



## 10. Audit and Review

Group Audit facilitates good governance by periodically reviewing the continuing suitability and effectiveness of this Policy and reporting its findings and recommendations for improvement to the ARMC.

Group Audit may conduct ongoing audits of compliance performance and the compliance programs established throughout the business.

In addition to the above internal audit activities, AGL will engage an independent party to review its Compliance Management System at least once every three years.

## 11. Reviewing & Maintaining the Policy

This Policy is administered by GRCI. The Policy is to be reviewed every two years. Changes to the Policy require Board approval.

## 12. Glossary of Terms

Descriptor	Definition
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<b>Compliance Management System</b>	Set of interrelated or interacting elements of an organisation to establish policies and objectives and processes to achieve compliance objectives. In the context of AGL, this Policy and the Compliance Program are key components of the Compliance Management System.
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<b>Compliance Program</b>	Document that supports this Policy and provides further detail on the roles and responsibilities and the detailed steps and processes required in order for AGL to meet its compliance obligations.
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